

TARIFF ACT OF 1929

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FIRST CONGRESS

FIRST SESSION

ON

H. R. 2667

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

VOLUME XV

SCHEDULE 15 SUNDRIES

JUNE 25, 26, 27, 28, 29, and JULY 1 and 2, 1929

(With Supplement)

I N D E X E D

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COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FIRST CONGRESS, FIRST SESSION

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ISAAC M. STEWART, *Clerk*

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE

SCHEDULE 15.—SUNDRIES

HENRY W. KEYES, New Hampshire, *Chairman*

| | |
|------------------------------|--------------------------------|
| JAMES COUZENS, Michigan. | DAVID I. WALSH, Massachusetts. |
| CHARLES S. DENEEN, Illinois. | ELMER THOMAS, Oklahoma. |

FOREWORD

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

Date of hearings and tariff subcommittees

| Schedules | Date to commence | Subcommittees |
|--|-----------------------|--|
| | | <i>Subcommittee No. 1, room 212 Senate Office Building</i> |
| 1. Chemicals, oils, and paints. | June 14..... | Smoot, chairman, Reed, Edge, King, and Barkley. |
| 2. Earths, earthenware, and glassware. | June 19..... | Edge, chairman, Smoot, Reed, King, and Barkley. |
| 3. Metals and manufactures of. | June 26..... | Reed, chairman, Smoot, Edge, King, and Barkley. |
| | | <i>Subcommittee No. 2, room 312 Senate Office Building</i> |
| 6. Tobacco and manufactures of. | June 13..... | Shortridge, chairman, Smoot, Watson, Harrison, and Connally. |
| 8. Spirits, wines, and other beverages. | June 14..... | Shortridge, chairman, Smoot, Watson, Harrison, and Connally. |
| 7. Agricultural products and provisions. | June 17..... | Watson, chairman, Smoot, Shortridge, Harrison, and Connally. |
| 5. Sugar, molasses, and manufactures of. | June 26..... | Smoot, chairman, Watson, Shortridge, Harrison, and Connally. |
| | | <i>Subcommittee No. 3, room 301 Senate Office Building</i> |
| 9. Cotton manufactures..... | June 14..... | Bingham, chairman, Greene, Sackett, Simmons, and George. |
| 10. Flax, hemp, jute, and manufactures of. | June 19..... | Greene, chairman, Bingham, Sackett, Simmons, and George. |
| 11. Wool and manufactures of. | June 24..... | Bingham, chairman, Greene, Sackett, Simmons, and George. |
| 12. Silk and silk goods..... | July 1 (2 p. m.)..... | Sackett, chairman, Greene, Bingham, Simmons, and George. |
| 13. Rayon manufactures..... | July 8..... | Sackett, chairman, Greene, Bingham, Simmons, and George. |
| | | <i>Subcommittee No. 4, room 412 Senate Office Building</i> |
| 14. Papers and books..... | June 13..... | Deneen, chairman, Couzens, Keyes, Walsh (Mass.), and Thomas (Okla.). |
| 4. Wood and manufactures of. | June 17..... | Couzens, chairman, Deneen, Keyes, Walsh (Mass.), and Thomas (Okla.). |
| 15. Sundries..... | June 25..... | Keyes, chairman, Couzens, Deneen, Walsh (Mass.), and Thomas (Okla.). |

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

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

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

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

ISAAC M. STEWART, *Clerk.*

TARIFF ACT, 1929

SCHEDULE 15—SUNDRIES

TUESDAY, JUNE 25, 1929

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

The subcommittee met, pursuant to adjournment, at 9.30 o'clock a. m. in room 412, Senate Office Building, Senator Keyes, presiding. Senator KEYES. The committee will come to order.

We are taking up this morning the sundries schedule, No. 15. As you all know, it is rather lengthy, covering a very wide field of industries. It is very desirable, at least the committee thinks it is, that we have as little repetition as possible. Those of you who are to be witnesses here to-day and who have testified before the Ways and Means Committee we would request that you not repeat your testimony but confine yourself to anything new that you may have to add. We do not like at this time to put a time limit upon the witnesses, but I want to give you fair warning that we shall have to do that unless the witnesses are prepared to condense their testimony. Otherwise, we would hold these hearings indefinitely.

We have tried to arrange the hearing to accommodate as many people as possible, but we found that probably the best plan to follow would be to take up the paragraphs as they appear in the schedule, beginning with paragraph 1501. And that is what we propose to do. We may have to deviate from that somewhat, but we propose to follow that plan as closely as possible.

I want to appeal to you, and give you fair warning as well, to confine your testimony to new matter which has not been before the Ways and Means Committee. And if you have filed briefs before the Ways and Means Committee, as you know, we have those briefs before us.

Again, let me caution you that we want you to be brief and concise and confine testimony strictly to new matter.

ASBESTOS PRODUCTS

[Par. 1501]

STATEMENT OF W. C. DODGE, JR., REPRESENTING FERODO & ASBESTOS (INC.), NEW BRUNSWICK, N. J.

(The witness was duly sworn by the chairman of the subcommittee.)
Senator KEYES. Whom do you represent?

Mr. DODGE. Ferodo & Asbestos (Inc.), New Brunswick, N. J.

Senator COUZENS: No one but yourself?

Mr. DODGE. No one but myself.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. DODGE. No, sir.

Senator KEYES. Very well.

Mr. DODGE. I am appearing before you to ask that the rate on asbestos textile products be not increased. The existing rate is 30 per cent. The proposed rate is 40 per cent. I am appealing to you rather to consider a reduction in the existing rate from 30 per cent to 25 per cent. I am probably the only one who will appear before your committee asking for a reduction and representing importing interests for the very reason that the existing rate on asbestos textiles has been sufficiently high to curtail importations.

The company I represent started in business in about 1919 with the object of importing asbestos products. So constantly have we found the American competition making it impossible for us to compete that we have gradually had to divert the manufactured products, which we are now making in New Brunswick, N. J.

Senator THOMAS. At this point, Mr. Dodge, will you explain just what manufactured products you have in mind?

Mr. DODGE. Asbestos textile products as defined in paragraph 1501 of the Hawley bill. That is a very good definition, by the way—yarns, rollings, tapes, and cloths, and anything that can be spun or woven from asbestos.

Senator KEYES. What do you make? What is your finished product?

Mr. DODGE. Our finished product in large measure is asbestos brake lining for automobiles. The price of raw automobiles is practically the same the world over. Nobody has an advantage in that. If anything, the American producer has the advantage of a lower transportation cost from Canada to America, because the principal source of supply is Canada. The only difference that would be involved in the finished cost would be wage differentials between one country and another. That would be the basis finally upon which duty might be considered.

The United States is the largest manufacturer of asbestos products obviously, because even as to motor vehicles there are twenty-four million-odd for which brake lining is supplied. The rest of the world combined has hardly more than seven or seven and a half million vehicles. The demands in this country are so much greater than elsewhere that the industry is an enormous one, providing the opportunity for efficient costs and efficient methods.

The exports of asbestos products from this country greatly exceed imports. In the last six years they have averaged almost two to one, especially in asbestos textile products.

If I might make the suggestion, sirs, and if you are appealed to by manufacturers in this country, you can provide a very simple test, because my statements are so diametrically opposed to their statements that one of us must be wrong. And I would like to make one simple suggestion.

If you are appealed to, ask the American producer to name you one or two large buyers in the United States who are to-day buying

an imported asbestos yarn in bulk quantities such as to threaten their industry.

I think that would be a very simple way of getting at it. If they can only mention two I think it will serve your purpose and show just to what extent imports are threatening their industry, as they claim.

Candidly, I can not find any products except negligible quantities that are being brought in and sold in competition with the American producer.

Senator THOMAS. Who is asking that this rate be increased?

Mr. DODGE. American manufacturers.

Senator THOMAS. Who are they?

Mr. DODGE. In name, such firms as Johns-Mansville, the Raybestos Co., the Asbestos Textile Co., the United States Asbestos Co. There are 18 or 20 of them, at least. They practically control the market to-day; they enjoy practically all of the business, and, for the life of me, I can not understand why they ask for an increased tariff, because the imports are really negligible, except in so far as asbestos shingles are concerned, as to which I have nothing to say. That is not my business, and I know nothing about it.

Asbestos textile products are practically eliminated, except in negligible quantities. You will find asbestos yarn importations considerably increased in 1926, 1927, and 1928, for which my company was responsible. We were producing a high class product in New Brunswick and selling the finished product at a higher price than the rolling product in this country—high class brake lining. You will find those imports decreased in 1928, and they further decreased this year because we found the duty of 30 per cent was so high that we had to put in a plant of our own at New Brunswick, and we are now producing our yarns, because we simply could not stand the duty, though we are importing negligible quantities.

I think I have given you just enough of a sketch of the matter. That will end my appearance.

Senator KEYES. Are there any questions?

Mr. DODGE. May I file this brief?

Senator KEYES. Certainly.

(The brief referred to is as follows:)

BRIEF OF FERODO & ASBESTOS (INC.), NEW BRUNSWICK, N. J.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

PAR. 1501. (a) Yarn, slivers, rovings, wick, rope, cord, cloth, tape, and tubing, of asbestos, or of asbestos and any other spinnable fiber, with or without wire and all manufactures of any of the foregoing, 40 per cent ad valorem:

The demand for asbestos textile products in the United States, in the form of asbestos yarns, tapes, cloths, packings, brake and clutch linings is so great that the domestic industry has built up a large productive capacity, far outranking the rest of the world in volume and value. For the automotive industry alone, United States manufacturers now supply brake linings for over 24,500,000 vehicles, while motor vehicles for the rest of the world number hardly more than 7,500,000. The large production made possible by the demand thus created, has resulted in efficient methods and low costs.

This company has been the largest importer of asbestos textiles, as classified under the above-mentioned paragraph.

Owing to the prevailing duty of 30 per cent ad valorem, it has become increasingly difficult to sell these products in the form imported, in competition with comparable products of domestic manufacture.

During the years 1926-1928, we imported larger quantities of asbestos yarn than formerly, for use in the manufacture of high-class specialties, produced by us in our New Brunswick, N. J., plant. But the duty of 30 per cent resulted in a cost so much higher than domestic yarn, that we have had to practically discontinue such importation. Thus importations of asbestos yarn during 1928 show a marked decline as compared with 1927, while for the first four months of 1929 the value of asbestos yarn imports is \$6,638 as compared with \$54,561 for the same period in 1928. (See Exhibit A.)

It will be realized from the above and the statements appended herewith, that a duty of 30 per cent on asbestos textiles provides greater protection than is required by the domestic industry and as a result imports have been reduced to a negligible quantity.

The fact that United States exports of asbestos manufactures have exceeded imports by an average of 176 per cent during the six years ending 1928, clearly indicates that the domestic manufacturer is well able to compete in the world markets, where he does not have the benefit of the protection afforded him in his home market. (See Exhibit A.)

In the face of this situation, we can reasonably and fairly ask that no increase be made in the prevailing rate of 30 per cent, but that consideration be given to reducing the rate of duty to 25 per cent, which would more nearly equalize the differences between costs of production here and abroad.

We are confident the rate of 40 per cent ad valorem proposed in the Hawley bill will eliminate entirely the importation of asbestos textiles.

We respectfully suggest that under paragraph 1501, subparagraph (a) the rate be changed from 40 per cent ad valorem to 25 per cent ad valorem, and under subparagraph (b) the rate be changed from 30 per cent ad valorem to 25 per cent ad valorem.

Respectfully submitted.

FERODO & ASBESTOS (INC.),
W. C. DODGE, JR., Vice President.

Asbestos yarn.—In a brief filed with the Committee on Ways and Means by a group of domestic manufacturers the statement was made that the average cost of production in the United States of 10-cut yarn, without profit is 44 cents a pound.

As shown on Exhibit B, wages in the United States are 100 per cent higher than in England. Labor represents about 15 per cent of the cost of producing a 10-cut asbestos yarn. Assuming a cost of 44 cents per pound as correct, labor would amount to 6.6 cents per pound.

Assuming a 10-cut yarn could be imported at 31 cents per pound (as suggested by the domestic manufacturers) the prevailing duty of 30 per cent ad valorem would amount to 9.3 cents per pound, thus amply protecting the domestic manufacturer for the difference in labor costs.

It is impossible to import from England a 10-cut asbestos yarn, with the present duty of 30 per cent added, as low as 44 cents per pound. But we believe the cost of the domestic manufacturer is much less than 44 cents per pound for a 10-cut yarn, because our own cost of production in New Brunswick, N. J., is much less than this figure. Based in percentages the cost is as follows:

| | Per cent |
|-----------------------------------|----------|
| Raw material..... | 44.4 |
| Carding and spinning labor..... | 15.1 |
| Factory overhead..... | 17.1 |
| Commercial and sales expense..... | 23.4 |

100

Our finished cost of this yarn is 23.7 per cent more than the actual finished cost f. o. b. the plant of our English associates. Thus a duty of 25 per cent ad valorem amply protects the United States manufacturer.

The present price of 10-cut asbestos yarn of domestic manufacture can readily be determined by inquiring from some of the larger buyers. Practically no imported yarn is sold because it is impossible to meet the competition existing between domestic manufacturers.

EXHIBIT A.—Exports and imports of asbestos manufactures

EXPORTS

| Calendar year | Textiles, yarn, and packing | Brake and clutch lining | Other manu- factures of asbestos | Total |
|---------------|-----------------------------------|----------------------------|--|-------------|
| 1923..... | \$672,488 | ----- | \$1,940,855 | \$2,613,343 |
| 1924..... | 788,361 | ----- | 1,497,855 | 2,286,216 |
| 1925..... | 805,037 | \$863,073 | 1,263,310 | 2,928,425 |
| 1926..... | 813,993 | 1,040,425 | 1,304,010 | 3,158,428 |
| 1927..... | 880,841 | 379,437 | 1,218,269 | 2,378,547 |
| 1928..... | 924,318 | 1,421,658 | 1,298,860 | 3,644,836 |
| Total..... | 4,783,038 | 3,704,589 | 8,423,159 | 16,910,795 |

IMPORTS

| Calendar year | Asbestos yarn | Other manufac- tures of asbestos | Total | Excess of exports over imports | |
|---------------|------------------|---|-----------|-----------------------------------|-------------|
| | | | | Amount | Per cent |
| 1923..... | \$8,598 | \$411,994 | \$420,592 | \$2,092,751 | 497 |
| 1924..... | 5,347 | 465,272 | 470,619 | 1,815,597 | 396 |
| 1925..... | 15,033 | 773,696 | 788,729 | 2,140,698 | 271 |
| 1926..... | 96,756 | 1,073,472 | 1,170,228 | 1,988,200 | 170 |
| 1927..... | 107,485 | 2,071,701 | 2,179,186 | 199,361 | 9.1 |
| 1928..... | 86,645 | 1,002,619 | 1,089,264 | 2,555,572 | 235 |
| Total..... | 319,864 | 5,798,754 | 6,118,618 | 10,792,177 | 176 |

The above figures were obtained from Summary of Tariff Information, 1929, compiled by the United States Tariff Commission.

It will be noted from the above that exports are greatly in excess of imports, demonstrating that the domestic manufacturer is able successfully to compete in the world markets, especially in the sale of asbestos textile products.

It is evident, therefore, that the domestic manufacturer is highly protected in his home market with the present ad valorem duty of 30 per cent and that any further increase is unwarranted and without justification.

In 1925 the total production of all domestic establishments was valued at \$33,620,099, while total imports for the same year were \$788,729, or 2.4 per cent.

Comparison of imports of asbestos yarn first four months of 1928-1929

| | 1928 | 1929 |
|---------------|----------|---------|
| January..... | \$14,028 | \$2,172 |
| February..... | 19,726 | 452 |
| March..... | 10,420 | 2,267 |
| April..... | 10,387 | 1,347 |
| | 54,561 | 6,638 |

EXHIBIT B.—Comparison of wages in England and the United States

| | |
|--|---------|
| Wages paid in an asbestos textile plant in England per week of 48 hours: | |
| Carders and spinners..... | \$14.40 |
| Weavers..... | 19.40 |
| Wages paid in New Brunswick, N. J., per week of 48 hours: | |
| Carders and spinners..... | 28.80 |
| Weavers..... | 35.00 |

From the above it will be noted that wages paid in the United States are 100 per cent higher than in England.

Since labor represents approximately 15 per cent of the finished cost of asbestos yarn, a duty of 20 per cent is sufficient to equalize the difference between wages in England and the United States.

Imports of asbestos textiles are almost entirely from England.

STATEMENT OF L. E. WHITTAKER, REPRESENTING THE PHILIP CAREY CO., CINCINNATI, OHIO

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

Senator KEYES. You testified before the Ways and Means Committee of the House, did you not?

Mr. WHITTAKER. I did.

Senator KEYES. Have you anything to add to that statement?

Mr. WHITTAKER. Very little. It will take but a few minutes.

Mr. Chairman and gentlemen of the committee, I would like to propose, first, a perfecting amendment to paragraph 1501 through the insertion of the words "or synthetic resin" immediately following the word "cement," in line 16, page 175.

Senator KEYES. Our print is different that we have here. You say page 175?

Mr. WHITTAKER. I believe it is in subparagraph (b) of paragraph 1501.

Senator KEYES. Subparagraph (b) of paragraph 1501?

Mr. WHITTAKER. Yes.

Senator DENEEN. Page 175 of this one.

Will you repeat that, please, Mr. Whittaker?

Mr. WHITTAKER. We would like to have added the words "or synthetic resin" immediately after the word "cement."

Senator DENEEN. "Or synthetic resin"?

Mr. WHITTAKER. Yes. Our only purpose in asking that or suggesting that is that we believe it will eliminate the conflict between that paragraph and, I believe it is, paragraph 1539, which calls for laminated products in which resin is used as a binder. We simply want to eliminate the possibility of conflict between the two paragraphs.

Then, in so far as the testimony of the last witness is concerned, we would simply like to refer you back to a brief presented to the House Ways and Means Committee, in which I believe it was quite clearly brought out that the difference between the cost of the importing manufacturer and the American manufacturer is such as to call for either the duty allowed or possibly something more.

The amount of imports, as indicated in the figures, I am sure you will find misleading, in that a great deal of this material can be brought in as a part of something else, that is, as automobile parts or something of that nature.

I think you will find the actual volume of imported asbestos textiles is greater than the figure indicated in the Department of Commerce reports.

Then, there is just one more point. We would like to state our opposition in so far as the rate contained in the House bill on shingles is concerned. We presented what we believed to be a rather conservative statement of our situation. If any of you gentlemen have read it, you will agree that it is a rather sad position for the American manufacturers to be in.

On the other hand, we appreciate your position, and we are also inclined to believe that if you did allow an increase over the amount now in the House bill it would probably be impossible to get it through a conference. So long as there is a flexible provision in the tariff that will give us relief in an emergency we would be content to go along and try to work out our own salvation upon the basis of the present rate.

However, it would be a very serious matter if there were any reduction made in the rate as now written into the House bill No. 2967.

Senator KEYES. You now refer to shingles?

Mr. WHITTAKER. Yes, sir; asbestos shingles only.

Senator KEYES. Asbestos shingles?

Mr. WHITTAKER. Yes, sir; asbestos shingles only.

That is all I have to present.

GYMNASIUM SETS

[Par. 1502]

STATEMENT OF E. J. MORDT, EVANSTON, ILL., REPRESENTING THE MORDT CO., CHICAGO, ILL.

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

Mr. MORDT. I represent the Mordt Co., and I have the support of five other manufacturers of gymnasium sets.

Senator KEYES. What do you manufacture?

Mr. MORDT. We manufacture group specialties. The thing that I come before you particularly about, gentlemen, is regarding gymnasium sets, an article called "gymnasium sets." It is a child's plaything, consisting of some rope, a bar, rings, and a swing. It is an item that in the past three years has become intensely popular. I personally designed our own set that we manufacture about three and a half years ago, and we were quite successful with it until we found that the foreign importers were able to follow up our trade and sell the foreign made goods, and we were unable to get the customers back again. At that time we made a type that was somewhat more elaborate, more serviceable, than the foreign-made type, but we were forced to make a less expensive unit in order to compete with the foreign make.

To show you the exact relationship of the circumstances we operate under, the foreign gymnasium sets that are sold here to-day can be bought f. o. b. the German factory at \$4 a dozen, 33 cents apiece, ranging in price up to \$5.50, depending upon the finish of the merchandise.

The items that compete with our less expensive set can be bought at 35 cents each.

The raw materials that go into our less expensive set costs us 40½ cents before we do any work on it, before we add any overhead, and even at the cost of carting the merchandise into our factory. The reason for this low cost lies, no doubt, in the lower wage scale that goes through the whole industry overseas. It is the low wages in the forests, the mines, the mills. And then the finish of this merchandise abroad is made in the homes and by child labor.

Senator WALSH. What is the raw product, the raw material in this merchandise?

Mr. MORDT. It is made of rope and hardwood.

Senator WALSH. Do you import that?

Mr. MORDT. We buy the rope from the Plymouth Cordage Co., of Plymouth, Mass., in carload lots. We buy hardwood, that is used in the bars and swings, from Wisconsin and the Carolinas.

Senator WALSH. You have no tariff duties on any of your raw products?

Mr. MORDT. No; we have combed the country for our raw materials. We use all the up-to-date methods of business that we have come in contact with to effect a lower cost on raw materials. We have found the largest of the producers who have automatic machinery to turn out the metal parts that we require. We have gone into the question of designing our own machines, of building our own plants to provide for this part that we now have to purchase. The cost is out of proportion to the possible outlet and what we may get back in the form of profits.

Senator KEYES. What do you desire in paragraph 1502?

Mr. MORDT. I come before this committee and simply place myself at the committee's mercy in this way: That I can hardly make suggestions. The only thing is this—

Senator WALSH (interposing). Have you a sample of your goods?

Mr. MORDT. Yes; I have a sample of the foreign-made goods right here, and I have also some circulars here showing my type of merchandise.

Senator KEYES. You are not satisfied with paragraph 1502, I take it?

Mr. MORDT. The goods come in now as sporting goods in New York, as merchandise primarily of metal in Chicago, as toys in Detroit, and in Los Angeles under something else again. It is impossible to get a line on what the merchandise is supposed to be. We can not get an idea of the quantities imported.

The situation is such that I really don't know where to start or where to finish.

Senator WALSH. Do you want a special paragraph covering your subject?

Mr. MORDT. It is possible, if the Senators feel it is worth while.

Senator WALSH. Let us see what it is.

Mr. MORDT. Here are two German sets which I bought from one of the importers. It has on it the original price mark. It consists of two ropes and a trapeze bar, two rings, and the seat. That is the set that they buy in Germany at 35 cents, f. o. b. factory.

Senator THOMAS. All of that material can be had for 35 cents?

Mr. MORDT. The material plus the labor, Senator Thomas, in Germany.

Senator WALSH. That is the German selling price?

Mr. MORDT. The German selling price.

Senator WALSH. To the importer?

Mr. MORDT. To the importer, through his agent in New York, if they don't go across to buy it.

Senator WALSH. What is the price when it arrives in New York?

Mr. MORDT. Thirty per cent duty. At 30 per cent duty this set here would cost, figuring liberal allowances for cost of handling and shipping, at least, I should say, 56½ cents.

Senator WALSH. What does it sell for here in America?

Mr. MORDT. It sells in this country at from \$1.90—I am talking now including duty—they cost 56½ cents, and they sell in department stores, sporting goods stores, at \$1.95 in some places, in other places \$1.49, in other places \$1.25, and on special sales 98 cents. The Kresge Stores, the Dollar Stores, sell it for a dollar.

Senator WALSH. In other words, the retail profit is from 100 to 300 per cent?

Mr. MORDT. Yes, sir.

Senator COUZENS. What do you sell that for?

Mr. MORDT. May I call the attention of the committee to the fact that it is not going to cost the consumer a cent to give this industry of ours a chance.

Senator WALSH. What do you sell, the Senator asked you, a comparable athletic apparatus like that for?

Mr. MORDT. My set, I claim, is superior to this set from certain constructive angles. It contains the same parts, apparently the same items. I sell that to jobbers at \$9 a dozen. I am forced to sell to the importers in New York that pick up goods from me at \$7.20 a dozen, 60 cents apiece, at which rate, figuring by common business methods, I am losing at the rate of 10 cents apiece.

Senator WALSH. Yours is a superior article?

Mr. MORDT. Our item is superior.

Senator WALSH. How much more superior?

Mr. MORDT. It is a rather technical description. The fact is that this one is made in a way so that it has to be disconnected in order to change from one part to another; mine has a hook below here which has a safety on it, which makes it possible for the child to make the change himself.

Senator WALSH. In case one hook breaks there is another hook to hold it?

Mr. MORDT. No; there is no chance for the hook to break. They are tested before they are shipped out. This is, of course, the inexpensive set. I found the other day in Butler Bros. buyers' office in Chicago, where they had copied our method of manufacturing and were bringing in a set with better material that could be retailed to the jobbers for a dollar. Now, that set, if it was allowed to be distributed generally, would give the merchandise a black eye throughout the country, because of the accidents that are bound to follow.

We first designed a practical set. This material here is not particularly practical, inasmuch as it is really only a trapeze and swing, a trapeze and ring. The swing part is more for selling appearances than actual use, because if the rope is suitable for the two purposes it is not suitable for a swing purpose. The sets that we claim are practical have a second set of ropes that hold the swing.

We have had the approval of the largest buyers of our merchandise, but they say they can not buy our supply because of the price. The market on these goods is established. You can go to practically every leading department store in the city of Washington here and you will find goods of this type there. One store here, the best store, is handling our goods. Woodward & Lothrop are handling our merchandise. The other stores are buying from importers.

Senator THOMAS. Where is your factory located?

Mr. MORDT. In Chicago.

Senator THOMAS. How many people are employed there?

Mr. MORDT. We employ at the maximum only 40 people. We are unable to grow because competition is preventing our output.

Senator COUZENS. Are there any other factories in America doing that work?

Mr. MORDT. There are five other manufacturers. Many of them, several of them, are million dollar concerns who are interested in and support the plea that we are making here.

Senator WALSH. I suppose they are making this with other products?

Mr. MORDT. They are making this as a side issue.

Senator WALSH. You are only making this—this is your sole product?

Mr. MORDT. Just to indicate to you gentlemen how we operate, we are able to sell the largest buyers, to syndicates such as Woolworth, Kresge, F. H. Kress, our line in this country, and we take pride in the goods we turn out. But it is impossible to grow under the circumstances.

Senator KEYES. You have no suggestions to make as to phraseology or change in paragraph 1502?

Mr. MORDT. I have. My plea would be that if the goods are going to be classified as sporting goods, it be specially mentioned under a special rate. If the goods could be classified as toys, we immediately would be facing a situation you heard described here to-day, that there would be expert testimony to the fact that they have seen grown people using this; if it be sporting goods, then it comes under that classification. So the position I am in here is that, in order to really exist, we must have support, and I would rather leave it to the experts who know what wording and where to place it.

Senator KEYES. Now, this has just been imported, as I understand?

Mr. MORDT. That is an imported set.

Senator KEYES. How was that classified?

Mr. MORDT. That particular set there was classified under 40 per cent, primarily steel products, merchandise under steel products. It doesn't come under sporting goods because it is not mentioned, as baseballs, bats, and those things.

Senator WALSH. These are used by children?

Mr. MORDT. Primarily they are supposed to be for children's use, but they are strong enough to hold a grown person. So immediately if you say this is a child's set, the importer will immediately say that that is a grown-up set. So we will be just where we started.

Senator WALSH. We will be glad to consider your suggestions.

Senator THOMAS. Do you think that Congress should take up each particular line of industry and pass special bills or special provisions to cut off sufficient competition to enable your institution to become prosperous when it is not now prosperous? Do you think that is a legitimate demand to make of Congress?

Mr. MORDT. I would answer the Senator's question by another question: How large is the industry supposed to be before it gets consideration? I believe that the purpose of this Government is to give consideration to the large and the small.

Senator THOMAS. I know it is being done, but I am just asking you if you think that is proper.

Mr. MORDT. My personal opinion, Senator, is that it is, absolutely; yes.

Senator THOMAS. That it is the duty of Congress to see to it that all of our industries are made prosperous?

Mr. MORDT. Not to see to it. If attention has been called to it, I think it is their duty to do so. But for them to go out and find out weak sisters, that is a different proposition.

Senator THOMAS. Then the weak sisters that have no representation are not energetic enough to come and present their claims, they are out of luck?

Mr. MORDT. I am afraid that is the lesson of life.

Senator THOMAS. You are seeing to it that you are not going to be one of them?

Mr. MORDT. I am here to try and protect my own interests. And the point is this, Senator, that this merchandise is really valuable to the country as a whole.

Senator THOMAS. You think that is a necessity?

Mr. MORDT. Well, in many ways, possibly; yes. I know where doctors have prescribed these items to build up children. I could mention hundreds of children who have had these things and developed physically, and I think it develops more courage besides, because the children learn to handle their bodies, and thereby that is really a national asset, if this is distributed through proper channels.

Senator THOMAS. If that is the case, don't you think it would be advantageous to keep it as cheap as we can, so we would have that many more children using it to develop that much more courage?

Mr. MORDT. I defy anybody in this country to try to duplicate these values.

Senator THOMAS. I think you are right in that statement.

Mr. MORDT. And I would like to know any cost accounting system whereby we can cut our cost of production and selling expenses.

Senator DENEEN. Mr. Mordt, will you and your associates be able to supply the market if you are given the protection between the cost elsewhere and here?

Mr. MORDT. I could promise to do that; yes. I can assure the Senators that there are five concerns ready to attack this problem the moment they are given protection, and where it is now to-day a source of tremendous profit for importers and for the large department stores, it can become a proper, salable item and proper division of profit all around.

Senator COUZENS. Entirely regardless of how that is classified, what rate do you want?

Mr. MORDT. Seventy per cent. At that I promise also that I will not raise the price. My list prices will remain the same, subject, of course, to change in the cost of raw material.

Senator DENEEN. Now, is that all Mr. Mordt?

Mr. MORDT. That is all, and I will submit a brief.

(The brief referred to is as follows:)

BRIEF OF THE MORDT CO., CHICAGO, ILL.

HON. REED SMOOT,
*Chairman Finance Committee,
 United States Senate, Washington, D. C.*

HONORABLE SIR: We wish to lay before your committee some pertinent facts regarding certain type of merchandise which we invented and started to manu-

facture a little more than three years ago. It may be described as a toy gymnasium set, intended for the amusement and entertainment of children. This type of merchandise is sold all over the country by the leading department stores and better toy shops. It is handled by the mail-order houses as well as the jobbers. Up to about a year ago we made some headway with our merchandize, due to the superior construction of our sets; however, foreign merchandize of similar type has, especially in the last two years, been imported in tremendous quantities, due to the fact that these goods are offered at prices considerably below the cost of our raw materials in this country. These goods are now imported, seemingly, under no specific classification. We have been informed that in some ports of entry they have been classified under the present law (classification 9439) as equipment for exercise and play not specially provided for, carrying a rate of 30 per cent. In Chicago they are classified as foreign merchandize, chief component part of steel, carrying 40 per cent; elsewhere as foreign merchandize, chief component part of wood, carrying 33½ per cent, while in our opinion the item in reality is a toy and should be classified as a toy, carrying 70 per cent.

On account of these different classifications under which these goods are placed in ports of entry, it is impossible to get any figures as to the quantity imported. However, the very wide distribution of foreign-made toy gymnasium sets prove that they are imported in very large quantities. The effect of this has been that the majority of the accounts we have opened through our advertising, traveling representatives, as well as by correspondence, change to foreign-made, lower-priced merchandise two or three months after we have sold them our first bill of goods. We refer to the attached list showing a few of the firms who are handling this item and the quantity we are informed that they handle per year.

All the materials used in the manufacture of these toy gymnasium sets are staple products of this country, as they consist of steel parts, hardwood parts, and rope. However, the lower wage scale prevailing in the foreign countries makes it possible for the foreign manufacturers to sell the finished article f. o. b. factory, Germany, at 33 cents up to 35 cents each, while our competing item contains 40½ cents' worth of raw materials, to which we have to add our labor, cost of doing business, as well as a living profit. There is a number of American manufacturers making toy gymnasium sets who join us in our plea for a higher rate of duty for these goods. The goods produced by these manufacturers are higher priced and, as far as we know, we are the only American manufacturer of this special type of toy gymnasium set who have been able to compete with the foreign make, as the other manufacturers find that they are unable to produce the item at a price low enough to receive consideration. Therefore, it is our plea—

- (1) That this merchandize be specially mentioned in the bill so that the classification for the assessment of duty will be uniform in all ports of entry;
- (2) That this merchandize should be included by name in paragraph 1513; or,
- (3) If the committee should feel that they can not classify these goods in this paragraph, we then request that a special paragraph be written with a rate of 70 per cent.

We believe the fact that the German toys are made in large quantities by child labor and home work for which extremely low wages are paid influenced the the decision of toys carrying 70 per cent under the tariff now in effect. We understand that the splicing of the rope, which would ordinarily constitute a large part of the labor expense, is being done by home work and child labor.

We feel encouraged to make our plea to you by the fact that the purpose of this tariff revision is to enable American industry to compete with cheap foreign labor and also by the fact that other small industries in this country are given special consideration when the tariff is considered. Our business is not large, but would be doomed to remain small, if not forced to cease manufacturing these goods altogether, if we are not given further protection than we have to-day. The increase in tariff would benefit the following industries outside of manufacturers of gym sets:

In the beginning, the cordage industry would find a new outlet for approximately one-half million pounds of rope which should be increased many times as the American manufacturers develop the market. The same would be the case with both the steel and hardwood industries, and the total production of the merchandise involved would keep a large force of men and women employed.

The 70 per cent rate on gymnasium sets would enable us to promote these healthful play and exercising items which would in turn help build healthier and stronger children. Unless we are placed in a position to retain the trade we develop, all of it soon will be lost to the import merchandise.

Very respectfully,

THE MORDT Co.,
By E. J. MORDT, *President.*

LIST OF A FEW KNOWN BUYERS AND THEIR ESTIMATED QUANTITIES

Montgomery Ward & Co. imported from 8,000 to 9,000 gymnasium sets last year.

The Fair Department Store in Chicago imported 3,600 sets for their own use and 1,200 sets for their associated companies.

A representative of George Borgfeldt & Co., of New York, stated that they imported over 50,000 sets.

The May Co., of Cleveland, Ohio, imported over 5,000 sets for their five stores.

Gimbel Bros., of Philadelphia, Pa., estimate about 5,000 sets, but they claim they handled a much larger quantity in their four stores.

Montgomery Israel Corporation, of New York City, handled 20,000 sets.

The above figures add to approximately 100,000. All of these figures are submitted only as estimated figures of a few of the more prominent importers. The only fact that we know is that all of the above firms featured these goods and did a large volume of business, each of these concerns acting as their own importer of the item. In 1928 a representative of an England manufacturer called on all leading wholesale houses and department stores and is supposed to have sold large quantities. The major quantities for above-mentioned firms came from Germany.

The fact is that to-day any large potential buyer of these goods is fully aware of the foreign make and their price range.

WAUPUN, Wis., June 10, 1929.

Hon. REED SMOOT,
*Chairman Finance Committee,
United States Senate, Washington, D. C.*

DEAR SIR: Consider this letter a plea for the reclassification of foreign-made gymnasium sets. We believe thoroughly they should be classed as toys. We have refrained from entering into competition with these foreign-made sets, as our production cost makes it impossible for us to compete.

We are certain that the youth of the United States is deriving a wonderful benefit from the distribution and use of our sets. If American manufacturers can produce these goods at a profit, they will be able to promote the sale of these goods all over the country, whereas now the goods are exclusively sold by department stores of the larger cities whose buyers go abroad to place their orders, as well as the stores whose buyers are able to call on importers in New York.

We sincerely hope you will give this plea your earnest consideration and will use your influence to bring about this change in classification.

Yours very truly,

BREYER BROS., WHITING & Co.,
By J. C. BREYER, *Secretary.*

JENKINTOWN, PA., June 10, 1929.

Hon. REED SMOOT,
*Chairman Finance Committee,
United States Senate, Washington, D. C.*

DEAR SIR: As the United States tariff of custom duties is now up before the Congress for revision, we respectfully submit the following for the favorable consideration of the committee:

For some years past we have been manufacturing an indoor gymnasium set, in reality a toy, as it is intended only for very young children which, wherever sold, has met with such unqualified approval alike by parents and their children, and there can not be the slightest doubt about it filling an actual want.

But in spite of many years of diligent and persistent efforts on our part we have not been able to develop, to any appreciable extent, the very large potential market for it in this country, because of foreign competition, which, due to conditions abroad, makes it possible to undersell us to such an extent that we, in most cases, are hopelessly out of the running.

At present the foreign sets are imported into the United States under the classification of "sporting goods," but, considering that they are really intended for very young children, as already mentioned, we respectfully request the committee to reclassify these foreign-made gymnasium sets, so-called, as "toys" to give us a chance to compete, which we have good reason to believe we will then be able to do as our domestic product possesses merits not to be found in the foreign makes, but which are now being overlooked on account of the very great difference in price.

We inclose printed matter pertaining to our toy known as "The Busy Kiddie" as it, no doubt, will prove helpful in considering our request.

Thanking you in anticipation for whatever assistance you may be able to give us, we are,

Respectfully,

STANDARD PRESSED STEEL Co.,
H. F. GADE, *Vice President.*

St. Louis, June 8, 1929.

Hon. REED SMOOT,

Chairman Finance Committee, United States Senate, Washington, D. C.

DEAR SENATOR: As manufacturers of gymnasium outfits we are very much interested in the new tariff law.

We have refrained from manufacturing toy gymnasium sets as are now being made in England and Germany, as our actual production costs are higher than the prices at which the foreign-made sets are laid down in this country for. In order that the United States manufacturers may be in position to compete with foreign-made goods, which in this case, we are told, are made with child labor and home work, there should be a reclassification of the foreign-made gymnasium sets as toys. The present low duty of 30 per cent makes it possible for us to compete.

There is no doubt but that the youth of the country is receiving wonderful benefit from using toy gymnasium sets. These sets permit health-building exercise and give the children amusement as well and keep them at home and off the streets.

Your efforts toward changing this classification will be greatly appreciated.

Sincerely yours,

FRED MEDART MANUFACTURING Co.,
EDW. J. MEDART, *President.*

MINNEAPOLIS, MINN., June 11, 1929.

Hon. REED SMOOT,

Chairman Finance Committee, United States Senate, Washington, D. C.

DEAR SIR: We are appealing to you for consideration in the new tariff now being formulated with regard to toy gymnasium sets, which at the present time are being imported from Germany and England at a price that is less than one-half of our cost of production. At the present time the largest buyers in the United States are being supplied with toy gym sets which are produced by child labor and home work and is decidedly unfair to our American standards of production.

We have refrained from entering into competition with the foreign-made toy sets, as we find it impossible to compete. This is the kind of merchandise that will benefit the youth of the United States and if tariff permits us to enter into competition with the foreign-made goods this kind of merchandise will receive a large distribution among our people.

These toy gym sets should be classified as toys and carry the same rate of duty, namely 70 per cent. Therefore, we register our plea for the reclassification of these foreign-made toy gym sets to be properly classified as toys.

With our sincere appreciation for your attention to this matter, we are

Yours respectfully,

THE MERREMAKER CORPORATION,
ARTHUR O. EDWARDS, *President.*

MERRILL, Wis., May 24, 1929.

Senator CHAS. S. DENEEN, *Washington, D. C.*

SIR: We wish to take this opportunity to bring to your attention the fact that we have been furnishing the Mordt Co., 350 West Erie Street, Chicago, with gym seats and trapeze bars manufactured from hardwood lumber. In the past we have furnished this firm with a considerable quantity of these articles.

We were forced to sell these goods to this company for an exceptionally low price due to the foreign goods supply which were imported, and with this competition still to contend with we have been forced to discontinue our business relations with this firm on account of not being able to compete with prices made by foreign manufacturers.

We wish to request and will greatly appreciate it if you will endeavor to have included in the tariff revisions that we understand are to come up soon these articles—gym seats, trapeze bars, etc.—in fact all wood articles are now being shipped into the United States at such prices that we are being forced to let our customers use the foreign-made articles as was the case with the Mordt Co. just recently.

Your efforts in having an increase in tariff on these articles incorporated in the next revision will be greatly appreciated.

Thanking you for the interest and efforts we know you will give this matter, we beg to remain.

Respectfully,

MERRILL HANDLE CO.,
E. J. HIEB,
Secretary and Treasurer.

SOUTH MILWAUKEE, Wis., May 24, 1929.

Hon. CHAS. S. DENEEN,
United States Senate, Washington, D. C.

SIR: One of our good customers, the Mordt Co., 350 West Erie Street, Chicago, Ill., has advised us of the difficulties they are encountering with foreign competition on the line of goods which they manufacture.

We are supplying them with wire metal parts. These parts are manufactured by us on automatic machines, so that the Mordt Co. is given the benefit of the best practice in the matter of price, and, with reference to this particular item, there is no way of their reducing their cost unless we would sacrifice a portion of our profit, which is a very narrow margin.

If the same condition prevails on the other elements of their goods, they are doubtless justified in their contention that they can not produce their product and sell it at a profit against foreign competition.

We would therefore appreciate your giving the matter of increasing the tariff rates on these goods your very serious consideration.

Very truly yours,

THE MIDLAND CO.,
R. A. NOURSE, *President.*

BRYSON CITY, N. C., May 24, 1929.

Senator CHARLES S. DENEEN, *Washington, D. C.*

DEAR SENATOR: We are advised that the Senate's attention has been directed to the question of including gymnasium sets, rope ladders, and climbing apparatus in the items considered under the present tariff revision. Inasmuch as we are, at the present time, furnishing the Mordt Co., of this city, manufacturers of these articles, with wood parts such as trapeze bars and other wood turnings, we are pleased to support this request for your consideration.

We have been forced to make extreme sacrifices in quoting on this business, inasmuch as the foreign competition is so severe that only the aggressiveness of the Mordt Co. and their ability to give service has enabled them to break in on this business.

We feel that there is a large market that may be developed for domestic manufacture of this line of goods, which market, however, can not be developed under the present low tariff protection of 30 per cent.

Yours very respectfully,

CAROLINA WOOD TURNING CO.,
G. A. BROWN.

IMITATION PEARL BEADS

[Par. 1503]

STATEMENT OF I. COHEN, NEW YORK CITY, REPRESENTING
JAPANESE-PEARL BEAD IMPORTERS

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

Senator KEYES. Whom do you represent?

Mr. COHEN. I represent a group of Japanese pearl bead importers who import approximately 75 per cent of the Japanese imitation pearl beads.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. COHEN. I did not. I was not in the country.

This pearl bead which is imported from Japan is nothing that compares with any thing that is made in this country. The so-called domestic interests have asked for a rate of 2 cents an inch and 20 per cent against the existing rate of 60 per cent.

To allow your committee to visualize what this means we have prepared a small exhibit showing the ranges of ad valorem percentages range from 900 to 1,846 per cent. This tremendous increase will absolutely eliminate this cheap article from the 10 and 25 cent stores.

We have a descriptive catalogue of the line of one of the representatives of the domestic interests, himself a manufacturer of pearl beads. It shows the cheapest article they make here is \$6.50, which is subject to 50 and 60 per cent less. The articles that they picture are much superior both in quality and in every other respect to this so-called article.

Senator WALSH of Massachusetts. What is the duty upon this article under present law?

Mr. COHEN. Sixty per cent.

Senator WALSH of Massachusetts. What is the duty proposed in the House bill?

Mr. COHEN. Two cents per inch and 20 per cent.

Senator WALSH. How much does that represent as ad valorem.

Mr. COHEN. In ad valorem percentage on the 15-inch it would be approximately a duty of 1,200 per cent.

Senator WALSH of Massachusetts. What is the price of that exhibit which you have there [indicating]?

Mr. COHEN. This article here, the first cost in the foreign country, is 2½ cents per string.

Senator WALSH of Massachusetts. How much is that per string?

Mr. COHEN. Two and a half cents.

Senator WALSH of Massachusetts. How much is the entire string?

Mr. COHEN. Landed, duty paid?

Senator WALSH of Massachusetts. Yes.

Mr. COHEN. Five cents.

Senator WALSH of Massachusetts. Five cents a string?

Mr. COHEN. Five cents a string complete. These beads are imported in an uncompleted state, just strung. In order to be completed they are sent out to contractors who employ labor and

attach a catch, remake them, redye them, or make them in any way that the style of fashion demands, as this is primarily a style article.

Senator WALSH of Massachusetts. You say there is nothing comparable to that made in America?

Mr. COHEN. Nothing as cheap as this, either in quality or in price.

Senator WALSH of Massachusetts. Is there any article made in America that is somewhat similar?

Mr. COHEN. There is such a thing, according to this catalogue, as a pearl bead, but it is much finer, much more lustrous and much better quality.

Senator KEYES. Are these beads to which you referred a moment ago as costing about 5 cents a string imported from Japan?

Mr. COHEN. Yes, sir.

Senator KEYES. Are they made in homes?

Mr. COHEN. Both in homes and in factories; mostly in factories, from personal observation.

Senator WALSH of Massachusetts. What is the cheapest string of American beads that can be purchased?

Mr. COHEN. According to the report of the Tariff Commission that investigated the pearl bead industry, the cheapest domestic made bead that can possibly be made is about 3½ cents per inch. But this bead is much superior in quality and in finish to these samples we exhibit here.

Senator WALSH of Massachusetts. The American bead is 3½ cents an inch?

Mr. COHEN. The cheapest.

Senator WALSH of Massachusetts. While your string is 2½ cents.

Mr. COHEN. Per string.

Senator WALSH of Massachusetts. Per string?

Mr. COHEN. Per string of 15 inches. Our contention is that this cheap bead is not comparable, nor does it compete in any way with the domestic product. We therefore submit a brief where we recommend a change in the paragraph, that imitation solid pearl beads valued up to a half cent per inch should remain at the existing rate of duty, 60 per cent ad valorem, the balance of the paragraph to remain as proposed.

Senator COUZENS. When you suggest as ad valorem price, how do you arrive at the cost upon which to figure the ad valorem?

Mr. COHEN. As I said a moment ago, we feel that this bead—

Senator COUZENS. I am not asking you what you want, but I am asking what the fact is with respect to cost.

Mr. COHEN. We believe a 60 per cent ad valorem rate—

Senator COUZENS. I am not asking what you believe, but I am asking how you get at the cost upon which you base your ad valorem.

Mr. COHEN. Pearl beads are bought so much per inch.

Senator COUZENS. In other words, you pay the ad valorem on what it costs rather than upon what it costs to produce? You have no production costs, as I understand it?

Mr. COHEN. No; we have not.

Senator COUZENS. So the ad valorem is based upon anything that the seller invoices it at?

Mr. COHEN. At the cost in the foreign market.

Senator COUZENS. Does our Government investigate what it costs or do you just take the invoice price?

Mr. COHEN. That I do not know. I know when you go into a foreign market there are competing rates which are practically the same.

Senator COUZENS. I would like to ask if these rates are raised to exclude them from the market, as you fear, will that product be replaced by some American product?

Mr. COHEN. I don't know of any American product that could sell at retail for 10 cents or 25 cents.

Senator COUZENS. Then you do not believe we could produce anything comparable in America to be sold at that price?

Mr. COHEN. Positively not.

Senator KEYES. Are there any other questions?

Is that all you have, Mr. Cohen?

Mr. COHEN. That is all I have. I would like to file this brief.

Senator KEYES. Yes, you may file the brief.

(The brief referred to is as follows:)

BRIEF OF JAPANESE PEARL BEAD IMPORTERS

Hon. Senator KEYES,

Chairman Subcommittee on Finance, Sundries Division, Washington, D. C.

HONORABLE SIR: The undersigned, representing a group which we believe import 75 per cent of the Japanese imitation pearl beads, respectfully submit our recommendation for a change in paragraph 1503.

RECOMMENDATIONS FOR CHANGE IN PARAGRAPH 1503

We suggest the following changes in paragraph 1503, beginning with line 20, on page 176, to read as follows:

"Imitation solid pearl beads costing not more than one-half cent per inch, 60 per cent ad valorem; valued over one-half cent per inch, and not over 5 cents per inch, 2 cents per inch and 20 per cent ad valorem."

The rest of the paragraph should remain as proposed.

You will notice that we have added in the beginning of this paragraph the words "costing not more than one half cent per inch." According to the report of the United States Tariff Commission on imitation pearl beads, dated August 1, 1928, which was published after a very close and exhaustive study of the domestic manufacturers, it proved conclusively that the pearl bead makers of this country do not and can not make a bead costing less than \$0.03½ per inch.

The domestic bead is vastly superior to the very cheap bead that costs less than one-half cent per inch. For verification of these costs, please refer to the United States Tariff Commission reports on imitation pearl beads, dated August 21, 1928, Table 3A, on page 25, Table 3B, on page 26, Table 3C, on page 27, and Table 4, on page 29.

Our contention is that the cheap bead costing up to one-half cent per inch does not compete in any way with the bead that is manufactured in this country. We do not believe it was the intention of the domestic interests or the framers of this paragraph to consider a bead that costs one-half cent per inch as an imitation pearl. The paragraph as suggested by us will not prohibit the importation of cheap imitation pearl beads that are sold in so-called chain stores or 5 and 10 stores, while at the same time it will give ample protection to our domestic manufacturers against all types of pearls imported. We call to your attention what the proposed new tariff means in percentage, of beads costing up to one-half cent per inch.

To call to your attention how the proposed new tariff will affect these beads, we give you herewith the comparative figures:

| | Grad. 15" | Grad. 24" | Grad. 30" | Unif. 60" 3¼ M. |
|---|--------------|--------------|--------------|--------------------|
| Present tariff: | | | | |
| First cost per string..... | \$0.021½ | \$0.041½ | \$0.061½ | \$0.061½ |
| Duty and expenses per string..... | .02½ | .04½ | .05½ | .05½ |
| Landed cost per string..... | .05 | .08½ | .12 | .12 |
| Proposed new tariff: | | | | |
| First cost per string..... | .025 | .045 | .065 | .065 |
| Specific duty \$0.02 per inch..... | .30 | .48 | .60 | 1.20 |
| Ad valorem duty 20 per cent on first cost..... | .005 | .009 | .013 | .013 |
| Landed cost..... | .33 | .534 | .678 | 1.278 |
| All above prices are per string (per cent of new duty)..... | 1,200 | 1,000 | 904 | 1,846 |

Respectfully submitted.

NEW YORK MERCHANDISE CO.,
 COLONIAL BEAD CO.,
 MANHATTAN BEAD CO.,
 CLOVER BEAD CO.,
 STAR BEAD CO.,

F. WEINTRAUB,
 L. COHEN CO.,
 THEO. L. STERN CO.,
 DITCHIK BROS.

STATEMENT OF DAVID J. GALLERT, NEW YORK CITY, REPRESENTING IMPORTERS OF PEARL BEADS

(The witness was duly sworn by the chairman of the subcommittee.)
 Senator KEYES. Whom do you represent?

Mr. GALLERT. I represent a group of some 15 or 16 importers of pearl beads. Some of them import these cheap beads to which the last speaker referred, and some import the better beads, and some import both.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. GALLERT. I did.

Senator KEYES. We have your testimony there?

Mr. GALLERT. You have.

Senator KEYES. Have you anything to add to that?

Mr. GALLERT. I did want to add this to show that this duty is not a protective duty but a prohibitive duty.

Before going into that proposition I might answer two questions that were asked of the last speaker, because I was of counsel before the Tariff Commission, and I would like to answer Senator Walsh's inquiry to the effect that the American manufacturers repeatedly testified that they could not produce, except for rejections, regular goods of pearl beads, imitation solid pearl beads in the United States for less than 5 cents an inch for short strings, 15 and 24 inch strings and not less than 3½ cents an inch for long strings.

In answer to Senator Couzens's query I would like to state the Tariff Commission took the foreign figures from invoice prices.

This duty applies to beads of 5 cents an inch or under. That covers practically all of the pearl beads imported. In fact, the overwhelming bulk of them is under a cent and a half an inch, and I think about 67 per cent, as nearly as can be estimated, is under a half a cent an inch.

I would now just like to show how prohibitive this duty is.

Here is a string that I myself bought at retail at Woolworth's in Atlantic City on June 7 for 10 cents [indicating]. It has attached

to it a clasp which was put on in America. The string in Japan cost $1\frac{1}{2}$ cents per string. The duty under the House bill would be 30.35 cents, or a duty of 1,700 per cent, about twenty-eight times the present duty.

Incidentally, I might call attention to the unevenness of the string, which is one of the differences between the domestic and this article.

Senator COUZENS. Of what material is that made?

Mr. GALLERT. Just glass coated with a fish-scale solution.

Senator COUZENS. Is that about what all of these Japanese beads are made of?

Mr. GALLERT. Not only the Japanese but all of the beads, the difference being in the quality of the solution and how they are dipped.

Here are two strings, 30-inch strings, that I bought from Woolworth for 20 cents apiece. These strings cost 45 cents a dozen in Japan. You would have a duty of $16\frac{1}{2}$ cents under the House bill, making the duty 1,600 per cent. They cost something like twenty-three times the present duty.

Senator COUZENS. Who asks for that duty?

Mr. GALLERT. The American manufacturer. Here is a Japanese string—

Senator KEYES. Did you not put all this into the House hearings?

Mr. GALLERT. No, sir; I did not put any of this into the House hearings.

This Japanese string costs \$1.25. The specific duty would be \$1.20; ad valorem, 2.1; making \$1.32 under the House bill on an article that cost less than $10\frac{1}{2}$ cents.

Senator WALSH of Massachusetts. The duty is measured per inch?

Mr. GALLERT. Yes.

Senator WALSH of Massachusetts. You are not helping us unless you give us the value of those strings per inch.

Mr. GALLERT. It is impossible to figure that. This is a 16 string, Senator.

Senator WALSH of Massachusetts. Yes.

Mr. GALLERT. It cost \$1.25 per dozen strings. I think that is the information.

Senator WALSH of Massachusetts. So that when you put it in smaller units, it is very little?

Mr. GALLERT. Yes. Now, here are Japanese beads, sold in the 10-cent stores for 10, 20, and 25 cents. The next grade of beads is sold in department stores for 50, 75 cents, and \$1. They are generally made either in France or in Japan.

Here is a 54-inch string of French beads which cost 5 francs 40 centimes in France, or between 21 and 22 cents. The specific duty here would be \$1.08, ad valorem 4 cents, or $1\frac{1}{2}$, on an article which cost between 21 and 22 cents, a duty in excess of 500 per cent, and of course it will be impossible. This article retails for \$1, and it would be impossible to retail this article under the new duty, or it would be impossible to sell at retail the domestic strings which cost, wholesale price, \$2.10, as the American manufacturer has testified, for less than \$3.

Senator WALSH of Massachusetts. What is the price of the nearest comparable American string?

Mr. GALLERT. They could not make strings of this size for less than $3\frac{1}{2}$ cents an inch.

Senator WALSH of Massachusetts. How much would that be that that would have to bear?

Mr. GALLERT. That would be three and one-half times 54. Here is another string which cost \$1.32. The duty would be 32 cents, or a duty of 320 per cent on this string, and of course this would have to retail for over a dollar. It retails now for 50 cents, and it would have to retail for over a dollar. Here is a French string that would cost abroad 20 cents, and the duty under the House bill would be 34 cents, or a duty of 170. This article now retails for probably 75 cents.

Senator COUZENS. How do you make up this selling figure? You have made the statement that you would have to sell at a certain price in this country. How did you arrive at that figure?

Mr. GALLERT. All right; take a 16 string. The 16 string, let us say, cost 22 cents.

Senator WALSH of Massachusetts. That is, it cost the importer 22 cents?

Mr. GALLERT. No; the importer abroad 22 cents. The specific duty under the House bill would be \$1.22, and the ad valorem duty would be 4 cents. There is about 20 per cent incidental cost.

Senator COUZENS. Twenty per cent on that \$1.46, or 20 per cent on what?

Mr. GALLERT. The 20 per cent they have always reckoned on the money they have to spend out, the interest, and so forth.

Senator COUZENS. So that when they put a specific and ad valorem price of \$1.24, they ask 20 per cent for that, in selling it to whom?

Mr. GALLERT. I do not know how they work that out. At the present time they work it out 20 per cent on the cost. In other words, if an article cost them 40 cents abroad, they reckon it would cost them here 80 cents, landed.

Then, in addition to that, you have two profits, the importer's profit and the retailer's profit.

Senator COUZENS. That is what I am trying to get at. I am trying to get at how much it costs the American consumer on the duty. You say that the duty is \$1.24 on this specific article?

Mr. GALLERT. Yes.

Senator COUZENS. I would like to ask how much overhead is charged, not only by the importer but the retailer, before it reaches the American consumer.

Mr. GALLERT. Mr. Braunstein can tell you that.

Senator COUZENS. We will have him testify about that.

Mr. GALLERT. I will ask him to testify after I get through.

I would like say something on paragraph 1527. Shall I reserve that until later?

Senator KEYES. I think you had better stick to paragraph 1503 at this time.

Mr. GALLERT. Mr. Braunstein, will you take the stand and answer these questions?

Senator KEYES. Mr. Braunstein, were you down to be heard?

Mr. GALLERT. He is just going to answer some of these technical questions you have asked me.

STATEMENT OF SAMUEL BRAUNSTEIN, NEW YORK CITY

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

Senator COUZENS. You heard the question that I asked, did you not?

Mr. BRAUNSTEIN. If I recollect, you asked how they arrived at the selling price of an article based upon the duty; is that right?

Senator COUZENS. Yes. It has been previously testified that certain articles sold at retail in 5 and 10 cent stores at certain prices, and I asked the question how those figures were arrived at.

Mr. BRAUNSTEIN. As far as the 5 and 10 cent stores are concerned, my concern does not deal in that class of trade, but I will give you an idea of how we arrive at the figures. We have, of course, to figure out, in order to sell to the retail trade.

First of all, our salesmen receive 12½ per cent commission for selling goods. We are forced to have—

Senator COUZENS. I do not want all that detail. Can you not give us how you arrived at the figures?

Mr. BRAUNSTEIN. We have to figure on a 35 per cent overhead base before selling.

Senator COUZENS. Is that 35 per cent added on the duty?

Mr. BRAUNSTEIN. Yes.

Senator COUZENS. If you pay a duty of \$1, on the cost, you charge the consumer \$1.75?

Mr. BRAUNSTEIN. Yes; we are forced to charge that, yes, sir.

Senator WALSH of Massachusetts. I understood that one of these strings cost the importer 1½ cents, and the public pays 10 cents for it; is that correct?

Mr. BRAUNSTEIN. I do not know. We handle in our end, the Spanish pearl bead end of the business. We do not handle Japanese beads or 5 and 10 cent goods.

Senator COUZENS. Do you know the general custom of importers as to what percentage they add when they pay the duty to the Government?

Mr. BRAUNSTEIN. Yes; with my concern.

Senator COUZENS. Is that the general practice?

Mr. BRAUNSTEIN. In our class of trade; yes, sir. About the cheaper end, I do not know.

STATEMENT OF DAVID J. GALLERT—Resumed

Mr. GALLERT. If I may answer Senator Walsh, when I said that it cost the importer 1¼ cents, I meant 1¼ cents abroad. It would probably be twice that with the landing duty paid.

Senator WALSH of Massachusetts. Of course there is a tremendous amount of profit charged both on the American and the imported jewelry.

Mr. GALLERT. There is not so much profit. The manufacturer has to have his plant.

Senator WALSH of Massachusetts. The percentage is pretty high, though.

(Mr. Gallert filed the following brief:)

BRIEF OF DISTRIBUTORS OF IMITATION PEARL BEADS

POINT 1. THE DUTY PASSED BY THE HOUSE SO FAR AS THE OVERWHELMING BULK OF IMITATION PEARL BEADS IS CONCERNED ABSOLUTELY PROHIBITS THEIR IMPORTATION: IT IS NOT A PROTECTIVE DUTY, IT IS AN EMBARGO

The bill passed by the House provides: (1) that imitation pearl beads valued at not more than 5 cents per inch shall pay a specific duty of 2 cents per inch and an ad valorem duty of 20 per cent; and (2) an ad valorem duty of 60 per cent on beads valued at more than 5 cents an inch. The great bulk of the pearl beads imported would come under the first classification and only an infinitesimal amount of the imported beads have a foreign cost of 5 cents an inch or over; in fact only a small proportion of the imported beads have a foreign cost of more than a cent and a half an inch, so that practically all the importations of imitation pearl beads under the House bill would be dutiable on an ad valorem basis ranging from 1,700 per cent to not less than 150 per cent, and the great majority of such importations, being the beads sold at retail for 10 to 25 cents a string, would be dutiable on an ad valorem basis at rates ranging between 1,000 and 2,000 per cent.

At the hearing before the Tariff Commission, the American manufacturers admitted that imitation pearl beads could not be made in this country at a cost lower than 5 cents an inch for 15-inch and 24-inch strings, or lower than a cost of 3½ cents an inch for 60-inch strings. (Tariff Commission Record, pp. 227 and 228.) On the other hand, these strings, together with clasps, added in this country, are being regularly sold in the 10-cent stores for 10 cents and 20 cents for an entire string of 15 and 30 inches and at 25 cents for a 54-inch and a 60-inch string.

The effect of the House bill is very clear. It does not put the American manufacturer of cheap beads on the same footing as the foreign manufacturer, for there is no American manufacturer of cheap beads, but its effect will be to absolutely shut off the cheap beads from the American market; the idea being that such an embargo would increase the sale of the more expensive beads made in the United States. In other words, this provision apparently is based upon the theory that if a woman can not get a 15-inch string for 10 cents she will pay \$1.50 for it; that if she can not get a 60-inch string for 25 cents she will pay \$3 for it—a theory that is pronounced by the trade to be fallacious and the enactment of which into law will have the result of throwing approximately 5,000 American working people out of employment. The fallaciousness of the theory and its harmful effect will be treated later, as we now desire by exhibits, which will be filed with the committee, to show that the duty is not a protective but a prohibitive duty.

Exhibit 1 is a 15-inch string of imitation-pearl beads which was bought at retail at a McCrory store at Atlantic City on June 7, 1929. It is to be noted that this string has attached to it a clasp, which was affixed in this country. This string, together with the clasp, was bought at retail for 10 cents. It cost in Japan 21 cents a dozen, or 1¼ cents per string. Under the House bill there would be a specific duty of 2 cents an inch or 30 cents on the string and an ad valorem duty of 0.35 cent, making the total duty which would be exacted under the House bill on this string 30.35 cents on an article the foreign cost of which is 1¼ cents. The House bill, therefore, imposes a duty of over 1,700 per cent on this article, which is over twenty-eight times the present duty.

Before leaving Exhibit 1, attention is also called to the unevenness of the stringing. This is due to the machine method of manufacture used in Japan and is characteristic of the cheap Japanese beads as distinguished from the high-grade American beads which are hand dipped and individually strung.

Exhibit 2 consists of two 30-inch strings of imitation-pearl beads which were bought at retail on said June 7, 1929, at a Woolworth store in Atlantic City for 20 cents each. It will be noticed that each of these strings has a clasp which was attached in this country. These strings cost in Japan 45 cents a dozen or 3¾ cents each. Under the House bill the specific duty on each of these strings would be 60 cents each and the ad valorem duty would be three-fourths of a cent, making a total duty of 60¾ cents on an article which cost abroad 3¾ cents. In other words, the House bill would impose a duty on this article of over 1,600 per cent, which is over twenty-three times the present duty.

Exhibit 3 is a 60-inch string which cost in Japan \$1.25 a dozen, or approximately 10 cents each. Under the House bill the specific duty on this string would be \$1.20 and the ad valorem duty 2.1 cents, making a total duty of \$1.22 on an article that cost less than 10½ cents. In other words, the House bill levies a

duty of over 1,100 per cent on this article, which is over fourteen times the present duty.

Other examples of the beads sold in the 10-cents stores can be given ad infinitum, but they would all show the same thing, duties ranging between 1,000 and 2,000 per cent. When it is remembered that the American manufacturers say that they do not and can not make American pearl beads under 5 cents an inch for short strings and 3½ cents an inch for longer strings, it is evident that the House bill would immediately increase the cost to the American consumer of a 15-inch string from 10 cents each to 75 cents each and upward, of 24 and 30 inch strings from 20 cents each to \$1 each and upward, and of 60-inch strings from 25 cents each to \$3 each and upward.

The strings heretofore considered have all been Japanese, but the French and Spanish strings, which retail at 50 cents, 75 cents, and \$1 would also be shut out of the American market.

Exhibit 4 is a 15-inch French string, which costs abroad 20 cents. The specific duty under the House bill on this string would be 30 cents and the ad valorem duty 4 cents, making a total duty of 34 cents, on an article which cost 20 cents, or a duty of 170 per cent, which is nearly three times the present duty.

A 15-inch French string, which costs abroad 12 cents would under the House bill be subject to a specific duty of 30 cents and an ad valorem duty of 2.4 cents, or a total duty of 32.4 cents on an article costing 12 cents, a rate of 270 per cent, which is four and a half times the present duty.

Exhibit 5 is a 15-inch Spanish string, which costs abroad 10 cents. Under the House bill the specific duty on this string would be 30 cents and the ad valorem duty 2 cents, making a total duty of 32 cents on an article costing 10 cents, or a duty of 320 per cent, which is five and one-third times the present duty.

Exhibit 6 is a 54-inch French string, which costs in France 5 francs 40 centimes, or between 21 and 22 cents. The specific duty under the House bill on this string would be \$1.08 and the ad valorem duty would be over 4 cents, making a total of over \$1.12 on an article costing less than 22 cents, or making the rate of duty in excess of 500 per cent, which is more than eight times the present duty.

Clearly, the House bill which imposes duties of 1,100 and 1,700 per cent on the cheapest beads and of 500 and 600 per cent on the next grade of beads, does not equalize manufacturing conditions, but absolutely prohibits the importation of these articles into this country.

Congress certainly would not write a provision in a tariff bill which would impose an ad valorem duty on a majority of the products coming within said provision of some 1,100 to 1,700 per cent. The Ways and Means Committee could not have realized the exorbitant and excessive duties carried by this provision.

POINT II. THERE IS NO REASON FOR A PROHIBITIVE DUTY ON IMITATION PEARL BEADS

A. The cheap foreign beads are not similar to the domestic beads and one does not compete with the other.—There is no similarity between the cheap foreign beads and the domestic beads. Whatever point of view is taken or whatever test is applied, cheap foreign beads will be found to be so dissimilar to the American beads as to be an entirely different item. They do not cater to the same trade. The great hulk of the foreign beads are sold at retail in the United States for 10, 20, and 25 cents per string, and the next grade for 50 cents, 75 cents, and \$1 a string. Only a comparatively small percentage of the imported beads are sold at retail in this country for higher prices. The American beads, according to the testimony of the American manufacturers themselves given at the tariff commission hearing, can not be sold at wholesale for under 5 cents an inch for a short string (15 inches to 36 inches per string) or 3½ cents an inch for a long string (54 to 60 inches), and, therefore, such short strings can not retail below \$1.25 and long strings can not be retailed for below \$3. They are dissimilar in appearance, the cheap foreign beads being irregular and sagging in the string, while the American beads are regular and string neatly. They are made by a different process, American beads being hand dipped and individually strung, while the foreign beads are machine dipped and strung on masee. They differ in wearing qualities, American beads being dipped many more times than the cheap foreign beads, and therefore the enamel of the foreign beads is much more liable to crack.

At the hearing before the Tariff Commission, Mr. Henschel, a distributor who appeared for the American manufacturers, called the cheap foreign beads "so-

called pearls" and "cheap trash which is nothing but white beads." (Tariff Commission Record, p. 294.)

The testimony there given shows that the domestic bead is coated by being set up on a toothpick or a metal pin and hand dipped in a fish-scale solution from six to twelve times; it is then dried in a machine; the pin is then cut off by hand; the bead is then punched or pierced by hand to prevent the solution drying and covering the hole; the beads are then strung by hand one at a time. (Tariff Commission Record, p. 54.) The American bead is withdrawn by hand from the solution; there is no dripping to mar and discolor the domestic pearl beads; the greatest number of domestic beads to be dipped at one time is 100 of the smaller sizes. (Ibid, p. 37.) The domestic pearl beads are also put through a sieve in order to get exact and uniform sizes. (Ibid, pp. 93, 226.) The cheaper foreign beads, on the other hand, are strung on long pieces of wire which are coated with a clay solution and 10 to 20 of these wires are put into a machine at one time; as a result 3,000 or more of these cheap beads are then machine dipped at one time, first in gelatin and then not more than two or three times in a fish-scale solution; the beads are then pushed off the wires onto a string, being thereby strung en masse and not individually, as in this country. Under this method the solution drips off the bead on its side, making a discoloration or ring on the side of the bead. This pushing of the bead from the wire to the string requires a larger hole in the bead and this in turn results in an irregular and unsightly appearance of these cheap beads when strung. These cheap beads are not sieved for size; and when one buys them one must take larger or smaller sizes and the shapes are irregular because the beads are not assorted. The lustre of the cheaper foreign beads is less than that of the domestic beads. The wearing quality of these cheaper foreign beads is very poor as the enamel very often cracks and peels due to the gelatin dippings and the smaller number of dippings in fish-scale solution. The manufacture of the fish-scale solution for these cheap beads is not considered a difficult task. It is done by any ordinary laborer in the factory, whereas in this country such solution is made with great care and skill. In fact, one importer of these cheap foreign beads described them as follows (ibid, pp. 54, 37, 93, 226, 398, 440):

"The beads in the string of 10-cent pearls are not uniformly round. The covering in most cases is blistered. There are lines and cracks appearing on the bead itself. The coloring is not uniform. The hole at one end is larger than the hole at the other end." (Ibid, p. 501.)

An American manufacturer testified that he would classify these cheap beads as rejects because they contained "broken glass, broken ends, dirt and irregularities in coating," as well as irregularities in stringing. (Ibid, p. 72 A.)

When compared with the beads made in this country, their dissimilarity is so great that they would in all probability produce in any person of average intelligence the same reaction that they produced in Commissioner Dennis. When the hearing before the Tariff Commission was held, Commissioner Dennis said (ibid, pp. 408, 409):

"Even an ignorant layman such as myself can distinguish in that particular sample of a string of beads distinct inferiority. In other words, it looks like very common workmanship to me."

And also said (ibid, p. 582):

"I noticed in a string probably of 25 or 30 beads that certainly 10 per cent, and perhaps more, showed a disposition to scale, and that the enamel was broken in certain places."

And also (ibid, p. 421):

"I would consider that (referring to a cheap Japanese necklace) to be a sort of a freak product, something so inexpressively bad that it really does not enter into international trade."

The cheap foreign beads are, therefore, dissimilar to the American-made beads in price, in appearance, in method of manufacture, in wearing quality, and in the market or trade to which they appeal. The 10-cent bead of the 10-cent store is not at all the same thing as the hundred-dollar domestic bead necklace sold in the high-class jewelry or specialty store. Even the 75-cent French bead of the department store is not the same thing as the cheapest American-made necklace which retails at \$1.25 to \$1.50 a string.

B. An embargo on the importation of cheaper beads will not increase the sale of domestic beads. The domestic beads can not be substituted for the foreign beads.—The House bill is apparently based upon the theory that a woman accustomed to buying a 15-inch string of beads for 10 cents will, if she can not obtain said string for 10 cents, pay \$1.50 therefor, and that a woman who is accustomed to

paying 25 cents for a 60-inch string of pearl beads will, if she can not obtain it for less, pay \$3 for the same.

The distributors submit that the mere enunciation of this proposition shows its falsity and that it is a fact that should be recognized by everybody that only a very small percentage of the people who are accustomed to paying 10 cents and 25 cents for strings of beads can afford to pay \$1.50 and \$3 for the same.

At the hearing before the Tariff Commission, Mr. Hill, the head of the bead department in the Kresge organization, testified that his organization alone sold between 3,000,000 and 4,000,000 of these bead strings every year; that these strings were sold to the waitress and shop girl and other people who have to count their pennies, and that only 5 per cent of the people who now buy the cheap strings would buy the higher price strings. (Ibid., p. 304.)

The distributors, whose names are signed to this brief, from their experience with different lines of merchandise believe that Mr. Hill's statement is a correct estimate, and a careful canvass of all of them shows that the unanimous consensus of opinion is that only from 5 to 10 per cent of the people who now buy these cheap strings would buy the better strings if the importation of the cheap strings were prohibited. The fact that the sale of these cheap strings has very little effect on the sale of strings of better pearls is also shown by the evidence given to the Tariff Commission by the representatives of D. Lisner & Co., Albert Lorsch & Co., and Lasner & Bamberger (large and reputable distributors of expensive pearl beads), who testified that since these cheaper pearl beads have come on the market their concerns have all increased their business in the better grade of pearl beads. (Ibid., pp. 319, 564, and 570.)

POINT III. PROHIBITION OF THE IMPORTATION OF THE CHEAPER BEADS WOULD THROW OUT OF WORK SOME 4,000 AMERICAN WORKERS

All of the short strings of the imported beads are clasped in this country. Many of these imported beads are restrung in this country and dyed in this country. In addition, such beads to a very considerable extent are reconstructed and reworked and used in different combinations. Exhibit 7 is just one illustration of how these beads are combined with other material in this country into an American-made product.

The testimony given before the Tariff Commission shows that approximately 5,000 people are employed in this country in stringing and reworking these foreign beads and that many of them were elderly people and invalids who would find it difficult to get other work. (Ibid., pp. 309, 498.) Inasmuch as the American pearl-bead industry certainly does not employ more than 1,000 people and probably does not employ nearly that number (ibid., p. 200, 201), an increase of its product by 5 or even 10 per cent of the amount of beads now imported would only mean the employment of about 100 people additional. In other words, the net result of prohibiting the importation of these cheaper beads would be that there would be work in this country for approximately 400 people less than now exists.

Approximately 5,000 people are now employed in the United States in reworking these imported beads. The retail experts and the wholesale experts believe that 90 to 95 per cent of their business in reworking these pearl beads would be lost if cheap beads could not be sold in this country. This being so, when we deduct the extra labor required in this country for making 5 to 10 per cent of the amount of the pearl beads now imported from the amount of domestic labor now employed on the foreign beads, we find that there is employment for about 4,400 less people. Certainly a duty that would have such an effect is not protecting American industry.

POINT IV. THE AMERICAN MANUFACTURERS OF IMITATION PEARL BEADS NEED NO FURTHER PROTECTION

A. *Such manufacturers are now making a handsome manufacturers' profit.*—As already indicated, the Tariff Commission investigated the cost of production of imitation-pearl beads and issued a preliminary statement. At the hearing, the importers challenged the correctness of such preliminary statement. Among other things, they claimed that the figures in the preliminary statement as to the cost of labor in producing these imitation pearl beads in this country were not accurate, since the labor figures were not taken from the books of the domestic manufacturers but were taken from trial runs made by the Tariff Commission investigators, and the importers submit that, when a concern knows that trial

runs are being made, it can easily run up labor costs, if it is for its interest to do so. But notwithstanding this fact and notwithstanding the fact that the American cost figures included selling expenses and interest and seem to be in every respect favorable to the American manufacturers, nevertheless said figures show that as a whole American manufacturers of pearl beads were making what should be a most satisfactory manufacturing profit.

The Tariff Commission investigated the cost of production of five groups of imitation-pearl bead necklaces, each group consisting of 18 items. Taking Table 12b, which is the most favorable to the domestic manufacturers, we find that Group 1 shows an item sold for \$0.78, which cost \$1.20, or a loss of over 50 per cent. At the same time it shows another item sold for \$2.25 which cost \$1.49, or a profit of over 50 per cent. And on seven articles in that group the average selling price was \$6.03 and the average cost was \$4.13, showing an average profit of over 46 per cent; whereas the entire first group in Table 12b averaged, shows a profit of 34 per cent, which is generally considered a very satisfactory manufacturer's profit on goods made only to order. (Record, p. 74.)

Group 2 of Table 12b shows practically the same thing; one item which cost \$1.03 was sold for \$0.78, or a loss of over 24 per cent, while another item which cost \$1.19 was sold for \$2.29, or a profit of over 90 per cent, and the seven articles whose cost price averaged \$3.39 sold for an average price of \$6.03, or an average profit of over 77 per cent, while Group 2 as a whole shows an average profit of over 60 per cent for the American manufacturer.

Group 3 of said Table 12b shows substantially the same condition. One item which cost \$1.71 was sold for \$1.25, or a loss of about 26 per cent, while another article in the same group, which cost \$1.93, was sold for \$3.66, or a profit of about 90 per cent, while the seven articles averaged at a cost of \$5.54 sold for an average price of \$9.65, or a profit of over 74 per cent, and the group as a whole shows an average profit of about 58 per cent for the American manufacturer.

Group 4 also shows the same condition. One item which cost \$4.24 was sold for \$3.12, or a loss of over 26 per cent, while another article which cost \$4.79 was sold for \$9.15, or a profit of over 90 per cent. The seven articles, whose cost averaged \$13.65, were sold at an average price of \$24.12, or a profit of over 76 per cent, while the entire Group 4 of Table 12b shows a profit of over 59 per cent.

The same condition is also shown in Group 5 of said Table 12b. One item which cost \$3.50 was sold for \$3.10, but another item which cost \$4.31 was sold for \$9.15, or a profit of over 100 per cent, and the seven articles, the average cost of which was \$16.28, sold for an average price of \$24.12, or an average profit of over 42 per cent for the entire group. (Table 12b, *ibid.*)

It is submitted that when one domestic manufacturer loses 24 per cent while another domestic manufacturer makes 90 per cent on the same article, no tariff in the world can be of any benefit to the first manufacturer, unless he has taken a loss on the article simply as a bait to get other business, as the domestic manufacturers testified they sometimes did. (*Ibid.*, pp. 244, 245.)

It is submitted further that where manufacturers make an average manufacturing profit on goods made to order and not carried in stock of between 34 and 60 per cent over and above all overhead expenses, all selling expenses and all interest paid, they are certainly making what should be a satisfactory profit. Any legislation to increase such profit would place an undue burden upon the consumer and certainly ought not to be recommended in a case where the industry is in the hands of a few concerns closely united in a single trade association. The conditions are extremely favorable for a monopoly and Congress should not put the producers in a position to mulct the consuming public.

B. *The American plants are not quantity plants.*—This industry shows a condition contrary to that generally found. In most industries it is the Americans who are benefited by the economies of mass or quantity production. In the manufacture of pearl beads, however, there is one Spanish factory and one French factory which are working on the basis of mass production, but none of the American manufacturers of imitation pearl beads have as yet attempted to secure the well-known benefits and economies of such a method of production. The conclusion is, of course, irresistible that the American manufacturers of imitation pearl beads have fallen behind both their fellow American manufacturers and the competing foreign manufacturers in Spain and France. The question at once arises whether as a matter of public policy this Congress should place a premium on inefficiency by giving additional protection to inefficient and backward manufacturers. It is one thing to give the necessary protection to industries which are doing the best possible to reduce their costs of production and it is quite another thing to say to an industry: "You need not use modern methods; you can be as

backward and as inefficient as you please, because we will make the consumer pay not only the inevitable difference in costs of production between this country and foreign countries, but we will also make him pay whatever amount is necessary to make up the difference between the efficiency of foreign countries and your own inefficiency and lack of enterprise."

POINT V. THE PRELIMINARY REPORT OF THE TARIFF COMMISSION AS TO COSTS OF PRODUCTION OF AMERICAN AND FOREIGN PEARL BEADS SHOULD NOT BE RELIED UPON BY THIS COMMITTEE

The report of the Tariff Commission is simply a preliminary report, and at the hearing the importers clearly showed that the report was erroneous in many ways. In the first place, the comparison between the American and foreign pearl bead was not made on the basis of quality but on the basis of selling price. In other words, the commission's experts attempted to find the cost of production not of beads of the same quality but of beads sold for the same price, which theory, of course, is incorrect, because the manufacturers themselves admitted that the comparison should be beads of the same quality. (Ibid., pp. 158, 272.) It was also admitted that the reputation of the seller, the guaranty or the absence of guaranty of the wearing quality of the pearls, the presence or absence of a brand or trade-mark, and the amount of national advertising given to these particular articles are all factors which, though unrelated in quality, affect the wholesale price very materially. (Ibid., pp. 80-82, 241.)

The labor costs of manufacturing domestic pearls was not ascertained from the books of the domestic manufacturers but from trial runs made by the experts. It is obvious that when a manufacturer knows that a trial run is being made to ascertain the cost of manufacture and when it is to his advantage to run up his cost of manufacture, such manufacturer can, since labor is one of the principal items of cost, increase the cost of production materially over his cost in the regular course of business.

Finally, the foreign figures were taken from invoices in the New York custom-house. These invoices made no distinction between the wax and hollow pearl beads, which are not made in this country, and the indestructible glass pearl beads, which are made here; the wax and hollow pearl beads being cheaper, naturally brought down the average. In addition, these invoices included the invoices of a concern which, generally reported in the trade, paid to the Government \$30,000 in settlement of the claim of the Government that it had undervalued its pearl-bead importations during the year for which the figures were obtained. Naturally, this brought down the average cost of production found for the foreign pearl beads.

POINT VI. UNITED STATES VALUATION IS IMPOSSIBLE

United States valuation, by which we understand the wholesale selling price of the imported article itself in the United States, is impractical. The quality of the beads can not be ascertained by physical examination, and therefore the appraiser can not tell what their selling price should be. This difficulty is so great that it is believed that the appraiser's office, as now constituted at least, will break down under this added burden. The importers would be glad if the committee would ask the New York customs authorities as to the difficulties of dealing with this question. It is true that ultimately the appraiser will come out with some sort of a guess as to what the United States selling price of this particular article will be, but it can only be a guess. The guess of the importer undoubtedly will be different and the whole business is plunged into litigation.

The difficulty is rendered much greater by the fact that this is entirely an article of style and fashion. The importer may import an article of this line with the idea of selling it for a certain price but, if the article takes, as 5 out of 10 articles may, he will increase his price, while if the article does not take he will decrease the price until he is able to get rid of it. In other words, we have a situation where five successful articles must necessarily pay the cost of five unsuccessful articles, and no one can tell at the moment of importation which article is going to be the successful one, and which articles are going to be the unsuccessful ones. How, then, under these circumstances can anyone at the moment of importation decide what the United States selling price is going to be?

Another difficulty in fixing the United States selling price is the very large difference in overhead of the different concerns in this line. Some of these concerns sell mostly to the feminine buyers of the retail stores and have extremely

elaborate showrooms. Other concerns have very modest quarters and sell in very large quantities to the jobbers. Obviously, the first class of concerns must have a higher selling price for the article than the second class of concerns. Which wholesale selling price is to be taken?

The impossibility of telling the quality of the beads by examination, the difference in overhead expenses of the concerns and the fact that the selling price of the commodity will change from day to day, according to whether it meets with the favor or fashion, or not, all make it impossible to apply United States valuation to this class of article. The only sure basis is the price which the importer has to pay for the article.

Respectfully submitted.

GALLERT, HILBORN & RAPHAEL.

Attorneys for Cahn & Co., Herbert Cohn Co., Cohn & Rosenberger, Friedman & Co., Ben Felsenthal & Co., M. Gugenheim, (Inc.), Lasner & Bamberger, Lippmann, Spier & Hahn, D. Lisner & Co., L. Mendelson Co., William Reichert & Co., Samstag Bros. & Hilder, Jacob Schorsch & Co., Jules Schwab & Co., Steinhardt Bros., Morris Hollander & Sons, distributors of imitation pearl beads, New York City.

**STATEMENT OF E. K. WILLIAMS, NEW YORK CITY, REPRESENTING
S. H. KRESS & CO., F. W. WOOLWORTH CO., AND S. S. KRESGE
& CO.**

(The witness was sworn by Senator Keyes.)

Senator KEYES. Whom do you represent?

Mr. WILLIAMS. I represent S. H. Kress & Co., and working in conjunction with F. W. Woolworth & Co., and S. S. Kresge & Co. of Detroit.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. WILLIAMS. No, sir; we did not.

Senator KEYES. No one representing these companies appeared there?

Mr. WILLIAMS. No, sir.

Senator KEYES. Very well; go ahead.

Mr. WILLIAMS. We have printed a brief which covers the important features of it.

Senator KEYES. We do not care anything about the brief. You can file the brief and explain it.

Mr. WILLIAMS. Our difficulty is that the proposed act, as it stands, will practically eliminate, or will eliminate entirely, 10 and 25 cent pearl beads, because the duty on a 10-cent bead, which is at present about 3½ cents, will go up to about 30 cents a string. Of course it eliminates the item entirely from the 10-cent stores.

Senator WALSH of Massachusetts. How extensive is your business in 10 and 25 cent bead strings?

Mr. WILLIAMS. F. H. Kress brought in 187,000 within this last year.

Senator WALSH of Massachusetts. That one company alone?

Mr. WILLIAMS. Yes; that is that one company alone; and we estimate that the sales on this particular type of bead are 25,000,000 strings a year.

Senator THOMAS. What class of trade patronizes this class of merchandise?

Mr. WILLIAMS. People of very limited means; the 5-and-10-cent-store customers. We feel that this proposed tax will eliminate en-

tirely the 10-cent beads. We inquired among all manufacturers that manufacture beads, and the lowest price that we could find was one that would retail at a dollar, although we did have one manufacturer state that he might possibly make a 50-cent 16-inch string some time, but he did not know how he would do it to-day.

Senator WALSH of Massachusetts. What does a 10-cent string cost the Kress Co.?

Mr. WILLIAMS. We pay about 3½ cents abroad.

Senator WALSH of Massachusetts. How much does it cost delivered?

Mr. WILLIAMS. Our delivered price is about 90 cents a dozen. In this particular line we eliminate the importer. We are importing our own. Now, that is not true of Kresge and Woolworth. They use an importer to bring in their beads. We put that difference into our quality. A 25-cent bead lands at about \$2.07 a dozen, which sells for \$3 a dozen. The duty on that under the proposed act would be 77 cents a string, and a 10-cent string which now lands at 90, we would have to have 30.4 cents duty, and with that paid it would be a 50-cent seller or higher.

Senator WALSH of Massachusetts. Does your company buy direct from Japan, or buy through an importer?

Mr. WILLIAMS. No; we buy direct from Japan. We have our own commission merchants in Japan and our own buyers.

Senator WALSH of Massachusetts. This price you give here includes your own commissions?

Mr. WILLIAMS. Yes, everything.

We also wanted you to give consideration to this. Most of the beads we bring in to-day come in under the proposed 1527, which is as a class 80 per cent. We thought if you could give consideration to putting all beads under one paragraph and putting a 80 per cent duty on that class of beads—

Senator KEYES. You do not object to that?

Mr. WILLIAMS. No; because if we bring them in as a class, we have to pay 80 cents to-day. We think it would simplify the paragraph to put all beads under one paragraph, by making it read, "under 2 cents an inch, loosely strung, mounted and unmounted, with or without clasp, 80 per cent ad valorem;" and the value based 2 cents as a class, as it reads now.

Then we would also like you to give consideration to putting the imitation precious and semiprecious stones in the same class.

Senator WALSH of Massachusetts. Is that in a different paragraph?

Mr. WILLIAMS. That is in the same paragraph.

Senator THOMAS. If this tariff is raised as proposed in the bill, would it deprive very many people of the privilege of wearing these beads?

Mr. WILLIAMS. It would deprive them entirely. You would not have any 5 or 10 cent strings on our counters.

Senator THOMAS of Oklahoma. Conceding that to be true, are there many people who could not afford a 50-cent bead who are now wearing a 10-cent bead?

Mr. WILLIAMS. A great many.

Senator THOMAS. The result of this would be to deny to a great many people the privilege of wearing these beads who now do so?

Mr. WILLIAMS. It would. Estimating all the beads that were brought in, it would deprive 25,000,000 customers.

Senator THOMAS. These beads that are exhibited before the committee, are they serviceable?

Mr. WILLIAMS. Yes; the more coatings there are on the beads, the more serviceable they are. Of course the 10 and 25 cent beads are usually two or three coats, whereas more expensive beads are more.

Senator THOMAS. Are they a hollow shell?

Mr. WILLIAMS. No; they are solid; coated on solid glass. This gives you an idea of the prices sold at. For instance, this is an average of 50 cents [exhibiting beads]. For instance, a bead like that, that we sell for 25 cents, that string is about 32 inches long, and the duty would be about 70 cents on a string of that kind, which now retails for 25 cents. It absolutely eliminates from the public these beads.

Senator THOMAS. What price would you like to get from the public on that very one which you say now you sell for 25 cents?

Mr. WILLIAMS. At least \$1.25.

Mr. THOMAS. At least \$1.25 or \$1.50?

Mr. WILLIAMS. Yes.

Mr. THOMAS. Because of this duty the price would jump from 25 cents to \$1.50?

Mr. WILLIAMS. Yes. There is one more point. There are about 1,500 people employed, according to the Tariff Commission report, in making these beads. Of course this includes the ones made for earrings and filling stones for rings; but for the beads there are none that could be retailed for—

Senator THOMAS. Has the Tariff Commission made a report on beads?

Mr. WILLIAMS. Yes.

Senator THOMAS. Do you know what that report is?

Mr. WILLIAMS. Yes.

Senator THOMAS. Will you state briefly the result of their investigation?

Mr. WILLIAMS. They said that there is no bead made in this country under a valuation of about $3\frac{1}{4}$ cents an inch. That is the minimum they have, in this report.

Senator THOMAS. And does the Tariff Commission recommend that the duties be raised?

Mr. WILLIAMS. There is no recommendation in there, that I know of. There is a bead that sells for \$1 [indicating]. I have no idea how much the duty would be on that. You could not figure it. May I leave this brief here?

Senator WALSH of Massachusetts. Do you want to be heard further?

Mr. WILLIAMS. Not at present.

Mr. WALSH of Massachusetts. Leave your brief, please. Mr. Chairman, is the testimony on beads finished?

Senator KEYES. No.

**STATEMENT OF JOSEPH B. PERSKIE, ATLANTIC CITY, N. J.,
REPRESENTING DISTRIBUTORS OF IMITATION PEARL BEADS**

(The witness was sworn by Senator Keyes.)

Mr. PERSKIE. With due regard to the admonition of your chairman, I want to take a minute or two to call the committee's attention to the fact that when the final draft of the act as prepared by the Ways and Means Committee was completed, and its attention was called to those things in this particular item, immediately we got in touch with the chairman and some of the members of that committee, and when their attention was called to the fact that the increases in percentages were as great as 2,000 per cent, they immediately said that they would try to get in touch with the Tariff Commission and ascertain from them whether that was true, and if true, it ought to be remedied. Now, I do not know whether they did go to the Tariff Commission or whether they had opportunity to go to the Tariff Commission, but I do know that the interests which I represent, together with myself, did go to the Tariff Commission, and Mr. Young was present here and can say whether or not the percentages which have been stated to this committee are true percentages which the proposed rates will make on this particular item.

Senator WALSH of Massachusetts. Will you please state whom you represent?

Mr. PERSKIE. I represent the same interests that Mr. Gallert testified for, and I just want to state that in the rush of the passage of that bill, it is my opinion, some legislation often finds itself in a bill which under other circumstances, with more time to devote to investigation would not have found itself in that particular act.

Senator WALSH of Massachusetts. Of course if the purpose of this committee is to eliminate imports and to give to the American manufacturer the field, the duty is not too much.

Mr. PERSKIE. If it is comparable to anything that is manufactured or prepared in America; but relying implicitly on the evidence before the Tariff Commission that there is nothing to compare at that price in America, and therefore it is not comparable, we feel that an error has been committed, and we ask this committee to give due regard to the correction of that error.

In other words, it simply means that the cheaper price bead that a working girl or some poor person could buy for 25 cents, are entirely out.

Senator THOMAS. You are opposed to the increase?

Mr. PERSKIE. Yes.

Senator THOMAS. Do you mean if this is incorporated in the law it will prove an embargo against the importation of these cheap beads?

Mr. PERSKIE. An apparent prohibition. I state that to this committee.

Senator WALSH of Massachusetts. As I understand the situation, the Government is not levying this duty for the purpose of increasing its revenue; its only purpose can be, as I see it, to give to the domestic manufacturers the market for beads. Now, to do that, the ad valorem rates levied here would have to be very high and very extreme, would they not?

Mr. PERSKIE. My answer to that is that it depends on the basis you have for determining what the tariff is. If you take the recom-

mendations of our present Members of Congress, that only those few who receive consideration at the hands of the Tariff Commission who for the past few years have had a substantial shrinkage in their business, or those businesses in which labor has gone down as the result of insurmountable competition, should receive consideration, therefore if labor and business has not suffered there is no particular reason for a change at the present time. It seems to me that the best policy would be to determine whether an industry should receive further protection at your hands. Thank you.

STATEMENT OF M. C. MEYER, NEW YORK CITY, REPRESENTING THE ASSOCIATION OF AMERICAN MANUFACTURERS OF IMITATION PEARLS AND SPECIALTIES IN FUSIBLE ENAMELS

(The witness was sworn by Senator Keyes.)

Senator KEYES. You appeared before the Ways and Means Committee?

Mr. MEYER. Yes. I represent the Association of American Manufacturers of Imitation Pearls and Specialties in Fusible Enamels.

Senator KEYES. Have you something to add to what you testified before?

Mr. MEYER. Yes; I have something new.

Senator WALSH of Massachusetts. How many manufacturers in this business?

Mr. MEYER. Twenty-four.

Senator WALSH of Massachusetts. Where are they located?

Mr. MEYER. In New York, New Jersey, and Rhode Island.

Senator WALSH of Massachusetts. You represent them all?

Mr. MEYER. I represent them all.

Senator WALSH of Massachusetts. How many employeess are employed on these industries?

Mr. MEYER. At the present time there are about 2,000.

Senator WALSH of Massachusetts. Is business prosperous?

Mr. MEYER. No. I will report on this in my talk.

I appear in behalf of the American Manufacturers of Imitation Pearls and Specialties in Fusible Enamel which represent practically the entire production of imitation pearls in the United States.

The Way and Means Committee heeded our plea to a very great extent and gave us rates that will be very beneficial to the industry. The committee, however, did not write into its bill the rates for which we asked and which we had carefully figured out as necessary to the continuance and success of the manufacturers of imitation pearls.

We ask this committee to give the rates as asked in our brief before the Ways and Means Committee. We ask for two changes in paragraph 1503 in the bill as passed by the House.

In the case of imitation solid pearl beads, valued at not more than 5 cents per inch, we wish the duty to be 3 cents per inch and 20 per cent ad valorem, an increase of 1 cent per inch in the specific duty.

In the case of iridescent imitation solid pearl beads, valued at not more than 10 cents per inch, we wish the duty to be 5 cents per inch and 40 per cent ad valorem. This is an addition of 1 cent per inch in the specific duty. We wish, of course, to have both ad valorem rates in addition to the specific duties.

We will not go into the details of production cost. The Tariff Commission has made a thorough investigation and its figures are at the disposal of this committee. The commission has production costs of representative American factories and the invoice values of foreign pearls. These values include the foreign manufacturer's profit as well as production cost. We are satisfied to rely completely in the decision of our case upon the facts and figures as found by the investigation of the Tariff Commission.

Plants in Rhode Island, New York, and New Jersey produced about \$5,000,000 worth of imitation pearls in 1924.

Each succeeding year the American sales of imitation pearls have increased appreciably, whereas American production has decreased to approximately \$1,500,000 for the entire year of 1928. This destructive condition is due to foreign competition.

The Japanese entered the manufacturing field in 1924 by producing imitation pearls that were exported mainly to the United States.

Senator KEYES. Did you not present all this to the Ways and Means Committee?

Mr. MEYER. No; this is altogether different.

Senator KEYES. Very well.

Mr. MEYER. I respectfully submit a copy of an article recently published in a Japanese newspaper which states that the imitation pearls exported from Osaka annually amount to yen 3,000,000, or approximately \$1,500,000, which is 90 per cent of the total exports of imitation pearls from Japan.

The Japanese are now shipping imitation pearls similar to samples I lay before you for less than 1 cent an inch.

Senator THOMAS. Right there let me ask you: The factories you represent, can they produce an article in competition with the class of goods exhibited here this morning?

Mr. MEYER. I did not see the goods exhibited this morning. I do not know what you are talking about.

Senator THOMAS. The interests you represent here, can they manufacture goods in competition with the goods that are on the market to-day at these cheaper prices?

Mr. MEYER. Yes. After you have listened to a few more sentences of this statement, I think the question will be answered to your satisfaction.

Their wage scale permits them to export this quality as low as one-quarter of a cent per inch.

Their wage scale permits them to export this quality as low as one-quarter of 1 cent per inch, their present export price of five-sixths of 1 cent per inch being a fraction of a cent less than for similar qualities produced by the Spanish and French pearl manufacturers.

The average run of a pearl factory is in three grades. The Japanese were obtaining a preponderance of third-grade pearls for the first few years subsequent to 1924. Owing to the skill and experience gained through years of manufacturing the run of these Japanese pearl manufacturers now is predominantly of the first and second grades, whereas their cost remains the same.

The competitive conditions owing to the wide difference between the Japanese and the American wage scale is gradually making it impossible for our industry to exist.

Seventy-five per cent of the entire cost of producing imitation pearls is in labor. Our labor cost is twenty to fifty times the cost of Japanese labor.

Our Government demands that Japanese coolie labor be kept out of the United States. Is it then not reasonable to protect American labor from this destructive competition?

Whatever new creations we produce which become popular, the Japanese imitate and dump into our market in six weeks' time, discouraging any attempt on our part to make progress.

We respectfully request permission to file a brief at a later date.

Now, with regard to these exhibits. There is a Japanese tag and the American tag. One is made in Japan and one is made in America.

Senator COUZENS. What do they sell for?

Mr. MEYER. Here is a pearl necklace shipped into this country, a Japanese pearl, for five-sixths of a cent an inch. That is about 30 cents. It may be sold for \$1, it may be sold for \$1.50, whereas ours costs \$2 to produce.

Senator COUZENS. What is the difference in quality, if any?

Mr. MEYER. There is no difference in quality. You can not tell them apart.

Senator COUZENS. The previous witnesses testified that your production was a much higher grade production than that in Japan.

Mr. MEYER. I should say that the run of our plant is three grades. They have had a lot of experience. The preponderance of the production to-day runs in the second and first grades. They will get some third grade, but they will be in the minority. We are feeling this foreign competition more each day. It is only a question of time until we must give up our industry. We had a very fine industry up to 1924. It had been on the increase all the time, but the foreigners since that time have had the best of it.

Senator COUZENS. What else do you manufacture?

Mr. MEYER. That is all we manufacture in our plant.

Senator COUZENS. Just that one thing?

Mr. MEYER. Just artificial pearls; yes, sir. We have a building six stories high, 150 feet by 75 feet. We have employed as high as 1,200 people in our plant from \$60 a week down.

Senator COUZENS. Have you estimated what reduction there will be in use in case a tariff is put on such as you have suggested?

Mr. MEYER. No reduction in use at all. There will be an increase, and increased consumption.

Senator COUZENS. Do you mean to say because the article is raised from 10 cents to \$1 that there will be an increase in consumption?

Mr. MEYER. We will find when we manufacture an increased amount of goods that we will obtain more second and third grade productions. At the present time we are only in position to sell our first grades. We can not assemble our second and third grades to advantage. There is no bid for them. We can not compete with the Japanese market. If we had an outlet for our second and third grades, that will reduce the cost on the first grades and we will be able to supply a lot of the chain stores with our second and third grades.

Senator COUZENS. You mean that the 25,000,000 estimated customers of the 5, 10, and 25 cent stores——

Mr. MEYER. Ten cents is the lowest they sell for.

Senator COUZENS. But you do sell some in the 25-cent stores, do you not?

Mr. MEYER. They are finding it difficult to buy a Japanese necklace made up of, say, 150 pearls for about 3 cents. That was due to the ignorance of the manufacturer getting a preponderance of third-grade material. That is going to raise up their standard. There will be some third grade but not as many as there were. The market in Japan is different. They are getting a better pearl for the money, and that better pearl is comparable to our second-grade pearl, and their first-grade pearl makes us ridiculous. We have no choice in the matter. We simply have to give up.

Senator COUZENS. It is apparent that the consumption will be reduced, is it not?

Mr. MEYER. No; because the amounts are higher. It is all in the amount. If they sell 25,000,000 strings at 10 cents, that is \$2,500,000.

Senator COUZENS. We are much more interested in the 25,000,000 people than in the \$2,500,000.

Mr. MEYER. Interested in their happiness?

Senator COUZENS. Yes.

Mr. MEYER. Which is more important, the happiness of five or ten thousand workmen who have dependents or the people who buy a luxury? They do not have to have a pearl. They can buy some other article for 10 cents.

Senator COUZENS. In other words, you want to cut off the workman's privilege to buy a pearl necklace for 10 cents?

Mr. MEYER. No; I would not cut the workmen out. If it was a necessity of life I would give up. We do not want to deprive them of any happiness along that line.

Senator COUZENS. Do you not believe that jewelry is a necessity of life for women?

Mr. MEYER. I am afraid not, not from my viewpoint.

Senator COUZENS. Why, certainly it is.

Mr. MEYER. It is a necessity in life so far as employment is concerned. Those men can enjoy life, by reason of their employment. A watch may be a necessity at a nominal price. May I submit the samples?

Senator KEYES. Yes.

Mr. MEYER. May I have the privilege of filing a brief at a later date?

Senator KEYES. Yes.

Senator THOMAS. You are asking that the House bill be further increased?

Mr. MEYER. Yes, sir.

Senator THOMAS. If that is done, will not the effect be that these cheap pearls from Japan and France will not be imported under this new law?

Mr. MEYER. No. We will have an opportunity for that market by producing these pearls and we will get more opportunity to get more of our third-grade pearls.

Senator THOMAS. How do you justify coming to Congress and asking Congress to pass a bill to deny the importation of an article

that is consumed by 25,000,000 people and giving you that entire market for the benefit of a very limited few of your workmen?

Mr. MEYER. A limited few? Our industry is practically in its infancy. We might employ as high as ten or twenty-five thousand persons.

Senator THOMAS. How many are employed now?

Mr. MEYER. We are reduced to about 2,000. We have been exposed to a very exceptional condition. Where the foreigner pays a man 10 cents a day we pay our employee \$5, \$6, or \$7 a day.

Senator THOMAS. Would it not be just as reasonable to ask your men to go into some other line of business?

Mr. MEYER. Suppose we did that and you duplicated that a hundred times in other industries, you will have unemployment. That is what England is suffering from to-day. We believe in encouraging your industries.

Senator THOMAS. I understand your position. I just want to get you on record, that is all.

HAT BRAIDS

[Pars. 1504, 1505(a), and 1529(a)]

STATEMENT OF ERWIN E. WEBER, NEW YORK CITY, REPRESENTING THE AMERICAN ASSOCIATION OF FELT AND STRAW GOODS IMPORTERS

(The witness was sworn by Senator Keyes.)

Mr. WEBER. I represent the group of hat manufacturers that make women's hats. We are importers of the raw materials for hat manufacturers. I have here a brief wherein all the names of those I represent are given.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. WEBER. I did not. In fact, I may say that the hat manufacturers have never appeared before a House committee to represent their interests or to present their problems. They are not organized like the men's hat manufacturers, and they often do not know what duty is paid on their raw materials.

There are three groups of manufacturers who are interested in hats, the manufacturers of men's hats, the manufacturers of braids, and the manufacturers of women's hats.

The relative importance, according to the census figures of 1925, are that the manufacturers of men's hats turned out \$28,156,000; domestic braids, including trimming and fringes, \$7,850,000, and the manufacturers of women's hats \$190,050,000 worth of merchandise. Measured by labor employed, there were about 6,500 people employed on men's hats and on the manufacture of women's hats about 40,000 people.

The women's hat manufacturers have demonstrated to you the principle that is absolutely necessary for the American manufacturers to secure materials cheap, and that principle holds good for women's hat manufacturers.

The raw material in its most elemental state used by hat manufacturers is braid. There is more labor, two to ten times more Ameri-

can labor, consumed in a hat made from a braid than in a hat made from any other material.

The situation is to-day that we are paying on the raw materials 90 per cent duty, whereas wearing apparel now under 1311, or 1312 in the new paragraph, paid 60 per cent and 45 cents a pound. This wearing apparel is ready to wear, and is a very popular hat at this time [exhibiting braid hat]. This is absolutely ready to wear and does not need anything.

Senator THOMAS. Who wears that sort of a garment? [Laughter.]

Mr. WEBER. The women in New York City and in Chicago do, and these hats have been very popular, and I believe they are increasing in popularity, and I may say that all it takes to make this hat is a pair of shears and a little stitching.

Senator COUZENS. What does this hat cost?

Mr. WEBER. Anywhere from \$2 to \$12 a dozen, according to the material and the finish.

In order to make a hat out of a braid, there is the raw material [showing braid] that pays 90 per cent. It is dyed mostly in an American dye works. First it is sewn into this capeline and then it is blocked into a shape, and after the shape is made it is lined, trimmed, and finished. All these operations consume American labor, whereas hats made out of any other material require less labor. This is an extreme case [pointing to Jersey hood], I admit. This is a very popular hat, and a great many of these hats are sold [indicating sample].

The consumption of these things is increasing. Perhaps this will bring to your mind the people that you have seen—women—wearing these things [putting on one of the hats]. I do not think I look much like a flapper. [Laughter.]

Now, the hat industry in women's hats is just in as bad a condition as the men's hat people have testified before the Ways and Means Committee, and in fact their plight is worse. Take, for example, Massachusetts. Massachusetts was the chief center of women's hats—hats manufactured. We had about 10 of those manufacturers 10 years ago who were very prosperous, and they were among the very finest factories represented in America, as far as business, ethics, production, and efficiency of operation were concerned; but if you like, I will give you the names of those who have had to go out of business, and of those who are left.

Mr. WALSH of Massachusetts. Put that in the record.

(The list referred to is as follows:)

List of hat manufacturers in Massachusetts: Westboro Hat Co., Westboro, Mass. (has been liquidated and is out of business); Heimann & Lichten, Monson, Mass. (has been sold and is out of business as far as straw hats are concerned; the townspeople tried to raise money to keep the factory going so as not to lose the living they made in the factory for years, but apparently were not successful); Young & Holberton, Framingham, Mass. (are out of business); Hirsh & Renner, Medway, Mass. (are out of business); Renner, Robinson & Senior, Medway, Mass. (are out of business); Marion Hat Works, Mansfield, Mass. (have closed up their factory in Massachusetts, and are making a different type hat in New York City); G. T. Day & Co., Boston, Mass. (are out of business); Shannon Bros., Boston, Mass. (are out of business); Williamson & Sleeper, Boston, Mass. (are out of business).

The following concerns have either been reorganized, or have changed all or part of their equipment for sewing hats to other productions: William Knowlton & Sons, West Upton, Mass.; E. V. Mitchell (Searle, Dailey & Co.), Medfield, Mass.; Edwin S. Pickert Co., Foxboro, Mass.

Senator WALSH of Massachusetts. You showed us four steps from the raw material to the finished article.

Mr. WEBER. Yes.

Senator WALSH of Massachusetts. Are there importers of these various articles?

Mr. WEBER. There are some.

Senator WALSH of Massachusetts. What do you call the raw material?

Mr. WEBER. The raw material is braid.

Senator WALSH of Massachusetts. It is just braid?

Mr. WEBER. Yes, sir.

Senator WALSH of Massachusetts. What is the present duty?

Mr. WEBER. Ninety per cent.

Senator WALSH of Massachusetts. What is the duty in the House bill?

Mr. WEBER. Ninety per cent.

Senator WALSH of Massachusetts. Take the next step, the hats; how much is that duty?

Mr. WEBER. Ninety per cent.

Senator WALSH of Massachusetts. How much on the second?

Mr. WEBER. Ninety per cent.

Senator WALSH of Massachusetts. How much on the finished part?

Mr. WEBER. Ninety per cent. There are no imports of these [indicating] blocked, trimmed, and finished ladies' hats. Some raw bodies [indicating] are imported, but there would be no differential between the blocked and finished hat [indicating] and the braid [indicating].

Senator WALSH of Massachusetts. What is the cost of the labor in each stage? Of course labor is used in each step?

Mr. WEBER. Labor is used in each step. I should say this cost about \$6 a dozen [indicating] to sew the hats, and you will find testimony from the men's hat manufacturers as to how much it costs to block a hat, and then the trimming makes use of some American material, whereas these others [indicating samples] do not need any accessories to a hat.

The argument has come up, why not give the hat manufacturer the differential and make these hats here? We would subscribe to this principle very readily, except for the fact that the woman to-day wants to pay so much per hat, and if she can not get a braid hat for what she wants to pay they will take a hat like this [indicating]. Women's hats are all subject to fashion. If you would increase the duty on these finished products in order to secure a differential over the braid which now pays 90 per cent, it would not help or encourage the sewing of braids. It would simply mean that a manufacturer that has a pair of scissors and a needle and thread can make hats from materials like this Jersey in competition with a well-equipped factory. It would simply keep the braid hats out of the running.

Senator WALSH of Massachusetts. Do you want the braid rate reduced?

Mr. WEBER. To 50 per cent.

Senator WALSH of Massachusetts. And then you want a differential?

Mr. WEBER. We want articles made of braids [indicating] left at the present rate of 90 per cent. We also do not find any fault with

this class of merchandise [indicating Jersey], and we think the public ought to have what it wants, but we believe that an article [indicating a sewn hat], which consumes American labor to such an extent and has been the foundation of an important industry ought to have a chance to be made and sold in competition with hats made of other material [indicating Jersey].

Senator WALSH of Massachusetts. Who is opposing the reduction of the duty on braid?

Mr. WEBER. The braid manufacturers. They claim that they need 90 per cent duty in order to compete.

For instance, this braid [indicating visca braid] costs about \$4 to import. They are selling it for \$2.75. This braid here [indicating red braid] has been a very popular item. It costs \$2.82 to \$3.20 net to import, and the domestic braid was sold at \$2.25 less discount.

Senator WALSH of Massachusetts. So that the American manufacturer of hats is actually paying for his imported braids much more than he could buy braids for in the domestic market?

Mr. WEBER. I would say from 25 to 30 per cent.

Senator WALSH of Massachusetts. And none of it is of superior quality?

Mr. WEBER. There is some. The fact is that they import most braids, and most used in hat manufacturing has been originated there. There is not one braid that has been originated in this country, and furthermore, I believe this is due to an overprotected industry.

Senator KEYES. Do you use any domestic braid at all?

Mr. WEBER. Yes, we do; and in fact there is an advantage for the manufacturer, at times, to buy the domestic braid, because he can get in the colors he wants at short notice, whereas when you import colors the fashion may change in the meantime to another color. When a color or pattern is wanted there is never enough in the market, so that the domestic manufacturer has an advantage there. We believe that reasonable protection should exist, and we believe that the protection should be sufficient to enable them to compete, and that the manufacturer who depends on variety to sell his product should be able to bring in novelties and also be protected against being undersold as soon as he has made up his hats and has consumed all his labor in those hats. There are \$3 and \$6 and \$12 hats. It is according to the labor and material in it.

The result has been very often been that the feet have been taken out from under a hat made of imported braid by a hat made of a cheaper domestic braid.

Senator COUZENS. You say that you want the rate on that braid reduced from 90 to 50 per cent?

Mr. WEBER. Yes.

Senator COUZENS. Would that materially increase the imports?

Mr. WEBER. We do not think it would.

Senator COUZENS. What do you think it will do?

Mr. WEBER. We think it will give an opportunity to the manufacturer to make more hats from braids. It will increase the imports only in proportion to the extent that more braids are going to be used at the expense of other materials.

The prosperity in the millinery industry has always been the sewing of braids, but in recent years the tendency to use other materials than

braids has increased. Therefore, we feel that, if braids were encouraged and hats made out of braids were given a chance, the market for braids would be broader, and whatever increase there might be in imports of braids would only be in relation to the increased consumption of both imported and domestic braids. The braid manufacturer, also, would find a bigger market to sell his own products.

Senator COUZENS. What is the difference in the cost in this country and abroad, speaking about the cost of production? Do you know what the cost of producing is abroad?

Mr. WEBER. No; I do not.

Senator COUZENS. Do you know what the cost is of producing it in this country?

Mr. WEBER. No; I only know the selling price. We have an affidavit that this domestic braid was bought at \$2.25 a gross, less discount. This braid was imported and cost from \$2.82 to \$3.20 net.

Senator KEYES. How do they compare in quality?

Mr. WEBER. Some are better and some are exactly the same. These two braids [indicating], one is as good as the other. Some are better, of the imported braid, but some are on the same level.

Senator KEYES. As I understand you, then, the importer of hats can now purchase American-made braids cheaper than he can foreign braids?

Mr. WEBER. Yes; that is right.

Senator KEYES. But much of the difficulty as to the foreign-made braid is that that cost may be more, but he can get more style and color and make more fanciful hats of it; is that right?

Mr. WEBER. Yes.

Senator KEYES. And your objection to the American braid market is that because of this high protective duty, he has been content with making only certain characters of braids?

Mr. WEBER. Chiefly copying.

Senator KEYES. And he has not expanded colors and styles, with the result that the hat manufacturers are now confronted with styles of a different type of hat, which is destroying the braid hat?

Mr. WEBER. That is right. I do not say that reduction of the tariff is going to cure all troubles. I think fashion has had to do with it, but we know there is a demand for the scion hat, and it should not be discouraged and destroyed by an exorbitant duty on materials.

Shortly after the war, when fashion went against the hat manufacturer of sewn hats and favored small, close-fitting styles to the detriment of the sewn hats, the Fordney tariff on these braids raised the rate from 60 to 90 per cent. Therefore, the hat manufacturer, so to speak, actually got it twice in the neck, so that it was hitting a fellow when he was down; to raise his raw materials from 60 to 90 per cent; and fashion was against him.

Senator COUZENS. What is the amount of total imports of these braids used by the hat manufacturers?

Mr. WEBER. Rayon braids and materials amount to about \$520,000.

Senator COUZENS. What is the domestic production?

Mr. WEBER. The domestic consumption, according to the census figures of 1925, was \$7,850,000, including tassels and fringes, and so forth. Most of those braids come from Switzerland, and incidentally I might mention that when the tariff was raised from 60 to 90 per

cent, the justification was given that Germany had a very low, inflated currency, and would flood the market with braids, but little or nothing came in from Germany, because the Germans had never created novelties in braids. All the novelties came, practically, from Europe—France, Switzerland, and Italy.

Senator COUZENS. Those two hats that you tried on a while ago I understand are imported?

Mr. WEBER. That is right.

Senator COUZENS. None of those hats are made here that are comparable?

Mr. WEBER. Yes; there are some made here.

This is imported in the yard goods. It can also be imported in hats, but it generally is not done, because there is so little labor consumed in it that it does not pay to make them abroad. The American hat manufacturer creates his own styles.

Senator COUZENS. What does it cost to purchase one of those, put down in this country?

Mr. WEBER. The retail cost?

Senator COUZENS. No; what is the whole cost, delivered in this country?

Mr. WEBER. I do not have those figures right now, because I do not know exactly how much material there is in it. There is a wide range of material, costing from 50 cents up to \$10, according to the material.

Senator COUZENS. Fifty cents per yard?

Mr. WEBER. Fifty cents per yard, according to what the material is. This concludes really what I intended to say on paragraph 1529, except that while the testimony of Mr. Anker is fresh in your minds, I would like to refute some statements he has made. He dwelt on the fact that Neora and pedaline are subterfuge articles. As I was not prepared for this, I have, unfortunately, no samples, but I know that if these braids were made entirely of cellophane instead of pedaline or Neora, they would be cheaper. We have been running a pattern of 7-end Neora for which we paid, first cost in Europe, 62 cents, and with the duty of 30 per cent the braid costs, landed, 80 cents. The same article, if it were made entirely of pure cellophane, would cost 37 cents first cost abroad; plus 90 per cent duty it would make the landing cost in this country 60 cents. In other words, the subterfuge article, as Mr. Anker calls it, is actually dearer—that is, 80 cents—than the genuine braid made entirely of cellophane, which would land at 60 cents.

Senator COUZENS. Why do they not import the pure cellophane braid, if it is cheaper?

Mr. WEBER. If it was made of pure cellophane, it would not be suitable to make whole hats; it would crack, and it would not make the soft hat that people want to-day. Years ago American women were wearing a hat pinned on top of their hair, and it did not make any difference to them whether they had a soft hat or a harsh hat, but to-day women pull the hat down on their head, and therefore she has to have a soft, pliable hat; a pure cellophane hat pricks and is harsh. For this reason harsh straw hats have practically gone out of fashion.

Then Mr. Anker was asked about the increase in the importation of ramie braid, from a few hundred dollars to \$135,000. That is

simply a question of fashion, wanting new materials. The life and spice of the millinery business is diversity. We do not know how long the fashion is going to stay with pedaline and Neora braids, but it is entirely accounted for by fashion, and not by economic problems, in this country.

Furthermore, Mr. Ancker testified that pedaline could be made in this country if it was 90 per cent. Pedaline has come into this country since 1919 to 1926, at 90 per cent, and there was never one piece of it made in this country. Pedaline has a filler of hemp, of which the raw material is produced in the Philippine Islands, and it is not only a raw hemp, but the strands are knotted together in the Philippine Islands. If the rate on pedaline was reduced from 90 per cent to 50 per cent this was not a discretion or favoritism of the customhouse. It was simply due to the fact that the hemp, grown and knotted in the Philippine Islands, increased in price, whereas the cellophane became cheaper, thereby making hemp chief value. In this connection, I want to repeat that pedaline has never been made in this country commercially when it was protected by 90 per cent.

Mr. Ancker said testimony was given by his opponents that pedaline could not be made in this country, and he was quite sarcastic about this testimony, but, if you will look at the hearings before the House Ways and Means Committee, you will find that it was Mr. Ullendahl, of Bartels Manufacturing Co., a domestic manufacturer and associate of Mr. Ancker, who testified that pedaline was not and could not be made in this country.

Hemp has never been used by domestic manufacturers and was never successfully braided in this country because the working of hemp is subject to climatic conditions, and the American workman has never wanted to be bothered by handling hemp, which pricks the hands. The result is that Mr. Ancker is perfectly willing to let it come in at 15 per cent because it is not made in this country.

Anything could be made in a laboratory as an experiment, but would not be successful commercially.

Senator COUZENS. You stated that this condition was not due to favoritism in valuation of appraisers. Is it possible under this schedule for favoritism to be given by the appraisers?

Mr. WEBER. It is not.

Senator WALSH of Massachusetts. Have they not a good deal of discretion?

Mr. WEBER. I do not think so.

Senator COUZENS. What did you mean, then, when you said what you did about the favoritism of appraisers?

Mr. WEBER. It was simply to answer Mr. Ancker, who made the statement that the customs changed it and called it a hemp braid.

Senator COUZENS. You represent the importers?

Mr. WEBER. We represent manufacturers of women's hats and importers of raw material braids who sell to the hat manufacturers.

Senator WALSH of Massachusetts. Are you yourself an importer?

Mr. WEBER. Yes; a jobber and an importer.

Senator WALSH of Massachusetts. Do you claim to represent here the straw-hat manufacturers who do business with you, and also this Philadelphia concern?

Mr. WEBER. Yes.

Senator WALSH of Massachusetts. What authority have you to represent them?

Mr. WEBER. We have their signatures asking us to testify.

Senator WALSH of Massachusetts. Why are they not here themselves to tell us that they can do business more satisfactorily with you than they can with the American manufacturers?

Mr. WEBER. Senator Smoot has recommended that only one man represent each entire industry, and each manufacturer is busy with his own problems of creating styles, and does not know much about the duty.

Senator WALSH of Massachusetts. I just wanted to be sure that you represented them.

Senator KEYES. Is that all?

Mr. WEBER. May I file a brief?

Senator KEYES. Yes.

Mr. WEBER. And may I have the privilege of filing an additional brief on what I was not prepared on in testimony?

Senator KEYES. Yes; get it in in time to have it printed.

Mr. WEBER. Yes.

(Mr. Weber submitted the following brief:)

BRIEF OF E. E. WEBER FOR THE WOMEN'S HAT INDUSTRY AND TWENTY-TWO COMPANIES MANUFACTURING HATS

The COMMITTEE ON FINANCE,
United States Senate:

Braids, bonnets, hoods, and hats of rayon (visca, cellophane, and pyroxylin) are commercially known as straw braids for hats and are for summer wear by women and children.

It is submitted that they should be classified under paragraph 1312, manufactures of rayon.

It is further submitted that, for the reasons hereinafter stated, the rate of duty should be—

50 per cent ad valorem for braids.

90 per cent ad valorem for manufactures or articles made of braids.

1. *Braids are the most elemental raw material for American hat manufacturers.*—Braids are sewn into bodies, or hoods, then blocked into shapes, trimmed, lined, and otherwise finished into hats, all of which operations employ American labor. A hat made of a braid employs more than double the American labor than a hat made of any other material.

Therefore, braid is the most elemental raw material in the manufacturing of hats, and should pay less duty than any other material used in the manufacture of hats.

The hat institute (manufacturers of men's hats), who wrote the present paragraph 1505, has proven before the House Ways and Means Committee the absolute necessity for the hat manufacturer to obtain braids as cheaply as possible. This principle applies with equal force to rayon braids, which are used chiefly by manufacturers of women's hats.

2. *The sewing of braids is the foundation of an American hat factory and of capital importance to the workers.*—The women's hat industry was prosperous when hats were chiefly sewn of braids, and the present very unsatisfactory conditions would be greatly improved if a larger proportion of hats were sewn of braid.

The most successful American industries turn out the finished product from materials in the rawest possible stage, which, in the case of the hat industry, means braids.

Excessive duty on braids discourages the sewing of hats and encourages the use of material in a more advanced stage, employing less American labor per finished unit and less American hat equipment.

If the present tendency to substitute a pair of scissors for a sewing machine is encouraged by the high cost of braids, it will be an end of the old-established and well-equipped hat factories who have in the past contributed their share to the industrial development of the country.

3. *A continuous supply of new designs and materials in braids is essential to the American hat manufacturer.*—Fashion and style govern the woman's hat and its material. Diversity is advocated by all hat organizations as necessary to the uplift of the women's hat industry with a view to remedying the present depression. A continuous supply of new designs and materials is indispensable to its well being.

All designs in braids and materials are being created abroad. Owing to the present rate of 90 per cent, the American braid manufacturer has never made any serious effort to create a new design or style.

There is no imported rayon braid to-day that the American braid manufacturer can not sell at 20/25 per cent less than the cost of importation, if he is properly equipped to reproduce it.

4. *The proposed rate of 50 per cent on rayon braid would afford adequate protection.*—The typical best seller this year has been the "8-ligne hair," which cost the hat manufacturer to import over \$3 net per 144 yards.

At the same time, the price of the domestic braid was \$2.10 net for 144 yards, according to actual offers.

At 50 per cent duty, imported braid would cost \$2.35 net.

5. *Manufactures and articles made of rayon braids.*—These often come in direct competition with the American hat manufacturer, and we therefore recommend that the present rate of 90 per cent should be continued in force.

In conclusion we desire to state that the women's hat industry does an annual business of over \$190,000,000 and ranks among the first 50 leading industries of the country in labor employed.

Our petition is limited to the raw-material braids used by this important industry. A fair and just duty on the same will increase the amount of braid consumed and accordingly increase the amount of labor employed in the hat factories, and also give the domestic braid manufacturers the benefit of a broader market for their product, which represented an annual turnover of \$7,000,000.

Respectfully submitted.

ERWIN E. WEBER.
F. HOWARD HUNT.
ANDREW J. EDGAR.

Representing women's hat industry and the following hat manufacturing companies of New York City: Hyland Bros. (Inc.), Farrington & Evans (Inc.), E. H. Scherman & Co. (Inc.), De Marinis & Lorie (Inc.), G. Howard Hodge (Inc.), Riche Hat Co. (Inc.), Hunken, Neale & Forbes, Gage Bros. & Co., Aitkin Son & Co., Abe Del Monte & Co. (Inc.), Samuel D. Lasdon & Co. (Inc.), M. Hribar, John Trinner (Inc.), F. W. Seybel Co. (Inc.), Garfunkel—Makers of Vogue Hats, Vincent Bovio, Lou I. Lubin, I. L. Warshauer (Inc.), Sandow S. Borgos (Inc.), Goldston-Weber (Inc.), Hubert & Co., and Crosby-Kenney Co. (Inc.).

DISTRICT OF COLUMBIA, ss:

Erwin E. Weber, being duly sworn, deposes and says that he has read the foregoing brief and knows the contents thereof; that the facts therein set forth are true to the best of his knowledge, information, and belief.

ERWIN E. WEBER.

Subscribed and sworn to before me this 25th day of June, 1929.

[SEAL.]

RUTH C. ROWE,
Notary Public, District of Columbia.

SUPPLEMENTAL BRIEF OF THE AMERICAN ASSOCIATION OF FELT AND STRAW GOODS IMPORTERS

Mr. Ancker testified that under normal conditions the American braid manufacturers employ from twenty to thirty thousand operators, which number has been reduced to less than half, owing to the importation of what he alleges to be subterfuge or camouflage articles, commercially known as Pedaline and Neora. He further testified that about 40 domestic factories would have to close their doors unless these subterfuge materials were raised to 90 per cent.

The total imports of all Swiss braids made of straw, hemp, Pedaline, chip, real horsehair, etc., for the year 1928, amounted to \$1,159,619, according to figures of the United States Department of Commerce. Only part of this amount

consisted of Pedaline, and about \$60,000 represented Neora, and it is beyond all reason to assume that between ten and fifteen thousand operators were laid off in the American braid factories and so many doors would have to be closed because of this relatively small importation. This can further be proven by the fact that the total millinery and lace goods industry, including domestic braids, according to census figures of 1925, produced \$309,000,000 and employed a total number of 53,603 wage earners.

NEORA—PARAGRAPH 1504

The increase in the importation of ramie braids from \$360 to \$135,000 is due to the fashion and style tendency, which accepted this new material called "Neora."

Regarding the contention of the witnesses representing the domestic braid manufacturers that Neora was a subterfuge or camouflage article, replacing pure cellophane braids—this is again misleading and incorrect, inasmuch as it would be cheaper to import pure cellophane braid paying 90 per cent duty than to import Neora braids paying 30 per cent duty. For example:

The pure cellophane costs \$1.10 per pound; whereas the Neora material, which the foreign braid manufacturer has to buy, costs \$2.19 per pound.

This is verified by actual comparison of a certain pattern brought out this season in Neora, called "7-end Neora." The cost in Europe—82 cents—plus 30 per cent duty, would make the landed cost 80 cents. The same identical pattern, made of pure cellophane, costs in Europe 37 cents; plus 90 per cent duty, the landed cost is 70 cents, which is 10 cents per piece cheaper than the so-called subterfuge braid Neora. It is obvious that no subterfuge has been used in bringing out this new material.

PEDALINE—PARAGRAPH 1505

The braid manufacturers claim that, with a duty of 90 per cent, they would be able and have been equipped to make Pedaline as good or better than the imported. Attention is called to the fact that they did not make Pedaline braids from 1919 to 1926, when the duty was 90 per cent and the foreign price was almost 100 per cent higher than it is at present. If the duty on Pedaline is raised to 90 per cent, neither the importer nor the domestic manufacturer will find a market for this product, as it would be too expensive for the popular-priced hats.

When Pedaline was brought in on a basis of 90 per cent duty it was used exclusively by the high-priced hat manufacturers and quantitatively in a small way. The cheaper first cost in Europe, due to perfection of machinery, and the lowering of the duty to 15 per cent, have made the article available to the manufacturers of popular-priced hats and have increased the consumption accordingly. This prevents the item being taken up again by the higher-priced manufacturers, who alone could afford to pay the increased price if the duty were raised again to 90 per cent, as requested by the domestic interests.

Exception was taken to the importers' brief, stating that Pedaline was not made in this country. This statement in the importers' brief was based on testimony given by Mr. Ullendahl, of the Barthel Manufacturing Co., a domestic manufacturer, before the Ways and Means Committee.

Mr. Ancker, who has questioned the sincerity of the various statements made by importers, testified before your committee under oath that cellulose is decidedly a much more expensive article than hemp, as used in Pedaline. The fact is the reverse, and we beg to quote the comparative costs, to wit:

"The cost of cellophane, as furnished by Du Pont, is \$1.10 per pound. The cost of knotted hemp, as used in Pedaline is from \$1.25 to \$1.30 per pound."

In this connection the foreign manufacturer is on exactly the same basis as the domestic braid manufacturer, to wit:

The cost of the cellophane to the foreign braid manufacturer is 12 francs per kilo, which equals \$1.10 per pound. The cost of hemp averages 14 francs per kilo, or \$1.25 to \$1.30 per pound.

Mr. Ancker told Senator Walsh that he was correct in assuming that—

"The customs department had been valuing these goods on the theory that they were hemp, for the last three years, instead of cellulose. You want them based on the value of the cellulose being the superior value of the two and to be taxed as cellulose."

The chief component part is hemp and was so adjudged—not by the arbitrary ruling of the United States appraisers, but after careful investigation by consular

and special agents abroad. We respectfully request your committee to refer to the report of the investigation of the Treasury Department, in connection with Pedaline, and compare this report with the statement made by Mr. Ancker and Mr. Lipper, namely, that the chief component part of Pedaline is cellulose or cellophane.

We again state that, contrary to the testimony of domestic braid manufacturers, Pedaline can not be supplanted by pure cellophane. It is too harsh and is not suitable for the present style tendency of soft, close-fitting hats.

Regarding the assertion of the domestic braid manufacturers that Pedaline (like Neora) is also a subterfuge and camouflage article, testimony before your committee showed a similar condition exists practically as outlined in the case of the Neora, disproving any perpetration or intention of subterfuge. Furthermore, when Pedaline was originated in Switzerland, it paid 90 per cent for six or seven years, the same as pure cellophane braids. Pedaline was therefore created for its own merits and not as a camouflage for any other material.

The statement of Mr. Lipper that the raw material at 40 per cent duty would give them a differential for the finished product of 50 per cent is erroneous and misleading, inasmuch as the domestic braid manufacturer pays for the raw materials used in Pedaline exactly the same price as the foreign manufacturer pays for his raw material, to wit:

The chief component part, hemp, used in the manufacture of Pedaline, enters duty free from the Philippine Islands. The lesser component part, cellophane, is furnished to the braid manufacturers by the Du Pont interests at \$1.10 per pound, which is the exact price that the foreign manufacturer has to pay for his cellophane.

RAYON BRAIDS—PARAGRAPH 1529

Under paragraph 1529, Mr. Silverman stated that they are paying 35 to 45 per cent on their raw material, which would give them a differential of only about 5 per cent if braids were made dutiable at 50 per cent. This is erroneous and misleading, inasmuch as the differential afforded is actually 5 per cent on the raw material, plus 50 per cent on the labor expenses, overhead, profit, and other charges making up the first cost of finished foreign braids. As an example, we quote the article known as 8-line hair, which has been the subject of controversy between the importers and domestic braid manufacturers:

A piece of 144 yards of 8-line weighs 230 grams, which at 12 francs per kilo is 2.76 francs per piece; figured at the exchange of 0.193 equals \$0.5327 as the cost of the raw material to the domestic manufacturers, on which they claim to pay 45 per cent duty, or \$0.2397 (24 cents in round figures).

Foreign made 8-line braid costs in Switzerland \$1.45, which at 50 per cent equals 72½ cents duty—therefore a differential between 24 cents paid by the domestic manufacturers on the raw material and 72½ cents paid by the importer on the finished product (instead of 5 per cent differential claimed by Mr. Silverman).

At 90 per cent the duty on the imported braid would be \$1.30, which the importer pays, against 24 cents paid by the domestic manufacturer for the raw material.

Mr. Ancker testified that they had the original House bill changed by going to the chairman of the subcommittee and by alleging to the said subcommittee that braids had not been provided for and that no protection was afforded to them in the original House bill of May 7. We beg to state that braids were duly protected in the said House bill under "Manufactures of rayon, paragraph 1312," at 70 per cent ad valorem.

We claim that the present rate and the new proposed tariff are inconsistent, as they classify braid which is practically a raw material at a higher rate than wearing apparel of rayon (under par. 1311), which is a finished product. In this connection, we refer to the testimony and exhibits presented by the representative of the American manufacturers of women's hats and the importers' association.

The testimony of Mr. Decker shows that the domestic braid manufacturers are practically interested in dressmaking braids. We therefore submit that the hat industry is of sufficient importance to have a separate classification for their raw materials.

We respectfully petition your committee to provide a separate classification for braids suitable for making or ornamenting hats made of cellophane, visca, pyroxline (or imitation horsehair) at 50 per cent ad valorem, and articles made thereof at 90 per cent ad valorem, either as a subdivision of paragraph 1312, known as manufacturers of rayon, or a subdivision of paragraph 1505, known as the hat and braid paragraph.

We further petition your committee, in view of the facts given above, not to change the phraseology of paragraph 1505 as regards braids made of hemp, chief value (as was requested by domestic manufacturers, with a view to exclude the article known as Pedaline), but to continue the classification of braids on the basis of their component part in chief value.

Respectfully submitted.

AMERICAN ASSOCIATION OF FELT AND
STRAW GOODS IMPORTERS.
GEORGE F. MILLER.
ERWIN E. WEBER.

Subscribed and sworn to before me this 10th day of July, 1929.

[SEAL.]

WILLIAM A. MANGLER,
Notary Public.

SECOND SUPPLEMENTARY BRIEF OF THE AMERICAN ASSOCIATION OF FELT AND
STRAW GOODS IMPORTERS

Mr. Silverman, speaking for S. Rosenau Co. and three other manufacturers, testifying before the Senate committee, offered in evidence a paper hat costing \$3 a dozen in Japan. He testified concerning this hat that it was made of paper. He admits none has been made in this country, because it is a new industry here and they are just getting the machines in shape—having been working on the machines for two years.

We respectfully call the attention of the committee to the fact that these paper hats have been imported into this country from Japan for about 14 years. Under the present tariff and for years past they have been assessed at 35 per cent, with no prospect of a change imminent. The fact that Mr. Silverman proceeded with the manufacture of machines in an effort to compete with an article carrying 35 per cent duty seems to be prima facie evidence that he could successfully compete under this rate.

The actual amount of duty paid the Government on a \$3 per dozen hat would be \$1.05 under the present tariff of 35 per cent. As these hats are brought in practically 100 per cent colored, the proposed new duty, as fixed by your committee, is 25 per cent ad valorem plus 25 cents per dozen for colors, making the total duty on a \$3 per dozen hat \$1 per dozen, a difference of exactly 5 cents per dozen between the present tariff and the proposed new tariff. Yet, Mr. Silverman, testifying before your committee, states that owing to this new duty they are on the verge of scrapping machines which they claim to have constructed.

Mr. Silverman, in apparent contradiction, now proceeds to testify that they have actually produced thousands of dozens of these hats last year, and yet we, who have imported these goods ever since they were first made in Japan, have never seen a domestic-made paper hat; in fact, we have never even heard of one until we read Mr. Silverman's testimony. Furthermore, we have never heard of a machine-made hat from Japan at the price Mr. Silverman quotes. The cheapest machine-made paper hat we have ever been able to buy from Japan in our experience has been bought in the last few months at \$7.90 per dozen. We have never seen a machine-made paper hat under this price, and we feel that we can confidently assert that none exists.

There is a soft-finish paper hat made in Japan at about \$3 per dozen, but it is positively hand woven and not machine made, and this hat, because of its soft condition (not being celluloid coated to give it stiffness), has been practically unanimously discarded as unfit for further processing in the manufacture of hats.

These paper hats enter into competition with no known article in our business. There is nothing like them produced anywhere but in Japan. Mr. Silverman has asked an advance in duty to protect an industry which, according to his own admission, does not exist in this country at the present time, and furthermore, never did exist.

This imported paper hat furnishes work to tens of thousands of American workmen in the processes of cutting, blocking, lining, and trimming.

The effort to induce your committee to place a high rate of duty on paper hats is, in our opinion, actuated by only one motive, that motive being a selfish effort to divert the demand for paper hats into some other channel, and is in line with

the much ridiculed suggestion of placing a prohibitive duty on bananas, so that people would eat more apples.

Respectfully submitted.

AMERICAN ASSOCIATION OF FELT
AND STRAW GOODS IMPORTERS.
A. J. EDGAR.
F. H. HUNT

NEW YORK, July 3, 1929.

STATEMENT OF L. L. ANCKER, PHILADELPHIA, PA., REPRESENTING MANUFACTURES OF HAT BRAIDS

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

Senator KEYES. State whom you represent.

Mr. ANCKER. I am president of the Hensel Colladay Co., of Philadelphia.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. ANCKER. I did not.

Senator KEYES. Did any one representing your company?

Mr. ANCKER. Not my company, but the interests. I might add that my company has been in existence since 1851 and employs under normal conditions 400 to 500 people.

Senator THOMAS. Where is the industry located?

Mr. ANCKER. In Philadelphia.

Senator THOMAS. Is all of it there?

Mr. ANCKER. My industry is, or my factory is there. But I also represent the entire industry or some 30 or 40 concerns located in Philadelphia, New York, Chicago, Reading, Pa., and a number of New England States.

Senator COUZENS. What is the average employment in all these factories?

Mr. ANCKER. Under normal conditions, Senator Couzens, from 20,000 to 30,000 people.

Senator COUZENS. How many now?

Mr. ANCKER. At the present time I should say less than half, due, to a large extent, to the matters which I am going to bring before you now.

Speaking of paragraph 1504 in the new proposed bill, ramie braids, the record showed that prior to 1927, from 1922, there was an average importation of \$360 worth of ramie braids per annum. In 1928 there was a sudden increase of so-called ramie braids to \$61,486, and for the first four months of the current year there was an importation of \$135,222.

These are official figures furnished by the Commerce and Navigation Department.

The question arises as to why this sudden importation of so-called ramie braids from \$360 per annum prior to 1927 to the amount of \$135,000 this year.

Senator COUZENS. What does the whole industry involve if that is all the importations amount to?

Mr. ANCKER. This is just one particular braid I am commenting upon.

Senator COUZENS. I understand that.

Mr. ANCKER. I can not say exactly, in answer to your question, because this importation has prevented us as domestic manufacturers from competing, as I am about to explain.

Senator COUZENS. You say you represent the whole industry. I asked you what volume of business was involved in the whole industry.

Mr. ANCKER. The industry embraces other than these particular braids.

Senator COUZENS. I know; but I am talking about this particular item.

Senator WALSH of Massachusetts. You want to get the total production of this item in America?

Senator COUZENS. Yes. What is the total production of this ramie braid in America?

Mr. ANCKER. You have asked me a question there, because this has been a new material.

Senator COUZENS. I understand that, but these figures don't mean anything to us without some relation to the production in this country.

Mr. ANCKER. I want to show you.

Senator COUZENS. You are talking about figures and you introduced figures to show the importations. I want to find out what the relation is to the entire production in this country.

Mr. ANCKER. We can take care of the entire amount.

Senator COUZENS. I am asking what is the total production in this country, to see what the relation is between the imports and the total production in this country.

Mr. ANCKER. But if you will allow me to say it, this is a new material in the last two years.

Senator WALSH of Massachusetts. There is practically no production in America, but imports are coming in, and you want to substitute American products.

Mr. ANCKER. No; I beg your pardon. If you will allow me to go on I will show you exactly what I mean.

This material is called Neora.

Senator WALSH of Massachusetts. Is that a trade name?

Mr. ANCKER. It is a commercial name. It is brought in as ramie. Ramie is a fiber like this [indicating]. I have some samples of domestic Neora here. Neora is gotten in this way. And I want to present this picture to you as vividly as I can so you, in turn, will get what I am trying to tell you. That is why I wanted to wait to answer the question Senator Couzens asked.

Suppose this [indicating] is a strip of ramie. It happens to be only a piece of cardboard, but suppose it is a piece of ramie. To make this material called Neora they laminate a layer on either side and put on the glue and heat and process, and they take cellophane, which is this material [indicating], which is dutiable at 90 per cent under paragraph 1430 of the present act, and they laminate the cellophane on the ramie and they call it Neora. The Neora comes in at 30 per cent duty. But this is brought in as ramie braid, but it isn't anything of the sort.

Here is a ramie hat [indicating]. There has been no production and no use for a ramie hat in America. No woman wears this hat. It looks like cotton.

Senator THOMAS of Oklahoma. From where does that come?

Mr. ANCKER. Switzerland in the main; also from plants in Germany and Czechoslovakia, but Switzerland mainly.

Now, here we have the hat of Neora, of this material that I have just described to you.

Here is another hat of the same material This a sewed hat [indicating]. This is a knitted hat or crocheted hat [indicating]. They all come in to-day under the existing bill at 30 per cent, which was never intended. The Government under the 1922 act, the present act, clearly defines what a cellulose product is. It goes on and tells in the bill, and it also tells in the new bill what a cellulose product is.

We, as domestic manufacturers claim that we can make this. We can make this material and we can take care of all of this production, if necessary, in our own plants; but not if we are protected to only 30 per cent, because everything else of cellulose has a 90 per cent duty. The material here is a 40 per cent duty, the raw material is 40 per cent. We can not import the material and make it because it comes in at too low a duty.

Senator WALSH of Massachusetts. This thing you call Neora has a duty of 30 per cent?

Mr. ANCKER. The braid.

Senator WALSH of Massachusetts. It comes from two raw products, one being ramie?

Mr. ANCKER. Yes.

Senator WALSH of Massachusetts. What is the duty on that? What is the duty on ramie?

Mr. ANCKER. I don't know.

Senator WALSH of Massachusetts. How do you expect us to know anything about your case if you don't know anything about the duties on the materials from which your product is made? You described something that includes products that are made into an article called Neora?

Mr. ANCKER. Yes.

Senator WALSH of Massachusetts. You said the duty was 30 per cent?

Mr. ANCKER. Yes.

Senator WALSH of Massachusetts. You took up an exhibit and said:

We call this Neora, and then we put this thing over that we call cellaphane.

What is the duty on ramie and on cellaphane and what is the duty on Neora?

Mr. ANCKER. I am afraid I can not answer that.

Senator WALSH of Massachusetts. All right.

Mr. ANCKER. In the proposed bill there was nothing done regarding this so-called ramie braid, in the proposed bill of May 7. But when we showed the subcommittee of the Ways and Means Committee just as I have shown you here—privately after the public hearings—they saw our point and they amended the act so that it now reads "wholly of ramie."

If they had it made wholly of ramie or the braid we have no objection at all to the duty. In fact, they have lessened the duty. They

have made it 20, whereas in the present bill it is 30. We are not interested. There is none consumed.

But the thing we object to as domestic manufacturers is this subterfuge which has been used in this braid, and more particularly in the next item, as I will show you, under paragraph 1506.

Senator KEYES. Can't you confine your testimony at the present time to paragraph 1504?

Mr. ANCKER. It is all so correlated that I would like to continue.

Senator KEYES. All right.

Mr. ANCKER. I want to show you the raw material, the Neora, just so that you will have some idea of it.

Senator KEYES. You are talking about what paragraph now?

Mr. ANCKER. I am going to talk about paragraph 1505.

That is the material in strips [indicating]. That is certainly not ramie.

Here is a material which is known commercially as pedaline.

Senator COUZENS. Of what is it made?

Mr. ANCKER. It is made out of hemp, coated with cellaphane.

Senator COUZENS. What is cellaphane made out of?

Mr. ANCKER. Cellaphane is a cellulose product. It is made under the same method as rayon, the same general method as rayon. It is a synthetic product—cellulose all the way through. And that is the point I want to raise here.

This is simply to picture the item to you gentlemen. Suppose this core is hemp [indicating]. It is enlarged many times so that you can get the picture. They take hemp and they spin around it a layer of cellaphane, changing the whole nature of the hemp material.

Senator THOMAS of Oklahoma. What do they call the product?

Mr. ANCKER. Pedaline. That is the article I want to speak on under paragraph 1505.

For instance, here is a hat made out of braid of manila hemp. That is made out of manila hemp, and there is nothing else in this hat [indicating].

Senator COUZENS. When you say that, that comes from the Philippines?

Mr. ANCKER. Supposedly; yes. And it is imported at 15 per cent, and we have no objection whatever to it. If the men's hat people should use it or if it can be used for any purpose, we have no objection. But what we do object to is the subterfuge, when after coating the hat with cellaphane, as is done there [indicating at hat], we have produced a braid which makes a hat like this [indicating].

Now, I am talking about the braid and not the hat. I am just picturing it to you in the hat. This braid also comes in at 15 per cent.

Senator COUZENS. Are you making any concrete suggestions as to how you recommend that the matter be corrected?

Mr. ANCKER. Yes.

Senator COUZENS. Why don't you put it into the record? You don't expect us to remember all of these hats next August or September when we come to debate the bill on the floor of the Senate, do you?

Mr. ANCKER. I do not see how I can get it before you as a committee otherwise. If there is any other way you might suggest, I will be glad to do it. Otherwise, I might just file my brief. You see, Senator, you have not done any injustice. It was not by the Government. The Government never intended this. The 1922 act is too clear. But

this camouflage has been worked and it has affected our interest very vitally, because they keep on and make more and more subterfuges and bring them in, and unless we can stop it absolutely our industry, which is nearly a century old in America, will have to close its doors. We can not compete with braids coming in at 15 per cent made of these materials, which are cellulose, as against braids called visca and peroxaline, which is 90 per cent, covered in paragraph 1430 of the present act. That is what we want to have corrected. You have it corrected in paragraph 1504 on the ramie if you will pass the present amended House bill. But on this nothing has been done as yet. It is for that reason I want to have it corrected, and it is so vital to our industry I want to get it before you.

Senator KEYES. When you say "this," you refer now to paragraph 1505?

Mr. ANCKER. Yes.

Senator WALSH of Massachusetts. And you are going to propose an amendment?

Mr. ANCKER. Yes.

Senator WALSH. What you expect to do is to correct the language in this paragraph for the purpose of keeping out something that you say is a subterfuge?

Mr. ANCKER. Yes, sir. And here is the phraseology.

Senator COUZENS. Will that be filed in your brief?

Mr. ANCKER. Yes.

Senator COUZENS. I don't think you need read it, then.

Mr. ANCKER. We can go on a little further with these exhibits, and I would like to go on with them, if you will permit me to do so. It will not take me very long.

Originally these braids came in at 90 per cent under paragraph 1430. It was only three years ago, in the spring of 1926, that the customs department appraisers changed it to 15 per cent, calling the hemp the chief value, and only on this one particular braid.

The importers in their testimony before the Ways and Means Committee said that this braid had never been made in this country. I just want to read you a portion of a letter which I am going to submit from Joseph Brendt & Bro., of New York City, which reads as follows:

For instance, we now have 100 machines set and ready to run on pedaline braids. The last quotation from Europe (landing price, duty included) was 56½ cents per piece, and our cost at the present time is about 85 cents per piece, so that we are compelled to lay off our operators and these machines remain idle. We have always manufactured merchandise of hemp and pedaline and have always been compelled to take a loss because the duty was less than 90 per cent and did not protect us. Our equipment is the latest in machinery and our operators skilled in American methods so that our merchandise if possible is even better than that produced in Europe, but no matter what we do or try we can not overcome cheaper foreign costs which are not balanced to meet American costs by a high enough duty.

And we simply ask that the duty be fixed by the correction of the phraseology so that anything that is a component of cellulose shall be put under paragraph 1529 of the new bill.

Senator WALSH of Massachusetts. Cellulose is a much more expensive article than hemp?

Mr. ANCKER. Yes, sir; decidedly.

Senator WALSH of Massachusetts. Your request seems to be reasonable.

Mr. ANCKER. Thank you.

Senator WALSH of Massachusetts. In other words, the customs department have been valuing these goods on the theory that they are hemp, for the last three years, instead of cellulose. You want them based on the value of cellulose, being the superior value of the two, and to be taxed as cellulose?

Mr. ANCKER. That is all. We simply want a correction of the phraseology. It will not change the tariff bill as a whole on braid, but it will simply put this where it rightly belongs.

Senator WALSH of Massachusetts. Does that cover everything?

Mr. ANCKER. No; there is one other matter.

Senator KEYES. The language you want is in your brief, is it?

Mr. ANCKER. Yes, sir; it is in the brief.

Now, this will be very brief.

Under paragraph 1529 in the proposed bill, 1430 in the present law—

Senator KEYES. Is this closely related?

Mr. ANCKER. Oh, yes; they are correlated so that I have to bring them in. This is quite brief. The subject matter here is quite brief.

Senator THOMAS of Oklahoma. To which paragraph do you refer?

Mr. ANCKER. 1529. It is brief, but, nevertheless, it is very vital because of the thing that strangely happened.

Senator WALSH of Massachusetts. What is the article in that paragraph?

Mr. ANCKER. Braids in particular. That is the item to which I refer:

Braids, trimmings, galoons, edgings, fringes, gimps, and ornaments; braids, loom woven and ornamented in the process of weaving, or made by hand.

Senator WALSH of Massachusetts. What paragraph are you talking about?

Mr. ANCKER. 1529. It starts off with "Laces, lace fabrics." It is on page 250 of the comparative print.

When the representatives of the braid manufacturers appeared before the Ways and Means Committee they did not deal with paragraph 1430 of the present act, the 1922 act, because we are not asking for a higher tariff on braids. Ninety per cent does not cover us on everything, but it covers us sufficiently so that we did not feel like asking for a higher rate. So we did not refer to that paragraph at all.

The importers who followed us dwelt upon that paragraph almost completely and brought in the pedaline braid as a subject matter in discussing the increase in paragraph 1430.

We refute directly many of the things they said, but I am not going to take up your valuable time by doing it verbally, because it is in the brief. But when the original bill of May 7 was proposed and the House turned to us there was no reference whatsoever to braids of any character.

Now, what I have described here to you gentlemen are millinery braids. There is a vast industry in which we are all concerned, made on the same machinery when they are in style and use—the braids used for dresses, children's wear, all kinds of cotton braids, such as those made by the Fabric Co. of Reading, Pa., many of which we can make but do not make where we are running more generally on millinery. That was completely omitted from the paragraph where we had 90 per cent.

We went to the chairman of the subcommittee, and he was astounded when we showed him our case. I understand how things of this kind can happen and I understand you are under a stress and working very hard. He could overlook it, or it could be overlooked. But he immediately had it rewritten.

This covers every sort of thing, such as ornamentations on boudoir lamps, wearing apparel of women, and so forth. They do not wear dress trimmings at present but they may at any time, and if they come into style there would be no paragraph to protect us unless this paragraph is passed as written. We have nothing to ask in connection with the paragraph except that you pass it.

Senator KEYES. You are perfectly satisfied with that paragraph?

Mr. ANCKER. We are perfectly satisfied with that paragraph so far as braids are included in it. And they should remain at the 90 per cent, because, as I said before, our industry is composed of 30 or 40 concerns employing 10,000 or 15,000 people at present, to put it modestly.

Senator WALSH of Massachusetts. But not on braids alone?

Mr. ANCKER. The various things in the industry all go along on this machine. They have millions of dollars invested over a number of years in machinery and good will. I can only ask that you give this careful consideration.

In conclusion, I want to say that the only reason I do not refute each item as dwelt upon by the several witnesses before the Ways and Means Committee representing the importers, or the importers themselves, is because I firmly believe that before you gentlemen under oath, as they will be, they will hesitate considerably before repeating verbatim many of the facts they stated in their previous brief.

Senator KEYES. Are there any further questions? Have you anything else?

Mr. ANCKER. That is all, Mr. Chairman.

(Mr. Ancker submitted the following brief:)

BRIEF OF MANUFACTURERS OF HAT BRAIDS

HON. REED SMOOT,

*Chairman Committee on Finance, United States Senate,
Washington, D. C.*

SIR: Because of the practice existing since about 1925 or 1926 of classifying for duty at 15 per cent, under paragraph 1406 of the tariff act of 1922 (par. 1505 of H. R. 2667), certain braids which formerly had been assessed at 90 per cent ad valorem under paragraph 1430 of that act (par. 1529 of H. R. 2667), I have the honor, as the designated representative of the 27 domestic manufacturers of such braids, whose names are attached hereto, to request that paragraph 1505 (a), as appearing in the Committee Comparative Print, at page 232, line 8, be amended by inserting after the word "hoods" and before the colon thereafter, the language "but not containing any proportion of cellulose, rayon, or any other product of cellulose."

And also that paragraph 1529 (a), as appearing in the Committee Comparative Print, at page 255, line 20, be amended by inserting after the word "rayon" and before the words "90 per centum," the language "or of filaments, yarns, threads, or strands, when coated, laminated, wrapped, or treated in any manner with cellulose, rayon, or any other product of cellulose."

These suggested amendments are necessary for clarification purposes, and in order to protect the domestic manufacturers and the Government against the subterfuges employed and practiced by foreign manufacturers of taking hemp or ramie materials having relatively low-duty value, covering them with cellophane or other products of cellulose, having a relatively high-duty value, and

shipping them into the United States at the lower rate of duty as being in chief value of the material taking the lower rate.

For example, paragraph 1404 of the act of 1922, providing for "ramie hat braids" and "manufactures of ramie hat braids," is subject to the same abuse, and furnishes an apt illustration of the practice referred to, and the proposed correction thereof in the bill as passed by the House.

Thereunder a material known in the trade as Neora, which is a ramie sheet laminated on both sides with cellophane, is being imported under that paragraph at 30 per cent ad valorem, as being in chief value of ramie, instead of at 90 per cent ad valorem, the rate of duty applicable to cellophane articles.

By amendments to paragraph 1404 (1504 of H. R. 2667), however, limiting braids and the manufactures of braids classifiable thereunder to such as are made "wholly of ramie," the House of Representatives proposes to correct and effectively prevent the present abuses practiced under that paragraph. If that paragraph be accepted by the Senate in its amended form, braids of Neora, not being "wholly of ramie," will no longer enjoy the benefits of a lower rate of duty than is fairly applicable thereto. We, therefore, urge that paragraph 1504 be permitted to remain as adopted by the House.

This same clarification is not provided for, however, in paragraph 1505 of H. R. 2667, which deals with braids of hemp, paper, etc., now provided for in paragraph 1406 of the tariff act of 1922, for the reason that the words "wholly or in chief value of" were left in the bill without qualification, and this oversight, therefore, permits a continuation of the subterfuge referred to when the material provided for therein is covered with visca, cellophane, or like materials. It is estimated that this subterfuge cost the United States Government nearly half a million dollars in duties not paid on pedaline braids during the year 1928.

Pedaline is a thread having a center core of manila hemp wrapped around and covered with cellophane. The hemp thread comes from the Philippine Islands free of duty. The cellophane strip is made in the United States. The machinery for combining these materials is also manufactured in this country, and the finished article was successfully produced in commercial quantities by established domestic industries until this subterfuge of evading the duty was adopted by foreign manufacturers.

This pedaline braid has the appearance of cellophane, as is plainly shown by Exhibit No. 10 herewith, but is assessed by the customs authorities at 15 per cent ad valorem under paragraph 1406 of the tariff act as being in chief value of hemp. Exhibit No. 9 herewith is made of hemp, without a covering of cellophane, and is therefore properly classifiable at 15 per cent ad valorem, but the material in the pedaline braid previously referred to as Exhibit No. 10 includes the covering of cellophane, and it is brought into this country at 15 per cent ad valorem instead of 90 per cent, because both the shipper and the importer declare that it is in chief value of hemp, and the customs authorities apparently either find themselves without the necessary information to disprove such statements at the time of importation or else merely accept them as being true.

Up to 1925 or 1926 imported pedaline braids were assessed for duty at 90 per cent ad valorem under paragraph 1430, but now pay duty at the rate of 15 per cent.

Exhibit No. 4 submitted herewith is a sample of Swiss pedaline braid which was imported in 1925 at 90 per cent ad valorem. Exhibit No. 5 is also a sample of Swiss pedaline braid imported in 1926, and which was assessed for duty at only 15 per cent, notwithstanding the fact that the two samples are of the same character and texture, and are used for exactly similar purposes, although there was a difference in the duty rate thereon of 75 per cent. The injustice of such an inconsistency is glaringly apparent.

Your attention is invited to the statement and brief in behalf of the Association of Straw Goods Importers, page 7175, Volume XIV, Hearings Before the Ways and Means Committee on Tariff Readjustment, 1929, from which it may be inferred that pedaline braids are not manufactured in the United States. This is incorrect, as pedaline was manufactured extensively in this country prior to 1926, when a change in the classification thereof for dutiable purposes went into effect.

In support of this statement I submit herewith, as Exhibits 1, 2, 3, and 6, samples of pedaline braid of American manufacture, which compare favorably with the foreign pedaline braids, but which can not compete with the foreign goods at this time in our own markets because of the present low rate of duty.

Your attention is also invited to the attached letter from Joseph Brandt & Bro., dated June 11, 1929 (Exhibit No. 24), in which is set forth the exact condition that has resulted in the change of duty, in part as follows:

"For instance, we now have 100 machines set and ready to run on pedaline braids. The last quotation from Europe (landed price, duty included) was 56½ cents per piece, and our cost at the present time is about 85 cents per piece, so that we are compelled to lay off our operators and these machines remain idle.

"We have always manufactured merchandise of hemp and pedaline and have always been compelled to take a loss because the duty was less than 90 per cent and did not protect us. Our equipment is the latest in machinery and our operators skilled in American methods, so that our merchandise if possible is even better than that produced in Europe, but no matter what we do or try we can not overcome cheaper foreign costs which are not balanced to meet American costs by a high enough duty."

There are being imported not only patterns represented by the few samples submitted, but also an infinite variety of other designs and patterns of increased widths, with their raw material being based on pedaline thread, on account of the lower duty applicable thereto, and thus threatening the entire domestic industry in all its branches.

Furthermore, cellophane and visca are being spun, laminated, and coated on paper, cotton, and other low-duty fibers and filaments. This is being done in Japan, Switzerland, and other foreign countries.

At the present low rate of duty on these braids the domestic manufacturers are not able to compete. In fact, on staple braids at a rate of 90 per cent our margin of profit barely allows competition. The foreign manufacturers and importers have found a way to evade the payment of proper rates of duty by covering materials taking a low rate of duty with material having a high duty value and then shipping the completed article into the United States as being in chief value of the material taking the lower rate of duty.

Our customs authorities are only human, and are therefore not all wise. It is believed that they are without the means of checking up accurately the relative actual costs of the component materials that go into the completed article, and that they are therefore dependent in a large measure upon the statements of the importers and the foreign manufacturers. The conclusion is obvious and need not be stated.

With respect to paragraph 1529, Committee Comparative Print of H. R. 2667, your attention is invited to the fact that for some unknown reason the provisions in the corresponding paragraph, No. 1430 of the act of 1922, covering braids, galloons, trimmings, etc., made on any braid, netting, or lace machine, and which take a duty of 90 per cent ad valorem thereunder, were omitted entirely from the corresponding paragraph, No. 1529 of H. R. 2667, as introduced in the House on May 7, 1929, with the result that these articles were thrown in the basket clauses which would have permitted their importation at lower rates of duty of from 15 to 65 per cent, instead of the present rate of 90 per cent.

This error upon being brought to the attention of the subcommittee of the Committee on Ways and Means having charge of the matter, was promptly corrected by committee amendment in paragraph 1529 of H. R. 2667 as adopted by the House.

In this connection, the argument advanced before the Ways and Means Committee by the importers in their plea for a reduction in duty calls for some consideration.

At the top of page 7619, Volume XIV, of the Hearings Before the Committee on Ways and Means, will be found a statement by a representative of the importers intended to show the importance of the millinery industry in the United States, and giving the annual output of that industry at \$192,000,000. He neglects, however, to mention the fact that the industry does not depend for the greater portion of its business on materials like foreign straw braids, the subject on which he was addressing the committee. It is a well-known fact that by far the greater portion of hats that are manufactured in this country are of felt bodies, silks and ribbons, and have absolutely nothing in common with the straw braids of which the representative of the importers was speaking.

His further statements before the Ways and Means Committee as to the domestic selling price of domestic braids are grossly in error, as shown by letters of leading manufacturers in this country specifically denying this statement, and attached hereto as Exhibit No. 28.

For example, the representative of the importers says that 8-ligne hair braid is sold for \$2.10 per gross by the domestic producer. The attached letters of domestic manufacturers (Exhibit No. 28) show that they have been selling this braid from \$3 to \$3.50 per gross, and that anything sold below that price is distress merchandise.

The landed price in the United States of Swiss artificial hair braids, duty paid at 90 per cent ad valorem, is \$2.85 per gross.

The same character of misleading facts and figures is continued by the representative of the importers with respect to the other two braids shown as samples.

Also in the statement of the representative of the importers of straw goods, at page 7175, Volume XIV, Hearings on Tariff Readjustment, 1929, it is represented that 1,500,000 pieces of pedaline came into the United States in 1928, and that approximately 3,000,000 hats were made therefrom. He also contends that the difference in duty between 15 per cent and 90 per cent on such merchandise would make a difference of \$1.50 to each person that bought one of the hats at retail and would increase the bill of the Nation's wearers of these hats by a total amount of \$4,500,000.

These statements are misleading in the face of the actual figures. Pedaline landed in this country at the last quotation thereon costs 56½ cents per piece, of 72 yards, with duty paid at 15 per cent, making a difference of 42 cents per piece, or a total difference of approximately \$628,000, which would represent the additional cost to the American public on a duty basis of 90 per cent ad valorem, and not \$4,500,000, as claimed by the representative of the importers. This would mean an additional retail cost price on a \$4 to \$5 hat of approximately 15 or 20 cents, which amount no doubt would be absorbed somewhere between the manufacturer and the consumer.

As hereinbefore shown, the statement by this representative of the importers to the effect that pedaline is not made in this country is in error. (See Exhibit No. 24.) It was made in this country and can be made by every domestic manufacturer if the duty is fixed at 90 per cent ad valorem.

Also the statement in the brief, Section II, of the American Association of Felt and Straw Goods Importers, beginning at page 7620, Volume XIV, Hearings on Tariff Readjustments, 1929, to the effect that American manufacturers do not create, is a reflection on American ability and ingenuity which is not warranted by the facts. In support of my statement in this respect, there is attached hereto, as Exhibit No. 23, a card containing samples of patterns originated by a domestic firm in 1928 which were promptly copied abroad in the following year. This is only one of the numerous similar cases as shown by the attached letters from a number of American manufacturers who have been in the braid business in this country for from 25 to 80 years. (See Exhibit No. 28.)

We can not, however, compete against a combination of foreign labor and foreign material costs. That is self-evident.

In the same brief of the Importers' Association, at the top of page 7621 of Volume XIV, it is further stated that the few braid manufacturers in this country employ only from 1,000 to 1,500 workers. The fact is that one firm alone, although not the largest one, has employed at peak production from 750 to 1,000 employees. There 30 to 40 braid manufacturers in the United States employing from 15,000 to 20,000 people. The largest braid concern in the world is located in Reading, Pa. This was developed under proper protection, but will not be able to continue the manufacture of braids at the present rate of 15 per cent ad valorem.

On account, however, of the exception in paragraph 1529 of H. R. 2667 relative to paragraph 1505 of the same bill, it becomes essential and necessary that the phraseology in both paragraphs be amended as hereinbefore specifically set forth in order effectively to prevent a further continuation of the subterfuges outlined above, protect the revenues of the Government, and afford sufficient protection to the domestic manufacturers to enable them to continue the production of the character of merchandise under consideration herein.

It is, therefore, respectfully requested that paragraphs 1505 (a) and (1529(a) of H. R. 2667 be amended, respectively, as hereinbefore indicated.

Yours most respectfully,

Laurence L. Ancker, Twenty-first and Hunting Park Avenue, Philadelphia, Pa. (for Hensel, Colladay & Co., Bartels Manufacturing Co., Joseph Brandt & Bros., Carney & Reige, A. B. Fiedler & Sons, Friedberger & Aaron & Co., Fromm & Co., Max Ginsburg, Glassheim Bros., Adolph Hertz & Son, Jos. Hinlein & Son, Largman, Oppenheim & Co., Lipper Manufacturing Co., Narrow Fabric Co., Neidich Cellustra Co., Roselin & Co., Rosenau & Harris Co., Rubin Bros. Co., S. Sachs & Son, Walter J. Vogt, Walsler Manufacturing Co., Prisalla Braid Co., Laughlin Textile Mills, C. F. Baum & Co., S. Rosenau & Co., Norwalk Manufacturing Co.).

(The exhibits referred to in the foregoing brief have been filed with the committee.)

STATEMENT OF JOHN C. DECKER, REPRESENTING THE FRIEDBERGER-AARON MANUFACTURING CO., PHILADELPHIA, PA.

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

Senator KEYES. Whom do you represent?

Mr. DECKER. Friedberger-Aaron Manufacturing Co.

Senator KEYES. What do you make?

Mr. DECKER. Braids.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. DECKER. I did not appear before the Ways and Means.

Senator KEYES. Have you a brief to file?

Mr. DECKER. We have a brief. I would also like to submit some testimony. Paragraph 1529 (a) as passed by the House gives braid manufacturers the same protection but no more than afforded by the present tariff. We respectfully request your approval of this paragraph, together with the suggested methods of clarification, all as thoroughly presented in detail by Mr. L. L. Ancker in his brief for domestic braid manufacturers.

Friedberger-Aaron Manufacturing Co. are said to be the second largest braid manufacturers of the country making the braid line, staple or plain braid. In addition I am representing eight other concerns making a similar class of goods and their names are attached to the brief which I shall present. I will present our own case which will be similar to that of the other eight manufacturers. Those eight manufacturers' factories are located in Connecticut, Rhode Island, Massachusetts, Illinois, and Pennsylvania.

Our installation of braiding machines is the second largest in the United States and consists of nearly every type of braiding machine. The products of the braid industry are cotton braids of every description, tying braids, trimming braids, binding braids, and braids used for fabricating, and are made of cotton, rayon, silk, wool, rubber thread, metal threads, and novelty yarns; or combinations of these yarns and threads.

Braid products are sold to the following industries: cutting-up trades, including men's, women's and children's outerwear and underwear; brassiers and corset trade, electrical trade, men's hats, millinery, shoes; and as notion items for resale to the consumer.

We have developed these braids over a period of years. I might say this, that we are not asking for an increase as we point out here. The rate is satisfactory. As I recall their testimony, the exporters say that the rates should be reduced 50 per cent. I am here to say if the rate be reduced 50 per cent it would be a hardship. At the present time we are doing styling work to further the use of braids in various ways. This styling work consists of styling garments with more braid, especially for women's and children's garments, also men's garments. We have also developed a braid made of artificial silk and cotton. Other braids also are made of cotton. If you prefer to look at some of these things we manufacture, these braid products, I have a few samples here. These are the braids I have reference to. These are the plain staple braids.

Senator THOMAS. Where does the competition come from?

Mr. DECKER. Competition on plain staple braids at the present time is principally between ourselves. Also it comes in plain staple braids used in the manufacture of women's hats. The braid in some of these has a similar construction to the braid that comes from Czechoslovakia, Germany, and other countries.

Senator THOMAS. That is the only reason you are interested in this matter, to take care of the foreign competition, is it not?

Mr. BECKER. We are interested that the bill shall be passed as passed by the House with these additional methods of clarification as suggested by Mr. Ancker.

Might I ask to have the brief filed with the other braid brief, if possible?

Senator KEYES. Certainly. It will be filed with your statement. (The brief referred to is as follows):

The present tariff is barely adequate to permit us to compete on some articles because of proximity to market. A lower rate would increase the spread between American manufacturing costs and the landed price of foreign goods.

We could not possibly compete with Germany, Czecho, Switzerland, and other countries on anything appreciably less than the present rate.

While the present rate of 90 per cent ad valorem may appear large to those not posted, the fact must be borne in mind that the rate is applied to low foreign valuations, and not to American valuations nor American selling prices. Furthermore, the domestic braiding industry uses as its raw materials yards, threads, and filaments of various types, particularly large proportions of cotton yarn and rayon. The domestic braiding industry in general does no carding or spinning of such materials and is compelled to buy in the open market at prices on a higher basis than prevail abroad, and is thus at a disadvantage to the extent of the protection applying to domestic yarn.

In other words, from the theoretical protection of 90 per cent ad valorem afforded the American manufacturers, there must be deducted the equivalent of protection afforded the domestic yarns, since the domestic braid manufacturer has to absorb this. This fact really reduced the actual protection afforded a domestic braid manufacturer fully one-half.

Respectfully submitted.

JOHN C. DECKER

(For the Friedberger-Aaron Mfg. Co.).

Additional domestic braid manufacturers concurring in the above:

American Fabrics Co., Bridgeport, Conn.; C. F. Baum Co., Chicago; Conrad Mfg. Co., Pawtucket, R. I.; Norwalk Braid Co., South Norwalk, Conn., Pepperell Braiding Co., Pepperell, Mass., Priscilla Braid Co., Pawtucket, R. I.; Rosenau, Harris & Co., Philadelphia, Pa.; Sibson & Stern, Philadelphia, Pa.

STATEMENT OF ROBERT H. COMEY, REPRESENTING THE R. H. COMEY CO., BROOKLYN, N. Y.

(The witness was sworn by Senator Keyes.)

Senator KEYES. Whom do you represent?

Mr. COMEY. The R. H. Comey Co.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. COMEY. No.

Senator KEYES. Very well; proceed.

Senator WALSH of Massachusetts. Are you a manufacturer?

Mr. COMEY. No, sir; we are dyers and bleachers of straw hats and hats.

Senator WALSH of Massachusetts. How many employees have you?

Mr. COMEY. We have a plant in St. Louis and at Amherst, Mass., and in Chicago.

Senator WALSH of Massachusetts. So that you represent all the straw-braid manufacturers?

Mr. COMEY. Straw-braid dyers. A great many of the dyers are attached to large hat manufactories who previously, some years ago, maintained their own bleacheries, and the manufacturers of straw hats maintain their own dyehouses. This has gone out very largely and there are only a very few left maintained by the large factories, because of the change in the straw-hat industry. It has been divided up from large factories into small factories, but in my remembrance that was the situation.

Senator KEYES. You are addressing yourself to paragraph 1505?

Mr. COMEY. Yes. Our interests are so nearly identical with those of the hat manufacturers who are going to come before the committee later, that I will not take your time now, except simply to state that, and to mention that we have filed samples. We have obtained samples from abroad with prices, which we filed with the Tariff Commission very recently, substantiating our claims.

Senator KEYES. What is your attitude relative to that paragraph? Are you satisfied with it the way it is?

Mr. COMEY. We are satisfied the way it stands. While our work and our result is simply raw material for the Hat Institute people, they see the justice of our claim, and I think they are satisfied also with that paragraph the way it reads, so that I will not duplicate anything on that.

Senator KEYES. Is anybody coming to appear for them now?

Mr. COMEY. I do not think so; so that we stand upon our brief as it was presented to the Ways and Means Committee.

Senator KEYES. Thank you.

STATEMENT OF CLARENCE LIPPER, REPRESENTING THE LIPPER MANUFACTURING CO. (INC.), PHILADELPHIA, PA.

Mr. LIPPER. I am a member of the braid committee, and we have for years been trying to get our braid business into proper shape. It still comes under paragraph 1529, and we have always had trouble with the importers appearing and making statements before you of such a character that it was pretty hard to refute them. I want to just touch on that briefly in the following statement:

I represent the Lipper Manufacturing Co., of Philadelphia, and am on the committee representing the entire braid industry of this country, whose representative, Mr. Ancker, appeared several days ago. As a result of the testimony of the importers, I desire to speak on this particular item again.

Braid, of course, is the principal product of our plant. That is the backbone of our business.

Senator WALSH. Plain braids, or embroidered braids, or both?

Mr. LIPPER. We do not make embroidered braids. There is no such thing.

I could not, with justice to our industry, pass up this opportunity to refute the absolutely misleading facts as presented on June 25 by the representative of the American Association of Felt and Straw

Goods Importers, Mr. Weber. This gentleman appeared before you and told you a number of things that are only half true and omitted the things that are relevant to this discussion. and in some

He speaks very feelingly of the intense suffering of the ladies' hat industry, that does a business of \$192,000,000 in this country, but neglects to inform you that straw braids are the material for not more than 5 per cent of the industry's raw material requirements. Therefore, this statement that he makes to you, not bringing out the large volume of business that is done, is not only irrelevant but entirely misleading. Everything I say can be very easily verified. What he said is not material and is also irrelevant.

This gentleman, who, by the way, has probably never made a single yard of braid, is attacking an industry that employs from ten to thirty thousand people, according to the style. He positively stated under oath that the American manufacturers did not and do not originate their own styles; that we simply copy European patterns. This is absolutely ridiculous.

We do originate practically all our own styles, and make every year thousands of gross of braids of original and new designs. On the other hand, a great many of these styles are sent to Europe yearly and copied at prices to undersell us, and come in in the next season. That is just a small instance of the sort of statements that have been put out and that we have been fighting against since 1909, and you will find the same sort of testimony at every hearing on the tariff.

He claims that America is dependent on Europe for color. The opposite is the truth. The American Colored Cards Association selects and charts the colors in America for American use. They coordinate all the shades for the different industries in this country, so that shoes, hats, dresses, hose, and so forth, shall harmonize, and furthermore, all foreign products are brought in to match and conform to this card.

You have heard of ensembles, and I suppose that is what that means.

He shows you two braids, claiming one is a domestic article sold in a general way at \$2.10 per gross, and the other an imported article at \$2.85 a gross. He mentions that they can not be told apart. Why then, if he can buy the domestic article in this country at \$2.10 should he pay the foreign producer \$2.85 a gross? That is against all reason.

Furthermore, Mr. Ancker, in his brief, which he did not read to you, has filed a number of letters from reputable manufacturers who have been in business for a number of years in this country, who say that the artificial horsehair braid made in this country has been sold by them this season at prices varying from \$3 to \$3.50 per gross, and I state emphatically that any merchandise sold below that price is distressed merchandise. It is not regular goods.

Senator THOMAS. What do you mean by distressed merchandise?

Mr. LIPPER. Merchandise that has to be sold. If a man owns a lot of merchandise and wants to get rid of it, he sells it at any price in order to get the money.

Senator THOMAS. In other words, bankruptcy merchandise?

Mr. LIPPER. Not necessarily. A man may want to liquidate a certain amount of stock in order to get the raw materials price out of it and the labor costs, too.

He claims that pedaline is not a subterfuge for cellophane. Still pedaline looks like cellophane, its principal component part is cellophane. It is used to produce the same effect as cellophane, and supplants the thousands of gross of cellophane braids made in this country in the past.

Here is another point I want you to look at, Mr. Ancker stated that whereas there had been but an average of \$360 worth of ramie imported annually from 1922 up to 1927, all at once in 1928, \$61,000 worth was imported, and subsequently \$135,000 worth in the first four months of this year, due to this subterfuge employed in bringing in neora braid as a ramie braid, braid that looked like ramie braid and calling it ramie braid, at 30 per cent duty, whereas our contention is that it should have been properly classified under paragraph 1430 of the existing tariff act at 90 per cent.

Mr. Weber then stated, in answer to Mr. Ancker, that this increase in imports of ramie braid was due to a style condition. You will no doubt agree with me that this is ridiculous in the extreme, because there is no such thing used to-day in the millinery trade as an entire ramie braid, and has not been used for 15 years. It is not used and only \$360 worth has been brought in for the last eight or nine years, on an average. He asked that the duty on all braids be reduced to 50 per cent, which is ridiculous. At the present time the duty on raw pedaline thread is 40 per cent, and even to-day if we should get 90 per cent protection, the differential duty would then be only 50 per cent. This is also a very clear example of one of the inconsistencies of the present law of 1922. We pay 40 per cent for the material and we get 90 per cent protection.

The subterfuge that has been practiced on pedaline braid cost the Government in 1928, last year, a difference in duty collected between the rates of 15 per cent and 90 per cent, \$628,000 on this one item. These figures are shown in detail in Mr. Ancker's brief.

I do not know what it is in the first four months of 1929, but I am giving you 1928, and it will very likely equal that in the first four months of 1929.

In conclusion, I want to say that 90 per cent is not even enough protection on certain items, considering the fact that our raw materials pay an average duty of 40 per cent ad valorem.

When these paragraphs in question are so clarified as to make impossible the subterfuges and evasions that are being practiced continuously by the importers, by bringing in braids and hoods that look like viscan cellophane, but that have as their inner core materials of lesser duty value, this duty evasion will be stopped. We are not asking for that, but we want the paragraphs retained as they are.

If this is once clarified it will save the Government an endless amount of protests and confusion in the customs department and will collect hundreds of thousands of dollars of duty, out of which they have been defrauded, legally or otherwise.

Senator THOMAS. You claim that it was a subterfuge perpetrated before the committee?

MR. LIPPER. They had been brought in for the past five years, which would bring it under the existing law. The existing law is continued by the present bill that issued from the House.

Senator THOMAS. You mean by "subterfuges" hidden legislation?

MR. LIPPER. I mean by subterfuges, bringing in one material and calling it another. For instance, here is a very clear and definite example of what I mean. This inner core here is all out of proportion, but it shows you what I mean. They take this inner core here, this handle; they cover it with cellophane, and then on account of the wording of the law they can bring this particular item in under a duty of 15 per cent, which looks like cellophane, and which bears a duty of 90 per cent. Now, that is the whole story.

We have filed briefs; we have filed exhibits covering this thing completely, and we hope you will rectify it.

Senator THOMAS. Are those subterfuges, as a rule, in your judgment, placed in the bill because the person who wrote the bill was unable to distinguish and to make it more clear, or have they been placed in the bill by those who knew it and sought to bring about the end they wanted to bring about by using the subterfuge?

MR. LIPPER. It is rather difficult for me to answer that question. I want to show you—I mean, this is rather an involved subject. Here, for instance, is ramie [indicating].

Senator THOMAS. We saw that.

MR. LIPPER. Now, the Ways and Means Committee corrected this subterfuge in reference to the covering, laminating of cellophane over ramie, but through some error, I don't know why it was not done, because the cases are absolutely parallel, they did not correct it, because the only difference, the basic difference is that one is a flat thread and the other is a round thread. There is no reason why they both should not be covered. They realized what was going on there, but they did not do it. That is all. I can not answer that. I was not sitting on it at the time it was passed.

We simply ask you to clarify the present law.

BRIEF OF THE MILLINERY ASSOCIATION OF AMERICA

HON. REED SMOOT,
Chairman Committee on Finance,
United States Senate, Washington, D. C.

SIR: The undersigned, as domestic manufacturers and distributors of hats for women and children, respectfully petition your committee to safeguard the interests of the hat industry by applying the principle essential to the prosperity of any industry—namely, to tax the raw materials as lightly as possible and to give a fair and reasonable protection on the finished products.

Paragraph 1406 of the Fordney bill recognizes this principle in the following schedule of rates: 15 per cent on braids, 35 per cent on bodies, 50 per cent on blocked hats, 60 per cent on sewn hats.

The corresponding paragraph 1505 of the new tariff bill widens the differential between raw materials (braids and bodies) and the finished products owing to special conditions prevailing in the men's hats trade which has been suffering from increased imports of sewn and blocked hats ready to wear without any value added by domestic manufacture.

The women's hat trade, owing to rapid changes in fashion, does not import any more ready-to-wear hats to speak of, except models of reputable stylists, chiefly from Paris.

However, we support paragraph 1505 as being in the best interests of the majority concerned.

An attempt is being made by American braid manufacturers to eliminate from paragraph 1505 braids known as pedaline.

We oppose this attempt as being of very doubtful benefit to the American braid manufacturer, but decidedly injurious to the much larger industry of the hat manufacturer. The increase in duty from 15 per cent to 90 per cent would practically stop the use and sewing of pedaline braid for propular priced hats, and, as domestic hat manufacturers and distributors, we are certain that in millinery fashion the popular-priced hats can not be returned to a higher price range. As an exaggerated example, we submit that a woman of means is not likely to wear next year what her servants have been wearing this year.

To our best knowledge and belief, pedaline was not manufactured in this country in commercial quantities even when the rate of duty was 90 per cent, and there is no braid manufactured in this country that could take the place of pedaline.

Paragraph 1115, Wool Fell Hats.—We recommend a material increase on bodies valued at not more than \$1.75 per pound, and that the present Fordney tariff rates remain in force on bodies valued above \$1.75 per pound. We feel confident that such a course will be beneficial to every phase of the hat industry and will protect the manufacturer of wool bodies as well as the hat manufacturer, whereas the rates proposed in the new paragraph 1115-B are likely to disturb the industry.

Paragraph 1526, Fur Felts.—Considering the very small percentage of imports, we consider any raise in tariff over the Fordney paragraph 1427 unnecessary and detrimental.

Paragraph 1529 (Fordney 1430).—The principle laid down in paragraph 1406 has been totally disregarded and, in fact, reversed in the case of braids, bodies and hats made of visca, cellophane, and imitation horsehair, inasmuch as braids are taxed higher than finished wearing apparel of new paragraph 1311 (Fordney paragraph 1213).

We respectfully submit that:

First. Braids are our fundamental raw material.

Second. Sewing of braids is the foundation and backbone of a well-equipped hat factory.

Third. An excessive rate of duty on braids discourages the sewing of braids into hats, and encourages the use of materials in a more advanced stage of manufacture.

Fourth. The lowering of duty on braids would, in our opinion, increase the imports of braids only at the expense of imports of materials in a more advanced stage manufacture than braids; we are confident that it would create a broader market for domestic braids, also.

Fifth. The domestic hat manufacturer can not prosper on domestic braids exclusively. He is dependent on imports for novelties and new ideas in materials, which are the life and spice of the millinery business. The imports of rayon braids, according to official figures, have been very small compared with domestic production, but they have given an impetus to the hat business as well as to the braid business.

Therefore, as domestic manufacturers and distributors of women's and children's hats, we respectfully recommend that a separate classification be accorded in the rayon schedule for rayon braids suitable for making hats, and for bodies as well as articles made of braids; we advocate the following rates as being reasonably fair to all concerned, and established with due regard to the stage of manufacture, viz: 50 per cent on braids, 70 per cent on woven bodies, 90 per cent on blocked hats, 90 per cent on articles made of braids.

Respectfully submitted.

JOSEPH C. BECKMANN,
Chairman Legislative Division,
Millinery Association of America,
Chicago, Ill.

STATE OF ILLINOIS,
County of Cook, ss:

I, being duly sworn, depose and say: That I am the chairman of legislation of the Millinery Association of America; that I have read the foregoing brief, and that the statements therein contained are correct and true to my best knowledge, understanding, and belief.

JOSEPH C. BECKMANN.

Subscribed and sworn to before me this 10th day of July, 1929.

A. W. FISCHER, Notary Public.

STRAW HATS

[Par. 1505 (b)]

STATEMENT OF S. GEORGE WOLF, BALTIMORE, MD., REPRESENTING THE HAT INSTITUTE

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

Mr. WOLF. I am president of the Townsend, Grace Co., Baltimore, Md. I appear as chairman of the tariff committee of the Hat Institute.

Senator COUZENS. Tell us what that is.

Mr. WOLF. That is a combination now of straw-hat manufacturers, fur-felt-hat manufacturers, wool-felt-hat manufacturers, and felt-hat manufacturers who operate what is known as a front shop; that is, they do not blow their own bodies, but make the felt hat from bodies blown by others in the business.

Senator COUZENS. What does the institute do?

Mr. WOLF. The institute is now a little less than 1 year old. It is a combination formed from three or four previous organizations, the straw-hat manufacturers association, which was formed during the war time; the felt-hat manufacturers, which was formed about the same time—in fact, all of these institutions were formed about that time. They have recently combined into a single institute with this in mind, to consolidate the combined efforts of manufacturers of all kinds of hats. The object is to take the ladies' hat manufacturers in eventually, to take in the jobbers and also the retail dealers.

Senator COUZENS. I understand it is only made up of men's hats now?

Mr. WOLF. Yes, sir; at the present time.

Senator WALSH of Massachusetts. Do you have anything to do with the fixing of prices?

Mr. WOLF. Nothing whatever. There is never any discussion of that sort.

Senator WALSH of Massachusetts. Any cooperative buying?

Mr. WOLF. No cooperative buying.

Senator WALSH of Massachusetts. Are you a lawyer representing these people, or are you a manufacturer?

Mr. WOLF. I am a manufacturer. I happen to be president of the Townsend, Grace Co., established in 1886.

I want to make it clear, gentlemen, and I want to say also I shall confine everything I have to say to new evidence, as I appeared before the Ways and Means Committee and have with me copies of our brief. I have five of them. I did not know when I left Baltimore whether you would care to have them or not.

Senator WALSH of Massachusetts. We do not want the briefs that were filed in the House hearing.

Senator KEYES. Those briefs are printed in the House hearings.

Mr. WOLF. Yes.

Senator KEYES. We have them.

Mr. WOLF. There seems to be some confusion before you gentlemen as to the manufacture of ladies' straw hats. I represent the men's end of it, where there is no confusion whatsoever and where we ask that the bill as passed by the House of Representatives be

considered favorably by your committee and by the Senate and generally passed just as it is.

Senator KEYES. What paragraph is that?

Mr. WOLF. Paragraph 1505.

Senator COUZENS. Is there anyone appearing in opposition to that?

Mr. WOLF. I can not answer that question. I will say, however, that no one has appeared in opposition.

Senator COUZENS. In the House or here you have heard no opposition to it?

Mr. WOLF. There was no opposition in the House except by brief. There were briefs filed, one for the Italian Chamber of Commerce and another by an importing association. There were no personal appearances.

Senator KEYES. I think that is all we need if you do not desire any change.

Mr. WOLF. The only thing I will do, gentlemen—I will certainly not take long. There were one or two things I wanted to substantiate.

In our brief before the House we made a prediction. We said that we showed that 94 per cent of the American consumption had been furnished by the American manufacturers in 1914 and that that had been reduced to 60 per cent of the American consumption in 1927 and to 50 per cent in 1928. We made a prediction that in 1929 the foreigner would supply 60 per cent of the total consumption of straw hats in the United States.

Senator COUZENS. When did you make that prediction?

Mr. WOLF. Before the Ways and Means Committee of the House and in our brief.

Senator COUZENS. When?

Mr. WOLF. When we appeared before them early in April of this year. I now present an item from the Daily News Record of April 17, 1929, to which I invite your particular attention. We had nothing to do with this clipping and it substantiates our claim or prediction that we made at that time, to the effect that the foreigner would supply 60 per cent of the total consumption of straw hats in the United States.

Senator WALSH of Massachusetts. What is the style of the hat that the foreigner makes?

Mr. WOLF. The Italian hat is invariably a copy of the American style.

The straw-hat industry started in the United States over 60 years ago. We ourselves started in 1886. Every development in men's straw hat making has been developed in the United States and originated in the United States. Unfortunately our season must be one year in advance. We are to-day prepared for the consumption of 1930 and around the Fourth of July our samples go on the road which gives our foreign friends an ample opportunity to copy our styles and to present to our own customers duplicates of our own hats, made largely with American machinery, but entirely with foreign labor, the highest rate for which—and these figures are United States governmental figures—is 14 cents an hour or \$6.72 for a 48-hour week, against our regulation wage of \$1 an hour for straw-hat makers.

They are made over there from the same raw material that we use, which comes largely from Japan and China, the Philippine Islands, and some from Italy.

Senator THOMAS of Oklahoma. The Italian people do not wear straw hats to speak of, do they?

Mr. WOLF. They do not. However, last year Premier Mussolini I think, issued an edict that they would have to wear straw hats and while I did not see the hats they told me they were very unusual styles and never could have been sold in this country. Otherwise they wear practically no straw hats.

Senator THOMAS of Oklahoma. What is this proposed rate of duty increase over the existing law?

Mr. WOLF. The existing law is 88 per cent on straw hats imported under \$9.50 and 60 per cent on straw hats above that amount per dozen hats, 60 per cent on all other men's summer headwear.

Senator WALSH of Massachusetts. What per cent increase is that?

Mr. WOLF. The new rates would represent an average of 110 to 120 per cent.

Senator THOMAS of Oklahoma. Do you subscribe to the doctrine that high tariffs produce proper economic conditions for this country?

Mr. WOLF. I subscribe to this doctrine and predict that in the case of straw hats it will reduce the price to the consumer.

Senator THOMAS of Oklahoma. How do you explain that statement?

Mr. WOLF. Because to-day we have 40 per cent of the American consumption. We should have, in my humble judgment, 90 per cent—certainly 80. I have no desire whatever to close off the foreigner entirely. There are certain importations that have been very salutary to the straw-hat industry. It has put us on our toes, but they have not been produced in Italy where the cheap straw hat is made.

Senator COUZENS. How much would this increase the price of straw hats to the consumer if we adopted the plan you set forth?

Mr. WOLF. In my judgment it would not increase the cost to the consumer.

Senator COUZENS. Because your mass production would enable you to produce cheaper?

Mr. WOLF. Precisely. We started in business in 1886. I am referring now to the Townsend, Grace Co. I can very nearly speak in the same language for the entire industry. Until 1914 we progressed every year, growing healthfully. Since 1914 the importations have grown steadily every year and in the last three or four years very rapidly. A most significant fact is also that with these increased importations there has been a steady decrease of unit values.

Senator THOMAS. Do you not believe that the passage of this section as written will give the American manufacturers of straw hats the American market almost 100 per cent?

Mr. WOLF. Not 100 per cent. I should say it would give the American manufacturers the American market to about 70 per cent. In our brief—

Senator THOMAS. Then the proposed rates are to that extent an embargo, are they not?

Mr. WOLF. The difference between 40 per cent and 70 per cent.

Senator THOMAS. Well, whatever that is, it would be to that extent an embargo?

Mr. WOLF. We have less than 40 per cent of the American market to-day.

Senator THOMAS. On that same theory should not Congress raise all duties similarly to give the American factories the benefit of the American market and thereby reduce the prices correspondingly?

Mr. WOLF. I can not speak for any other industry. We do not ask for one penny other than the difference between the actual labor costs and material costs as between Italy and ourselves, our cost figured without relation at all to interest on investment or profit.

Senator THOMAS. Well, if you limited this tariff bill to that principle that would not make any difference in the amount of importations, would it? It would not make a difference of a single hat, would it?

Mr. WOLF. I do not believe I understand you.

Senator THOMAS. If you limit it exactly to the cost of production then the Italian manufacturer can ship his goods to America and get the same price you are getting and still do the same amount of business?

Mr. WOLF. No; he would not get any profit on that basis, because our costs are figured without reference to profit or even with interest on capital investment but we would have an opportunity to meet our friends on our own shores on an equal ground. That is all we ask for, simply an opportunity to meet him on an equal footing.

In 1914 there were employed in the straw-hat industry 9,400 people. The United States Census figures of 1927 shows that there were only 3,240 then.

Senator THOMAS. Could that not come about through the use of improved machinery?

Mr. WOLF. Unfortunately the manufacture of men's straw hats is very largely hand labor. The only real machinery work is the sewing which is done largely by American machines, either the Singer or the Wilcox & Gibbs.

Senator THOMAS. That could be brought about due to the increased fad of people not wearing hats at all?

Mr. WOLF. The importation of foreign hats has very rapidly increased, at least 10 per cent a year, during 1927 and 1928—and I ask the privilege of filing these figures with you as a supplement to our brief in the House—in the first five months of 1929 of braid hats alone there was an increase from 1,900,000 in 1928 to 3,335,000 in 1929, or an average of 74 per cent increase in the braid hats alone. In body hats there was an increase of 174 per cent.

Senator THOMAS. Do you account for that increase because of the fact that they can sell the same quality of hat at a lower price than the American manufacturer?

Mr. WOLF. No question about that.

Senator THOMAS. That is the reason?

Mr. WOLF. Yes, sir. It simply amounts to a very definite showing that the American manufacturer to-day simply can not compete.

I made the statement here that I represent two of the oldest houses in the business. Before the House Ways and Means Committee I made the statement that of 23 concerns that signed our brief in 1922, there were at that time only 7 left. They had all been forced out of business or had merged or reorganized. Of the seven

left since our last showing, the second largest and the second oldest concern in the United States has sold out.

Senator WALSH of Massachusetts. Where are these hats made in Italy?

Mr. WOLF. Near Florence.

Senator WALSH of Massachusetts. By concerns financed with American capital?

Mr. WOLF. They are not made by Italian folks being financed by American concerns very largely.

Senator WALSH of Massachusetts. Is not American industry suffering to-day less from failure of production but more from investments of certain financial interests in this country in all kinds of industries in Europe where they can get cheap labor to compete with American labor?

Mr. WOLF. I would say not. I would say that is not so in relation to straw hats. There is one concern that has invested money in what we might call here sweatshops, but that only represents a small portion of the Italian competition that we have to face.

Senator WALSH of Massachusetts. But the fact is that American money is over in Italy maintaining the straw hat industry?

Mr. WOLF. Not factories. There is really not a factory over there maintained by American money.

Senator WALSH of Massachusetts. They are making straw hats are they not?

Mr. WOLF. They are making straw hats in Italy and there are Italian factories over there operated by Italian owners and who have established—

Senator WALSH of Massachusetts. On capital furnished from America?

Mr. WOLF. Not at all. I said that that did happen in only one instance, but certainly—

Senator WALSH of Massachusetts. I did not understand you to limit it to one instance. You are competing against the Italian industry?

Mr. WOLF. Yes, sir.

Senator WALSH of Massachusetts. Where Italian workmen are employed and on capital furnished by Italians.

Senator THOMAS. Did you not say that that industry was financed by American capital? Did you mean that?

Mr. WOLF. I simply misunderstood the question. I made a mistake in replying to the question.

Senator THOMAS. Do you know whether or not this Italian industry is financed by American capital?

Mr. WOLF. To my knowledge there are several Italian factories with whom we come into very definite competition that are financed entirely by Italian money.

Senator WALSH of Massachusetts. Do they have American machines over there?

Mr. WOLF. That I have been told. I have never seen them myself, but I have been told that they use our Wilcox and Gibbs and Singer machines over there. There are no other machines in the business. May I leave these copies? This gives the up-to-date information.

Senator KEYES. Yes.

(The matter referred to is as follows:)

All sewed straw hats—imports into United States

[Figures taken from records of the port of New York]

| Calendar year | Rate of duty | Quantity | Value | Duty collected | Value of quantity | Ad valorem rate ¹ |
|--|-----------------|---------------|----------|----------------|-----------------------------|------------------------------|
| Men's sewed straw hats, valued at \$9.50 or less per dozen: | | | | | | |
| | <i>Per cent</i> | <i>Number</i> | | | <i>Per unit²</i> | <i>Per cent</i> |
| 1928—January..... | 88 | 168,039 | \$57,530 | \$50,626 | \$0.242 | 88 |
| February..... | 88 | 123,452 | 40,053 | 35,247 | .324 | 88 |
| March..... | 88 | 193,188 | 67,612 | 59,496 | .350 | 88 |
| April..... | 88 | 197,995 | 67,343 | 59,262 | .340 | 88 |
| May..... | 88 | 161,968 | 50,117 | 44,103 | .309 | 88 |
| Total, 5 months..... | | 844,642 | 262,655 | 248,736 | .335 | ..... |
| 1929—January..... | 88 | 56,179 | 21,423 | 18,852 | .381 | 88 |
| February..... | 88 | 94,030 | 35,266 | 31,034 | .375 | 88 |
| March..... | 88 | 208,513 | 78,842 | 69,391 | .378 | 88 |
| April..... | 88 | 205,945 | 75,569 | 66,501 | .367 | 88 |
| May ³ | 88 | 194,325 | 70,623 | 62,148 | .364 | 88 |
| Total, 5 months..... | | 752,992 | 281,723 | 247,916 | .371 | ..... |
| Other sewed str. hats: | | | | | | |
| 1928—January..... | 60 | 154,877 | 58,453 | 35,072 | .377 | 60 |
| February..... | 60 | 273,843 | 118,932 | 71,359 | .434 | 60 |
| March..... | 60 | 253,720 | 117,988 | 70,793 | .468 | 60 |
| April..... | 60 | 233,862 | 115,019 | 69,011 | .488 | 60 |
| May..... | 60 | 148,910 | 66,048 | 39,629 | .444 | 60 |
| Total, 5 months..... | | 1,067,212 | 476,440 | 295,864 | .447 | ..... |
| 1929—January..... | 60 | 443,028 | 152,299 | 91,379 | .344 | 60 |
| February..... | 60 | 439,739 | 152,078 | 91,247 | .346 | 60 |
| March..... | 60 | 665,081 | 216,104 | 129,662 | .325 | 60 |
| April..... | 60 | 556,004 | 198,216 | 118,930 | .357 | 60 |
| May ³ | 60 | 472,294 | 146,251 | 87,751 | .310 | 60 |
| Total, 5 months..... | | 2,576,146 | 864,948 | 518,969 | .336 | 60 |

¹ Actual or computed.³ May, 1929, figures subject to revision.

SUMMARY OF SEWED HATS

| | 1928 | 1929 | Increase |
|---------------|-----------|-----------|-----------------|
| | | | <i>Per cent</i> |
| January..... | 322,916 | 499,207 | 54 |
| February..... | 397,295 | 533,769 | 34 |
| March..... | 446,908 | 873,594 | 95 |
| April..... | 433,857 | 761,949 | 75 |
| May..... | 310,878 | 666,619 | 114 |
| Total..... | 1,911,854 | 3,335,138 | 74 |

STRAW HATS, BLOCKED OR TRIMMED

| | Number of dozen | Increase | Value | Average value |
|------------------------|-----------------|-----------------|-----------|------------------|
| | | <i>Per cent</i> | | <i>Per dozen</i> |
| Year 1928..... | 86,918 | | \$780,701 | \$8.98 |
| 1928—January..... | 10,600 | | 89,909 | 8.48 |
| February..... | 11,704 | | 119,701 | 10.23 |
| March..... | 9,424 | | 98,170 | 10.42 |
| April..... | 13,336 | | 113,894 | 8.54 |
| May..... | 3,979 | | 30,960 | 7.78 |
| Total, 5 months..... | 49,043 | | 452,634 | 9.23 |
| 1929—January..... | 17,226 | 62 | 160,962 | 9.34 |
| February..... | 19,986 | 70 | 186,601 | 9.34 |
| March..... | 34,117 | 262 | 255,873 | 7.50 |
| April..... | 41,028 | 208 | 292,062 | 7.12 |
| May ³ | 22,107 | 464 | 166,672 | 7.54 |
| Total, 5 months..... | 134,465 | 174 | 1,052,200 | 7.90 |

May, 1929, figures subject to revision.

(Mr. Wolf subsequently submitted the following brief:)

REPLY BRIEF OF THE STRAW HAT GROUP OF THE HAT INSTITUTE

The brief of the straw hat group of The Hat Institute, in reply to the brief filed on behalf of importers of men's straw hats, respectfully represents as follows:

Answering the first general statement of the importers' brief, to the effect that chip hats are used exclusively in farming districts, this is a direct mis-statement, as your investigations will show, for chip hats are dress hats competing directly with similar dress hats made of straw, and are sold by shops on the principal streets of every large city in the United States. They should not be confused with harvest hats, which are sold in the farming district, and none of which are imported from Italy.

The second statement, that importations of all hats excepting chip hats are declining, bears no weight, for colored chip and straw hats have replaced other summer headwear, due to style changes, and what affects the American industry is the proportion which the total importation bears to the total American consumption of summer headwear.

Chip hats have been made in the United States and would now be made here except for the difference in cost of labor in the United States and Italy.

As to whether actual imports of summer headwear are increasing or decreasing, we refer you to the United States Tariff Commission.

To support the statement of the manufacturers, that importations furnished approximately 60 per cent of the entire consumption in this country, we submit the statement made voluntarily through the Daily News Record of Wednesday, April 17, 1929, of Mr. F. G. H. Kracke, appraiser of the port of New York, who said: "The floors of the New York appraisal stores are crowded with cases containing imported finished straw hats. Shipments are far in excess of entries made this time a year ago. Customs officials pointed out yesterday that based upon import figures, 60 per cent of the straw hats sold in this country are imported and 40 per cent are of domestic manufacture."

To support its brief, the importers of men's straw hats have built up a hypothetical production of 21,705,831 straw hats consumed in the United States. In building up this hypothetical consumption, they have erroneously taken for granted that the entire 4,286,388 body hats imported as raw material were consumed entirely in the men's hat trade, whereas over 50 per cent was consumed in the women's hat trade. They have also included in the total the estimate of 7,000,000 hats made in this country of cotton and silk tapes and braids, which they named imitation leghorns, imitation panamas, etc. This estimate is entirely false, as any investigation you may make will show that the total number of such hats made for the men's trade does not exceed 400,000.

The last census of manufacturers for the United States, taken in 1927, clearly shows that of the straw hats completely made in the United States, there were 547,727 dozen sewed braid hats and 256,461 dozen finished woven-body hats (except harvest hats). This makes a total of 804,188 dozen, or 9,650,226 hats. This same report shows that imported shells to the extent of 235,175 dozen, or 3,022,000 hats were finished in the United States. This item must be added as imported hats since nearly all the labor for the finished product was furnished by the foreigner. The same year, the United States Tariff Commission reports show an importation of 2,249,592 sewed straw hats, and 1,378,044 blocked or trimmed woven hats, to which must be added 3,022,000 imported finished shells, or a total importation of 6,649,636 straw hats, either completely finished or in shells, which went into American consumption.

An attempt was made to give the impression that this 235,175 dozen hats finished from imported shells, referred to unfinished body hats. Reference to the Tariff Commission will correct this impression. Unfinished body hats are raw material for both men's and women's finished woven hats. These imported shells are not necessarily woven hats, but, on the contrary, a large percentage of them were sewed hats completely blocked, finished, and ready for trimming.

Furthermore, the census of 1927 included all the American manufacturers in business at that time, and not a part of them as suggested in the importers' brief.

The importers, to give the impression that the straw-hat industry is prosperous, have submitted a newspaper report of the financial statement of the Crofut (misspelled "Crowfoot") & Knapp Co. Investigation discloses that this was the statement of the holding company, Cavanagh-Dobbs Co., which controls not only the manufacturing company, Crofut & Knapp, but other factories and several retail stores in large cities selling both men's and women's apparel as well as hats. It is a fact, known universally throughout the trade, that the Crofut & Knapp Co. is primarily a manufacturer of felt hats as well as caps and other hats for men and women.

The United States Tariff Commission reports show an increase in importations for all sewed straw hats of 25 per cent in 1928 over the importations of 1927. This clearly indicates that during 1928 over 50 per cent of American consumption was supplied by foreign manufacturers.

According to the records of the port of New York, for the first four months of 1929, the increase of importations of sewed straw hats over the corresponding period of 1928 was over 65 per cent, and the uncorrected figures of importations of men's sewed straw hats for May, 1929, showed an increase of 114 per cent over those of the same month in 1928. Likewise, from the same records, the importations of woven hats blocked and trimmed show an increase of nearly 150 per cent for the first four months of 1929 and over 450 per cent for the month of May, 1929.

Relative to unsatisfactory conditions in the hat trade, this was answered in the oral testimony of Mr. Moses, and showed a constant increase of importations, in spite of unfavorable distribution conditions in America and lessened American consumption.

In the addenda to the brief of the importers, answering the oral statement of Mr. Leslie Moses of M. S. Levy & Sons (Inc.), made before your honorable committee that about 9,000,000 straw hats were manufactured in the United States it is to be noted that this figure included both sewed and body hats, whereas the statement of Mr. Moses, appearing on page 7195 of the hearing before the House Ways and Means Committee, referred to 6,500,000 sewed hats only and is so printed in the record.

In conclusion, we again bring to the attention of this honorable committee the disastrous condition of the straw hat industry in the United States at the present time, and request that relief be granted by adopting in full the paragraph relating to straw hats, etc., passed by the House of Representatives and referred to your honorable committee by the United States Senate.

Respectfully submitted.

THE HAT INSTITUTE,
(Straw Hat Group).
S. GEORGE WOLF, *Chairman*,
ABE ELISHEWITZ,
FRED. G. PHELPS,
LESLIE W. MOSES,
WARREN S. SMITH, *Secretary*,
Tariff Committee.

STATEMENT OF LESLIE WILLIAM MOSES, BALTIMORE, MD., REPRESENTING THE HAT INSTITUTE

[Including hat braids, par. 1505 (a)]

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

Mr. MOSES. I am chairman of the straw-hat group of the Hat Institute.

Senator KEYES. Are they manufacturers?

Mr. MOSES. American manufacturers. Representing over 95 per cent of the American straw hat manufacturers for the men's trade.

Senator COUZENS. Has not the hat industry already testified?

Mr. MOSES. Mr. Wolf testified last Tuesday. Mr. Perry Frank was to testify on Tuesday. He did not. He had his appearance deferred until today. I asked that I be permitted to appear later, that my appearance be deferred until today that I may rebut the various statements.

Senator COUZENS. Did the Hat Institute representative give the same testimony?

Mr. MOSES. This is entirely different testimony. I am also president of M. S. Levy & Sons, of Baltimore. I am of the third generation engaged in this business, which was begun in Baltimore at the close of the Civil War. Not only am I of the third generation,

but many of our employees are of the third generation. We have over 120 employees on our honor roll who participate in our profits when we are successful, who have been with us over 20 consecutive years.

I am not speaking for a new industry or a new firm, but for a well-established firm and for American employees. We employed before the importations became so heavy 1,100 Americans, all native-born Americans—I will say 99 per cent native-born Americans. Owing to the heavy importations our production has been curtailed and we are to-day employing under 700 people.

Mr. Frank made several statements which I can not let go unchallenged. Firstly let me say, gentlemen, that at the present moment many American firms are shutting down. Last week the second Baltimore factory shut down. We will have to shut down if the present situation continues. At present the Italian factories are working day and night producing merchandise that will come into America before the rates are changed, if it shall be your pleasure.

Mr. Frank made several statements about the duty on our materials. I wish to correct the statements he made. Mr. Frank is not, probably, as well informed on this subject as I am, as I have spent my whole life in it. I was born into this industry. Twenty-five years engaged in it.

Mr. Frank stated firstly that the American manufacturers asked for a lower duty on raw materials than previously existed. This will give you the impression that we want cheap raw materials and high duties on finished materials. That is not the case. The American manufacturers have never asked for lower duties on raw materials.

Now I may firstly state that all the raw materials used in the straw hat factories are produced in foreign countries. This Leghorn hat, of which Mr. Frank spoke, is made of Italian braid produced in Italy. This Japanese straw braid comes from Japan. This is a Panama hat from South America. None of our raw materials can be produced in America because they are all hand-made items, home labor, made by peasant classes, who earn from 4 to 6 to 10 cents a day, maybe 20 cents a day, but mostly less than 10 cents a day, on this class of work. This is a hand industry, the making of the braid, which is this stage [exhibiting material], and the making of the body [illustrating by exhibiting hat]; either of these two stages is a hand industry conducted in the houses of peasants.

Senator WALSH. Do you challenge the statement about the extent of importation of Leghorn to the domestic manufacturers, of 4,000,000?

Mr. MOSES. Yes; I do, based upon this, Senator Walsh. I will just digress—

Senator WALSH. I want to hear you on that.

Mr. MOSES. In 1927 the United States Department of Commerce took a census of manufacturing in the United States. Here are their statistics. Referring to woven hat bodies of all kinds (except harvest hats—and I may say that harvest hats have not been touched either by the importer or the manufacturer because they leave these hats entirely out of consideration and deal only with dress hats). The census of 1927 shows the total number of woven body hats manu-

factured in the United States, and that includes Leghorns, Bankoks, Porto Ricans, Panamas, Javas, and all other woven hats, 256,461 dozen. That is the latest authentic figure we have. And the production has gone down since then.

Now, gentlemen, in the various tariff bills of 1922, 1913, 1909, going all the way back, all these items, whether it is a Panama hat, a Leghorn hat, a hat sewed of Chinese braid, a hat sewed of Japanese braid, or a hat sewed of chip braid have been treated in one paragraph which covers summer headwear. Now Mr. Perry Frank gave you the impression that the duty on this hat at the present time is 25 per cent.

Senator KEYES. That is the Leghorn?

Mr. MOSES. Yes. At present it is 35 per cent. Now you may say, Why should the duty be reduced to 25 per cent? It is because in a recent customs decision the act of 1922 was interpreted differently than was intended either by the manufacturers or by the importers or by Congress itself. Under the act of 1922 a phrase was inserted. We tried to make it a little bit clearer than it had been previously, and we got in trouble. In the act of 1909 and the act of 1913 you will read:

Braids, plaits [and so forth], composed wholly or in chief value of straw, chip, grass, palm leaf, * * * 15 per cent ad valorem.

You will read later on:

hats, bonnets, and hoods composed wholly or in chief value of [straw, chip, grass, palm leaf, and so forth], 35 per centum ad valorem; blocked or trimmed, 50 per centum ad valorem.

Now, when we came up to 1922, we first spoke of braids being made of straw, chip, hemp, the basic materials. And then inadvertently we spoke of hats, bonnets, and hoods made of the foregoing materials. Of course both we and the importers referred to the basic material—straw, chip, hemp, etc. But it so happened that one importer appealed to the Customs Court, and he said when that paragraph "hats, bonnets, and hoods" speaks of "foregoing materials," it does not refer to the foregoing material. It refers to the intermediary state—the braids. He put it in this way: We have a duty on wool, we have a duty on cloth, and we have a duty on suits. If we speak of suits being made of the foregoing material we speak of it being made of cloth. We do not speak of the suit being made of wool.

It so happens that Panama hats are made directly from the fiber itself and there is no intermediary stage. So the Customs Court ruled that Panama hats and all such other hats, Javas, etc., every other sort of hat made directly from the material was not covered at all in paragraph 1406, where it had been covered in four or five tariff bills, because they said that "foregoing material" referred to the word "braid." They therefore took these raw materials—every hat except the Leghorn hat—out of paragraph 1406 and put it into a dumping paragraph under a 25 per cent duty in any condition whatsoever, whether finished or unfinished.

But it so happens that the Leghorn hat alone is first made into a braid. You hold it to the light and you can see the cords between the rows. That braid is remeshed into a body. Therefore the Leghorn hat remained at 35 per cent, but every other body hat outside

of the Leghorn hat has been dutiable in the last four or five years at 25 per cent; not at the request of the manufacturers, but based upon a decision of the Customs Court.

For that reason, in presenting our case before the Ways and Means Committee, we again specified hats, bonnets, and hoods made of straw, chip, etc., dutiable at 25 per cent, because in the meanwhile every other item, except Leghorn and a few hats of that kind made in Italy, were dutiable at 25 per cent. And I want to correct that impression given by Mr. Frank. The American manufacturer of straw hats is willing to pay his duty. It is only a duty for revenue. None of the items can be made in the United States. And all we ask is additional duty to protect American labor.

Senator WALSH. So what you ask is that the bodies imported to American manufacturers be put upon the same level of 25 per cent?

Mr. MOSES. Yes.

Senator WALSH. Is that the number, 25,000,000?

Mr. MOSES. I do not know. I do not have that figure.

Mr. TITUS. That figure is taken, if I may say, Mr. Chairman, out of the Monthly Summary of Foreign Commerce of the United States, issued by the Department of Commerce, found on page 57 of that report, and is definitely given there as the figure stated by Mr. Frank.

Senator WALSH. That is the Leghorn alone is 4,000,000?

Mr. TITUS. No; all bodies. Not the Leghorn alone. All unshaped, unblocked bodies.

Senator THOMAS. Where is the raw material produced from which this class of goods is made?

Mr. MOSES. The braids are produced mainly in China and in Japan, and to an extent in Italy.

Senator THOMAS. You said that the laborer was paid a minimum of 4 cents a day, and how high? I did not get that.

Mr. MOSES. I should judge the highest may be 20 or 25 cents a day. It is cottage labor—labor in the home.

Senator THOMAS. Home labor?

Mr. MOSES. Yes. May I point out to you, Senator, with your permission, this piece of braid which is 60 yards, sells in Japan for about 30 to 35 cents after it has been all plaited by hand, the straw has been furnished, and it has passed through the hands of collectors, dealers, and exporters.

Senator THOMAS. How many hats will that piece of 60 yards of braid make?

Mr. MOSES. A little over a hat.

Senator THOMAS. A little over one hat?

Mr. MOSES. Yes, sir.

Senator THOMAS. How long will it take a laborer to produce 60 yards of braid?

Mr. MOSES. That I do not know. You can imagine for yourselves how long it took.

Senator THOMAS. You do not know, then, the rate that labor was paid for, by the foot or by the pound?

Mr. MOSES. That I do not know, sir.

Senator THOMAS. Have you any information as to what the raw material in the form of braid sufficient to make one hat costs?

Mr. MOSES. It depends upon the hat; it depends upon the character of the hat.

Senator THOMAS. Well, use your samples there and give the committee some idea, if you can.

Mr. MOSES. I would judge this hat, a Japanese flat foot [indicating], has in it about 35 to 40 cents' worth of braid. This other hat has in it about 10 cents' worth of braid—Italian chip. That is just a rough idea. Of course, the bodies are more expensive. This body, which came over from abroad, cost about \$2 for the body itself. It depends upon the character of the hat, and where it is from.

Senator THOMAS. Using that leghorn hat as an exhibit, what would it cost to produce that article in the country of its origin?

Mr. MOSES. Well, I would only be able to say what the hat would cost after it landed in America duty paid. This hat, which was left on the table, would cost in America, I would say, about \$13.50 a dozen after 35 per cent duty has been paid, and expense of transportation, and so forth.

Senator THOMAS. A dollar and fifteen cents apiece approximately?

Mr. MOSES. Yes. Ten dollars a dozen, excepting the duty. Eighty-three cents for the hat.

Senator THOMAS. What does that hat sell for in the market in America?

Senator WALSH. After being blocked and trimmed?

Mr. MOSES. It all depends on the quality of the trimming and the value of the trimming. If you put satin lining in that hat and a leather band, it would cost more than if you put in a net lining and an imitation-leather band.

Senator THOMAS. Give us an idea.

Mr. MOSES. Four dollars, five dollars.

Senator THOMAS. The hat that cost abroad 10 cents, what does that sell to the trade for in America?

Mr. MOSES. This hat, a chip hat [indicating hat], cost the consumer \$1.95; it is an Italian hat.

Senator THOMAS. You say it cost a dollar and ninety-five cents.

Mr. MOSES. Yes. I will introduce that in evidence later.

Senator THOMAS. What does it sell for?

Mr. MOSES. A dollar and ninety-five cents over the counter.

Senator THOMAS. And the hat that cost 35 cents abroad, what does that retail for across the counter in America?

Mr. MOSES. We have one hat here which cost not over \$6 a dozen abroad, and it retails across the counter for \$2.85 a hat.

Senator KEYES. You said \$6. Do you mean \$6 per dozen?

Mr. MOSES. Yes.

Senator THOMAS. Will you tell the committee who gets the difference between the 10-cent cost of that first hat you showed us and the \$1.95 which the consumer pays? Who gets that difference?

Mr. MOSES. I said this hat here, an Italian chip hat—and I am going to refer back to this—this is a little out of order, Senator Thomas—I estimate the braid at 10 cents.

Senator WALSH. Chip hat?

Mr. MOSES. Yes. This hat was sold by the importer, and I have the invoice to present to you, at \$6.50 per dozen to a jobber in Phila-

delphia. The invoice shows it was sold on February 27, 1929, at \$6.50 per dozen.

Senator THOMAS. I want you to take one hat, if you will, starting at 10 cents, the cost of that article abroad and follow it through.

Mr. MOSES. The cost of the braid, as you asked me, was 10 cents in the hat.

Senator THOMAS. Yes.

Mr. MOSES. This hat cost, complete in Italy, about \$3 a dozen.

Senator THOMAS. Figure out the cost per hat.

Mr. MOSES. Twenty-five cents.

Senator THOMAS. Now trace the hat from the time it was first made until it gets to the wearer and tell the committee, if you can, the occasion for the addition of the various prices, and how much, and who gets them.

Mr. MOSES. The distributors. Here is the story. Here is the invoice. Bronston Bros., New York, February 27, 1929, style 2006A, \$6.50 per dozen; 54 cents per hat. Sold to S. J. Susskind & Co., jobbers, of Philadelphia, who resold it to a retailer in the city of Philadelphia. This hat was bought from this retailer in Philadelphia at the current price of \$1.95.

Senator WALSH. Jumped from 60 cents to \$1.95?

Mr. MOSES. That is in distribution, sir. The invoices are before you, sir.

Senator WALSH. Only passed through two hands?

Mr. MOSES. Yes, sir.

Senator WALSH. And no workmanship was done upon it?

Mr. MOSES. No, sir; no workmanship was done upon it. And that is a foreign hat, sir. I present another hat. This hat cost less than \$6 a dozen abroad.

Senator WALSH. That is \$6 individually?

Mr. MOSES. Per dozen abroad. Sold for \$12.50 per dozen on January 18, 1929. Bronston Bros., of New York, to S. J. Susskind & Co., of Philadelphia, who resold it to a retail store in Philadelphia, the Modern Hat Manufacturing Co., which, by the way, is an Italian company apparently, a retailer of hats, who retailed the hat for \$2.85.

Senator WALSH. In other words, that 50-cent hat passed through three hands—the importer, the wholesaler and the retailer, and the price to the purchaser or the wearer was increased—

Mr. MOSES. Six times.

Senator WALSH. Yes; six times. From 50 cents to \$3.

Senator COUZENS. How much of that was duty?

Mr. MOSES. That hat cost about \$6 per dozen approximately and paid 88 per cent duty. The duty on \$6 at 88 per cent is \$5.28 a dozen.

Senator COUZENS. So you see, Senator, that takes up a large part of the difference.

Senator WALSH. Yes; 50 cents.

Mr. MOSES. Yes; about 50 cents of it. Now, gentlemen, if you will permit me to go on.

Senator WALSH. May I ask you a question at this juncture?

Mr. MOSES. Yes.

Senator WALSH. What percentage of the American manufacturing is devoted to blocking and trimming hats, and what percentage is devoted to making and braiding the raw hat—I call it the raw hat?

Mr. MOSES. In America we do not make or braid any raw hat. That is all hand labor.

Senator WALSH. So practically the entire industry is consumed in blocking and trimming imported materials?

Mr. MOSES. Yes; practically the entire industry is consumed in sewing, blocking, and trimming the imported materials. We always start with basic imported materials.

Senator WALSH. Excuse me for interrupting you. You may proceed.

Mr. MOSES. Gentlemen, Mr. Frank also stated that since the duty was raised from 60 per cent to 88 per cent on this hat, a Japanese straw hat, the importation had fallen off $33\frac{1}{3}$ per cent. Now you would think that was due to the increase in duty. But, gentlemen, it is not. It is due to a style change. Due to the introduction of the chip hat—of the colored soft hat. While importations fell off $33\frac{1}{3}$ per cent, domestic manufacturing fell off, I should estimate, 60 per cent. Our production fell from 80,000 dozen to 30,000 dozen, due both to importation from abroad and to a change in style.

Senator WALSH. You are referring to this year, I suppose?

Mr. MOSES. Referring to over three years. It has been a gradual decline. Now that is very easily explained when you refer to the Tariff Commission's report. You will see that the importation of this type of hat, colored soft hat [indicating], which was negligible in 1926, 128,000 hats, increased to 1,800,000 hats in 1928. While the importation of this type of hat, Japanese bleached straw hat [indicating], was going off 30 per cent, the importation of this type of hat, Italian colored chip hat [indicating], went up 1,500 per cent.

Senator WALSH. The chip or the sailor?

Mr. MOSES. The colored chip or braid hat went up 1,500 per cent, while the importation of this other hat, the bleached straw, went down 30 per cent. Likewise when our production fell down from around 80,000 dozen to 30,000 dozen on this hat, bleached straw hat [indicating], naturally we built up a production on the other type of hat. So that the falling of importation of hat dutiable at 88 per cent is due entirely to style change and not to the increased duty.

Mr. Frank predicts that if styles change again and this hat becomes—

Senator WALSH. Call it by name.

Mr. MOSES. This sewed hat made of straw, if the demand for that increases again, he predicts the importation of the other hat will fall off. That is true. Yet it is impossible for any American manufacturer to produce and sell this chip hat, of this quality, with this quality of workmanship, and all under \$12 per dozen, less usual 6 per cent discount. In the figures which were introduced before the Ways and Means Committee we showed what the effect of the new rates would be. We took the average prices of American factories—and permit me to say, gentlemen, that in all our estimates we have always eliminated the cost of such factories as Crofut & Knapp, Knox, and Stetson. We do not consider those factories as competing with the foreign made product.

Senator THOMAS. Why?

Mr. MOSES. Because they sell branded high priced hats which do not compete whatsoever with a foreign product. If a man wants a

Stetson hat he will buy it irrespective of any other hat. The Crofut & Knapp Co. does not enter into this whatsoever. They make an entirely different class of hat, which does not meet with foreign competition. So when we take the production cost we eliminate all high-cost producers and we take the lowest-cost producers, and when you refer to our brief before the Ways and Means Committee you will see that on one of the types of hats of which we are speaking—a Japanese straw hat—the foreign cost is \$4.49. The present landed cost, including duty, is \$9.48. Total landed cost under the proposed new duty is \$12.66. But the actual net American cost of the six lowest cost producers in America, eliminating all return on capital, all administration expense and selling expense, merely the cost of the hat when it leaves the factory, is \$13.58. So that, even if this duty is granted that we request, and which the Ways and Means Committee have written into their bill, the foreigners can still undersell us.

You have another example here, and this is one of the cheap chip hats. That hat cost \$3.58 abroad, a hat of this type, though not the same identical hat. It is landed now at \$6.39, duty included. It would cost to land under the new duty \$10.75. And the lowest American cost of the six lowest cost producers, eliminating everything—and the foreigner's cost, of course, includes all his expenses—eliminating overhead (excepting for the factory overhead), selling overhead, administrative overhead, selling expenses, just for the hat leaving the factory was \$10.86. So the duty we propose is not a shut-out duty, but is a duty which will permit the American to compete directly with the Italian-made hats, which, I think, we should be permitted to do.

Senator THOMAS. Did you say that this bill does not affect the straw-hat industry as it is now carried on by such companies as Stetson and Knox?

Mr. MOSES. Correct.

Now, gentlemen, I may say in connection with prices. Our firm has been in business since 1866. Our prices are based entirely upon cost of material, labor, and manufacturing expense, irrespective of what the foreign hat sells for. We have lost business. We could not meet the foreign competition. Our hats for 1930 are now shown in our offices, and the prices on the average are lower than they were for the summer of 1929.

Now, Mr. Frank made the statement that the rains of the last two years affected seriously the use of hats, and that is the reason the American manufacturers lost business. It did not affect the importation of hats, because, while it was raining and keeping the American manufacturers from doing business, importations have jumped every year. In 1926 the total number of sewed hats imported were 1,200,000. In 1927, 2,200,000. In 1928, 2,900,000. And these are the rainy years. For the first four months of 1928 the importation of sewed straw hats was 1,600,000 hats, and to bring it up to date, for the first four months of 1929, in spite of the rainy seasons he speaks about, importations have jumped from 1,600,000 hats to 2,600,000 hats.

Mr. Frank also made an estimate of American production of 21,000,000 hats, and, I believe, all his figures in his brief are based

upon that estimated production of 21,000,000 hats in American factories.

If you will refer again to the census of 1927, you will see we made complete in America, sewed hats, 547,727 dozen hats. Woven body hats, 256,461 dozen hats. A total of about 800,000 dozen hats; 9,600,000 hats made in American factories in 1927. That is the total number of hats made. There were about 200,000 dozen more hats which were finished here, which were brought over here from abroad. But what we call American hats, made in American factories, was 9,600,000 hats.

Senator WALSH. How about the claim made by the other side that that 9,000,000 dozen includes this large number of bodies?

Mr. MOSES. It does. I am just referring to it.

Senator WALSH. You admit that?

Mr. TITUS. No.

Mr. MOSES. Here are the census figures.

Senator WALSH. There is a dispute about that 4,000,000 bodies.

Mr. MOSES. Of course, those bodies may be imported and used for the ladies' trade. But I am speaking of the men's trade only. There is some confusion because the same material goes into the ladies' trade as the men's. I do not dispute the number of ladies' hats imported. But I am furnishing the figures which finally went into men's hats in American factories in 1927. The balance went into ladies' hats.

Senator WALSH. We ought to have a distinction between imported hats that are blocked and trimmed and the imported hats that are not finished.

Mr. MOSES. Yes. Of course, it is very difficult to include in this one paragraph the whole summer headwear, because that paragraph includes women's trade as well as men's trade.

Now, you will notice that we have made some subdivisions in this paragraph—the Ways and Means Committee did—which will clarify that in the future.

Now, gentlemen, there is another matter which I wish to speak of. When we went before the Tariff Commission in 1924 and in 1925 and asked to have the duty raised on straw hats, we were innocent. We spoke of straw hats like you gentlemen speak of them. Everything here [indicating a number of hats on the table] is a straw hat under the general heading "Straw hat." And most of the hats at that time were the hats of this kind, bleached hats [indicating], the hat made of plaited straw.

Senator KEYES. The sewed hat?

Mr. MOSES. The sewed hat. We asked for an increase on sewed straw hats. It also included this hat, which we introduced in 1925.

Senator WALSH. The chip hat?

Mr. MOSES. No, sir; that is a straw hat. The chip hat is an imitation of this straw hat. Now, this chip hat, gentlemen, did not recently originate in Italy. If you refer to the tariff bills in 1909 and 1913, and even further back, you will see that chip has always been an item used in summer headwear by women and by men, and is always contained in the same paragraph with straw. But when we went before the Tariff Commission the hats in general use were these hats of plaited straw only, and all our arguments were based upon

these plaited straw hats. Well, we got what we asked for, but it was interpreted by the Customs Court that "straw" did not refer to all the items for summer headwear but the things which were basically straw.

Now, when we started the colored soft hats in 1925 and 1926 the Italians started to make them in straw, too, as long as the duty remained 60 per cent on straw as well as chip. But immediately that the President's proclamation came out and it made the hat which was straw in its specific sense dutiable at 88 per cent, the Italians naturally turned over to chip, which simulates it, and remained dutiable at 60 per cent. So that if we could have forecast styles—and no one can forecast styles—we could have gone before the Tariff Commission and everything would have been covered at 88 per cent.

Senator THOMAS. What is the raw material in this hat you just showed us called chip?

Mr. MOSES. It is made of willow shavings; bamboo and willow. Wood.

Senator WALSH. Is the basic material cheaper than straw?

Mr. MOSES. The basic material is cheaper than straw. And another reason for the Italians using this material in place of straw is this: The cheaper the material, naturally the larger the percentage that the labor bears to the finished article. And our fight is entirely with Italian labor, which, as has been pointed out to you, is paid at 14 cents an hour, against \$1 an hour—our wages being seven times the wages in Italy. And the cheaper the material they use, naturally the greater advantage they have.

There is a great deal more I could say, gentlemen, but I was here mainly to answer Mr. Frank and to point out what happened in the Customs Court and what happened in the President's proclamation, and we ask you gentlemen for the privilege of filing a brief as to any supplemental information you need.

Mr. FRANK. In view of what has been said, I would like to answer some of the arguments.

Senator KEYES. No; we can not have this hearing continue on in that way.

Senator WALSH. Put it in writing and submit it.

Senator COUZENS. Put it in your brief.

Senator WALSH. Yes; put it in your brief and present it. Just a few sentences.

STATEMENT OF MARTIN LAWLOR, NEW YORK CITY, REPRESENTING THE UNITED HATTERS OF NORTH AMERICA

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

Senator KEYES. State whom you represent.

Mr. LAWLOR. I represent the United Hatters of North America, general secretary.

Senator WALSH of Massachusetts. Are they organized throughout the country?

Mr. LAWLOR. Yes.

Senator WALSH of Massachusetts. In all the hat factories?

Mr. LAWLOR. Yes.

Senator WALSH of Massachusetts. How many members have you in your organization?

Mr. LAWLOR. Eleven thousand five hundred.

Senator WALSH of Massachusetts. Both men and women?

Mr. LAWLOR. Yes; both men and women.

Mr. Chairman and gentlemen of the committee, I was instructed by our organization to appear before you and ask you in the name of the United Hatters of North America to give this matter consideration.

And, so far as I can, I speak for the interests in the hat industry. There are no other organizations of the employes in the hat industry than ours. Consequently, we feel that we speak for the entire industry, because, so far as I know, those who are unorganized have the same feeling and the same reasonable feeling toward this tariff that we have.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. LAWLOR. I did.

Senator KEYES. Have you anything to add to your testimony there?

Mr. LAWLOR. Well, I would like to say, Mr. Chairman, that the situation has grown worse, so far as our membership is concerned and so far as the hat trade is concerned, since we appeared before the Ways and Means Committee of the House. It is more acute. The large importations of straw hats particularly have thrown our people into idleness, so our men and women who served their apprenticeships in their trades are now largely forced to go to work in other industries where they are not trained to do so, and they get very low wages. They laid behind them a trade fairly remunerative, and they are forced to go into other industries at very small wages. This is caused largely because of the importation of hats, the ever increasing importation of straw hats particularly from foreign countries, while our men and women are walking the streets.

We have a wage of a dollar an hour primarily. We work by the piece but it is based upon the earning power of a dollar per hour. Instead of getting a dollar an hour now they would be doing well if we were to say we averaged \$25 to \$30 a week. That is because of the lack of work.

I will not say that it is all entirely due to the importations, but it is largely due to that. The hat fad, or the hatless fad, has something to do with it, we will admit. But what is left of our hat-wearing people, we are told by the Government figures, wear hats made in foreign countries to the extent of 60 per cent, and there are a number who do not wear hats at all. Our American citizens are walking the streets or are forced to seek work elsewhere than in the hat industry.

Senator WALSH of Massachusetts. Have you put into your brief figures showing the decrease in employment year by year or month by month?

Mr. LAWLOR. We have not presented a brief.

Senator WALSH of Massachusetts. Can you do that?

Mr. LAWLOR. I can.

Senator WALSH of Massachusetts. The statement that there is unemployment is not very definite.

Mr. LAWLOR. I know that. But the fact stands out that more than half of the hats worn in America—all of the straw hats, I am talking about—are made in foreign countries. There is no doubt about that. There must be something wrong when that condition comes to pass.

Our organization insists that our members must be American citizens or must have declared their intention of becoming such. Nobody can become a member of our organization who is not an American or who has not declared his intention to become one.

After all, we feel the tariff was intended primarily to benefit American workmen and women, but we are not getting that benefit from it, and we feel there is something wrong.

And we feel now that the House committee has removed the difficulty to a certain extent, and it is our intention to ask you gentlemen to approve what has been done by the House, which will very materially help our industry.

The hat industry is in a very bad way. Our manufacturers will tell you about it. They know about it better than I do. And workmen dealing with our manufacturers on the question of wages and conditions they tell us the conditions.

Many of our manufacturers are themselves importing hats, closing up their factories, or partially closing them, and either buying through the importer or importing themselves those foreign made hats rather than making them here in their own factories. We see them come into the factories every day while we haven't a thing to do. Consequently we feel there is something wrong with the hat industry, and we ask you gentlemen, if you can, to approve what the House has done.

There are a few observations I might make as to the imported hat. The gentleman who preceded me told you that he was of the opinion that if importations were reduced so that American manufacturer would have 70 per cent or 80 per cent or 90 per cent that it would help the American consumer.

I know myself as a fact that the American consumer does not get 1 cent of benefit from these importations. The hat business is a very keenly competitive business, and those engaged in importing hats import them largely because there is a larger profit on them than there is on the American-made hat.

They stress very strongly in their briefs before the House committee that they employ a number of people in those importing houses. I feel if they handled American products they would employ just the same number of people. It would take just as many men to handle the same number of American made hats as it does to handle the foreign-made hats. Consequently, I don't see anything in that point.

The foreign-made hat is greatly enhanced for the reason that everybody who merchandises it gets more out of it than they do from the American-made hat. The prices for straw hats in America are set on the American-made hat. The foreign-made hat, which admits of a great deal more profit at the same price, commands identically the same price in the retail store.

So the American purchaser is, in fact, purchasing an inferior hat for the same price. I hold the best hats in the world are made here in America. That applies to felt hats as well as straw hats. So when you pay \$3 for a foreign-made hat I hold that you could get a better American-made hat for the same price.

But everybody merchandising those hats is always pushing them. The jobber tells the retailer that they are more salable, that they are better hats. And the retailer tells his clerks to tell everybody who comes in that in the imported hat he is getting the imported hat at the price of the domestic hat, and that is because there is a little more profit in it for the retailer. That puts our organization to a great disadvantage—just that fact alone.

The foreign hat has got some reputation because the public is educated that it is a better hat, when the fact really is that it is not as good a hat. The public is led to believe all along the line that they are getting a better hat when they get the imported hat, and the reason for that is that there is a little more profit in it to the retailer. That is why we are losing out, because they are just pushing it in that way.

Senator WALSH of Massachusetts. Do you speak for all the hatters?

Mr. LAWLOR. I speak for all.

Senator WALSH of Massachusetts. Do you speak for the hatters of the Danbury hat factory?

Mr. LAWLOR. I do.

Senator WALSH of Massachusetts. And there is a factory at Hartford?

Mr. LAWLOR. No, sir. We have one in Boston; several in Massachusetts. We are confined to New England, New York, New Jersey, Massachusetts, and Pennsylvania.

Senator THOMAS of Oklahoma. Do the men employed in these factories get their hats at cost?

Mr. LAWLOR. Well, they usually get them at cost; yes, sir. They usually get a hat for \$1 or \$1.50 or \$2.

I don't know that there is anything else I want to say to you, gentlemen, but I know that our organization, representing 11,500 people, as well as the other hatters representing 3,000, or, I might say, 30,000 people in all, has this feeling in the matter. I am not talking so much, as I say, for the hatters, but there are a number of incidental organizations that don't have anything to do with the hatter's work, like the fellow who makes the leather, the fellow who makes the sweatband, the fellow who makes the lining, the fellow who makes the box, and so forth.

But what I would like to have you do, Mr. Chairman, if you will permit me to say so, is to understand what I say for the straw hatters also applies to the felt. I do not want to appear again before you when that schedule is reached. The manufacturers will be here and will talk to you, but you can put it down for the men employed in the felt-hat industry that they make the same request. What we ask you to do is to sustain the report of the House committee.

Senator KEYES. All right, Mr. Lawlor, I think we understand the request very well.

STATEMENT OF PERRY FRANK, NEW YORK CITY, REPRESENTING THE MEN'S HAT GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

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

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. FRANK. No, I did not, sir.

Senator KEYES. You live in New York?

Mr. FRANK. Yes, sir.

Senator KEYES. And you represent the men's hat group of the National Council of American Importers and Traders?

Mr. FRANK. Importers, yes, sir; and foreign manufacturers. Principally importers.

Senator KEYES. All right, proceed.

Mr. FRANK. The domestic manufacturers indicate that there are made in this country approximately 6,500,000 sewed hats.

Senator KEYES. You are speaking on paragraph 1505?

Mr. FRANK. Yes; sewed hats.

Senator COUZENS. All men's hats?

Mr. FRANK. Yes, on men's hats. This [indicating a hat] is what is known as the sewed hat. They failed to take into consideration, however, the fact that there are imported 4,000,000 odd raw bodies, which are raw materials, which is finished and trimmed in this country. What is that they have asked for a reduction in duty on these raw bodies in their proposed new bill, from 35 to 25 per cent.

Senator WALSH. What do you call a raw body?

Mr. FRANK. This is the raw body [indicating a hat]. The woven hat. In other words, they claim that there are approximately 6,500,000 hats consumed in this country. On these raw bodies of 4,000,000, they are asking for this 25 per cent, which they block and trim and then they have the finished hat.

Senator WALSH. What is the duty on that now?

Mr. FRANK. The duty on raw bodies at the present time is 35 per cent. They are asking for a reduction to 25 per cent on this hat.

Senator WALSH. How do the manufacturers feel about that?

Mr. FRANK. The manufacturers are asking that. We estimate that the total consumption of men's hats is approximately 21,000,000 hats.

Senator WALSH. All kinds of hats?

Mr. FRANK. All kinds.

Senator WALSH. Yes.

Mr. FRANK. No; eliminate the body hats. Straw hats and body hats; namely, the sewed hats and body hats and various kinds. Of those there are brought into this country 3,850,000 finished hats, which is approximately 17 per cent against their total estimation of over 60 per cent of hats consumed being imported hats. In our brief that we file we show the various tables from which we derived our figures. The bone of contention is on this one hat, the chir hat.

Senator WALSH. Do you think the duty should be lowered?

Mr. FRANK. Not necessarily.

Senator WALSH. Why?

Mr. FRANK. That hat is made at the present time at a price that is sold and competes with any hat of its kind. It is a far superior grade to the imported cheap sewed hat.

Senator WALSH. I mean the body hat that we are talking about which the domestic manufacturers are asking for.

Mr. FRANK. It is not necessary.

Senator WALSH. You do not think the reduction is necessary?

Mr. FRANK. I do not think the reduction is necessary. The bone of contention has been on this chip hat. Of the total importations over 50 per cent are on this one hat. It is an extreme style hat. In 1912 to 1915 it was brought in in large quantities. It disappeared from the market from 1915 to 1926.

Senator WALSH. Is it the shape or color or material that makes it a satisfactory hat?

Mr. FRANK. The material and shape and general appearance of the hat, plus the fact that it is a cheap hat. We do not question that.

Senator KEYES. What does that sell for?

Mr. FRANK. This hat sells for a dollar to a dollar and twenty-five cents retail. The domestic manufacturers inferred that this hat sells for \$2.50, but if you go down to the Grant store here in Washington you will see that this hat can be bought for a dollar. This hat is used largely in the small manufacturing towns and the farming districts. However, the hat will very likely disappear from usage in 1930, because it is an extreme style, or perhaps in 1931. It is a very erratic hat as far as usage goes.

Senator WALSH. Something else will probably take the place of this hat so far as importation is concerned?

Mr. FRANK. No; nothing else can be found. At the present time the foreign selling price in Italy is approximately \$4. The present duty is 60 per cent, or \$2.40. The proposed duty is 60 per cent ad valorem, the same as previous, plus a \$4 per dozen specific duty which will completely eliminate this hat from the market. Would not even allow it to come in under any circumstances.

Senator WALSH. What is the foreign cost?

Mr. FRANK. Approximately \$4 per dozen. On which there is a duty at the present time of 60 per cent. Now they want to leave the duty at 60 per cent, and put on a specific duty of \$4 per dozen. A duty increase of 165 per cent over the present duty on that particular hat.

On the sewed hat we have tables shown in the Department of Commerce report that this particular hat, which is the average hat worn by the American public, is decreasing in importations. The reason for that is that in 1926 the domestic manufacturers were able to obtain an increase by presidential proclamation of 28 per cent on all hats costing under \$9.50 foreign selling price. Since that increase in duty of 28 per cent, the tables indicate that this sewed hat has been brought in in quantities showing 33 $\frac{1}{3}$ per cent less in importations on this average straw hat, that is the popular American hat. In other words, the American manufacturers can undersell the importer on this hat.

There is a difference between a blocked and an unblocked hat. This unblocked hat they wish decreased in duty, as before illustrated from 35 per cent to 25 per cent. And this other hat they wish an increase in duty on of 25 per cent ad valorem, plus \$4 specific duty.

Senator COUZENS. What does that make the ad valorem?

Mr. FRANK. It makes the ad valorem 50 per cent against 25 per cent previously. And a specific duty of \$4. On a body selling at \$8 in Europe the increase in duty would be \$6.40; the previous duty,

\$2. The proposed duty is \$8.40, or an increase of \$6.40. That is on the blocked, trimmed hat.

Senator THOMAS. What per cent of increase is that?

Mr. FRANK. Over three hundred and odd per cent. That is on the blocked hat. The blocked and trimmed and finished hat.

Senator THOMAS. Where does the demand come from for that class of goods that you just exhibited?

Mr. FRANK. Throughout the country. Either one of these hats shown are generally used throughout the country. This hat particularly—that is the cheap hat—is sold mostly in the small manufacturing towns and in the Middle West and West—the farming sections of the country.

Senator THOMAS. Farming communities and small towns where we have might be termed the average class of our people and below the average class?

Mr. FRANK. Which buy from the large chain-store operators. Sold by concerns like Grant.

Senator THOMAS. The class of hats that you have exhibited there on which this high duty is proposed to be levied is a class of merchandise sold to farmer boys, farm population, factory employees, and small-wage earners as a rule?

Mr. FRANK. Yes, sir. This hat will go up in duty 165 per cent over the past duty.

Senator COUZENS. What will that make it retail at?

Mr. FRANK. It will eliminate the hat completely, sir. It will put a definite embargo on the hat, because it is selling in the class of only a dollar or a dollar and a half hat, and when it is once levied other hats will take its place.

Senator COUZENS. What is the nearest thing to that hat which the American producer manufactures?

Mr. FRANK. \$7.50, \$8, or \$9.

Senator KEYES. Per dozen?

Mr. FRANK. Per dozen, of which thousands of dozens are being sold. One particular concern in New York that I know, has sold approximately \$1,000,000 of those cheap hats during the past year. A hat competitive with this, and which will absolutely take the place of this as soon as this fad is over.

Senator COUZENS. What will that hat retail at?

Mr. FRANK. That hat will retail at anywhere from \$1 to \$1.25.

Senator COUZENS. So, as a matter of fact, the American consumer will not suffer much by the stoppage of the importation of those hats?

Mr. FRANK. Pardon me, may I ask that that question be repeated?

Senator COUZENS. I say, if the domestic hat sells for a dollar to a dollar and twenty-five cents and it will take that hat's place, it will not make the American consumer suffer much in the price that he pays for a hat?

Mr. FRANK. No, only the tendency is that the domestic manufacturer will, immediately, once this hat is eliminated, raise the prices on all of his products because he is not forced to compete.

Senator COUZENS. Do you mean they will not compete among themselves?

Mr. FRANK. To a degree always. But it will give them a much freer market.

Senator WALSH. There are four hats in front of us here.

Mr. FRANK. Yes.

Senator WALSH. Three of them are sewed hats, are they not, and one a woven hat?

Mr. FRANK. One is a woven hat. This is what is definitely classed as a sewed hat, sir [exhibiting hat].

Senator WALSH. And the other the chip hat?

Mr. FRANK. This is a chip hat, Florence.

Senator WALSH. There is a distinction in the duty on all these hats?

Mr. FRANK. Yes.

Senator WALSH. There is a distinction?

Mr. FRANK. Yes.

Senator WALSH. Can you tell us what that is?

Mr. FRANK. This hat [exhibiting] is brought in at an ad valorem duty of 60 per cent. No specific duty.

Senator WALSH. How is it described? You refer to it as "this hat."

Mr. FRANK. As a chip hat.

Senator WALSH. A chip hat. All right. What is the duty going to be on that hat?

Mr. FRANK. The duty on that hat proposed is 60 per cent plus \$4 per dozen, or an increase of about 165 per cent.

Senator WALSH. If the House rate becomes operative?

Mr. FRANK. Yes.

Senator WALSH. Take the next hat. What do you call that hat?

Mr. FRANK. A sewed hat.

Senator WALSH. What is the duty on that hat now?

Mr. FRANK. The duty is 60 per cent on all hats selling foreign cost over \$9.50, and 88 per cent on all hats under \$9.50.

Senator WALSH. Per dozen?

Mr. FRANK. Per dozen, foreign selling price.

Senator WALSH. Does that hat sell at over or under \$9?

Mr. FRANK. This hat [indicating] sells over \$9. This is a domestic hat, sir. I just have it as an illustration.

Senator WALSH. A sample?

Mr. FRANK. A sample; yes.

Senator WALSH. What duty will the imported hat selling at over \$9 bear if the House provision becomes operative?

Mr. FRANK. It will bear a specific duty of \$4. In addition there will be a reduction in the ad valorem duty of 28 per cent. An additional specific duty of \$4, which will add approximately \$2.50 to \$3.50 on the selling price of the hat.

Senator WALSH. And what per cent of increase in the ad valorem duty? What will it represent in ad valorem rates? Approximately?

Mr. FRANK. Over 180 per cent.

Senator WALSH. Does that bracket dealing with that class of hats which makes a distinction between hats costing over \$9 and hats costing under \$9 result, like make of these other brackets, in making a higher rate of duty on the cheaper hats than the higher priced hats?

Mr. FRANK. It does, very much higher.

Senator WALSH. How much?

Mr. FRANK. There was an increase on the sewed hat in 1926 of 28 per cent, under \$9 per dozen.

Senator WALSH. Come to the other hats. Describe them.

Mr. FRANK. This hat [exhibiting] is known as a Leghorn body.

Senator WALSH. And the other kind?

Mr. FRANK. Similar hat blocked and trimmed.

Senator WALSH. What duty does the untrimmed Leghorn body hat pay under the present law?

Mr. FRANK. It pays a duty of 35 per cent, the body.

Senator WALSH. What would it pay under the House rates?

Mr. FRANK. Twenty-five per cent.

Senator WALSH. Practically the same.

Mr. FRANK. A slight reduction.

Senator WALSH. A slight reduction. And that is the type of hat that the domestic manufacturers are asking to have the duty lower upon?

Mr. FRANK. Exactly, sir.

Senator WALSH. What duty does that Leghorn hat trimmed pay under the present law?

Mr. FRANK. Fifty per cent.

Senator WALSH. And under the House bill what will it pay?

Mr. FRANK. It will pay 50 per cent, plus \$4 per dozen.

Senator WALSH. In ad valorem rates, how much?

Mr. FRANK. Over 100 per cent.

Senator WALSH. Over 100 per cent. A pretty large increase.

Senator THOMAS. You have there an unfinished hat on which, under the pending bill, the rates are proposed to be decreased?

Mr. FRANK. Yes, sir.

Senator THOMAS. Do you say that that is at the request of the American manufacturers?

Mr. FRANK. Yes.

Senator THOMAS. Why do they want that decreased?

Mr. FRANK. Essentially so that they can improve their profit, on this type of hat.

Senator THOMAS. Do you mean by that that they buy the stock?

Mr. FRANK. These hats, the raw bodies, are not made in this country. They are all brought in. Four million-odd bodies are brought in here.

Senator THOMAS. And then the American manufacturers bring in that hat and process it?

Mr. FRANK. And sell it as an American hat.

Senator THOMAS. They complete it, in other words?

Mr. FRANK. That is exactly right. They block it and trim it and put a leather band in it and various other identifications on it to make it a finished product.

Senator COUZENS. Can that hat be made in this country?

Mr. FRANK. No, sir; that hat can not be made in this country.

Senator COUZENS. Why?

Mr. FRANK. It is of foreign origin completely, made in Italy. This particular hat, Leghorn body, coming from Italy. And all the foreign bodies coming from China and Japan and various other parts of the world.

Senator COUZENS. You have not told me why they can not make them in this country.

Mr. FRANK. They have not the braid. It is a distinct braid hat.

Senator WALSH. What material?

Mr. FRANK. Braid hemp, different braid of different kinds. I am not a manufacturer, simply an importer.

Senator WALSH. On which one of those types of hat did the President's proclamation increase the rates of duty?

Mr. FRANK. This hat, sir [exhibiting], which decreased in importations 33 $\frac{1}{3}$ per cent from 1927 to 1928.

Senator WALSH. It did not reach the other hats, you said?

Mr. FRANK. It did not reach this hat [indicating], because this hat did not com under the exact classification of the sewed hat. sewed straw hats?

Mr. FRANK. Twenty-eight per cent.

Senator WALSH. It did not reach this hat [indicating], because this hat did not come under the exact classification of the sewed hat.

Senator WALSH. So the President's proclamation only referred to sewed hats?

Mr. FRANK. The President's proclamation only referred to sewed straw hats, and this is a wood fiber hat.

Senator WALSH. And did not reach the wood fiber hat?

Mr. FRANK. That is exactly correct, sir.

Senator THOMAS. How long have you been in the hat business?

Mr. FRANK. About five years, sir.

Senator THOMAS. You are fairly well acquainted with the business in its various details and ramifications?

Mr. FRANK. Fairly.

Senator THOMAS. You are fairly well acquainted with the business in its various details and ramifications?

Mr. FRANK. Fairly.

Senator THOMAS. When a certain American interest comes before Congress and asks for an increase of 185 per cent on one brand of hat and asks for a decrease on an unfinished hat, who do they have in mind when they are making those requests?

Mr. FRANK. They have in mind firstly the eliminating of the foreign product, having in mind the desire to raise the prices of their own hats and put a definite embargo on all imported hats.

Senator THOMAS. Do they have in mind the United States Treasury from the standpoint of revenue, in your judgment?

Mr. FRANK. I doubt it. I can not answer for them, sir.

Senator THOMAS. Do you think they have in mind the labor that they employ?

Mr. FRANK. The labor is employed, according to the testimony of Mr. Wolf, of Townsend Grace Co., at the rate of a dollar an hour, skilled labor, for a 48-hour week, which has all indication of being fairly high, in fact a high average rate. That is in the testimony of Mr. Wolf, president of Townsend Grace Co., so that it does not appear necessary there, Senator.

Senator THOMAS. Inasmuch as these proposed rates will eventually raise the price of these goods to the consumer, you do not think they have the consumer in mind, do you?

Mr. FRANK. Well, from the standpoint of the importer it will positively place an embargo on anything but a few very high priced Italian hats. So far as the domestic price is concerned it will probably raise their prices.

Senator THOMAS. Then by a process of elimination there is only that they can have in mind, and that is themselves?

Mr. FRANK. The inference in my opinion is such.

Senator WALSH. The President's proclamation is very brief, and I think it ought to be in the record, Mr. Chairman, at this point, so we can refer to it. It is as follows:

Men's straw hats, whether wholly or partly manufactured, not blocked or blocked, not trimmed or trimmed, if sewed, valued at \$9.50 or less per dozen, 88 per cent ad valorem.

That is the presidential proclamation of March 14, 1926, and I understand the rate prior to that proclamation on that class of hat was 60 per cent, am I right?

Mr. FRANK. Heretofore, yes.

Senator WALSH. And I understand the rate proposed in the House bill is both a specific and ad valorem, and it will result in an increase of a good deal in excess of this 88 per cent?

Mr. FRANK. A good deal in excess of that. Way over that. It is very difficult to obtain figures of the profit-and-loss statements of the various concerns, because they are closed corporations. One concern's figures were obtained; namely, Crofut & Knapp Co. Their net profit for the fiscal year 1928 was \$910,000 on a total capitalization of approximately \$8,000,000, which showed a net profit of about 11 per cent. That, coupled with the fact that they are able to pay \$1 per hour for a 48-hour week does not give indication that the industry is in a deplorable condition.

It is a fact, however, that there have been certain deterrent circumstances, outside of their control, that have slightly affected the industry, and that is firstly the very heavy rains in the latter part of May and June, which very seriously affected the early selling of the straw hats. The success of any straw hat season is due to the ability of the retailer to sell the hat early. He thereby gets the customer in for the second and third hat. As you know, there have been heavy rains for the last three or four weeks, the last two weeks in May and the first two weeks in June. That is one very important reason.

The second is the hatless fad throughout the country. There has developed in the last two years a considerable tendency among the younger men, particularly among the university students, to go without hats. This has taken away a large buying public from the straw hat manufacturers. This is particularly true in the summer time.

Senator WALSH. And that is the class of men that buy usually more than one hat?

Mr. FRANK. Yes, that was, as you say, the class of men that buy usually more than one hat. An excellent class of purchaser.

Senator WALSH. I am surprised to learn of the extent to which the domestic producer of so-called hats depends upon this raw product, this hemp—what do you call it?

Mr. FRANK. Natural Leghorn bodies, and Panama bodies.

Senator WALSH. I think your figures show they import 4,000,000 of them?

Mr. FRANK. Yes; that is true.

Senator WALSH. And that the total production of hats of all kinds is about 22,000,000?

Mr. FRANK. That is true. I did not mention during that period of conversation that the manufacturers also make over here body hats not exactly these kinds, imitations of this character [exhibiting]. They make what is known as an imitation Leghorn, an imitation Panama, coming under various other names, of which they make a very large number. A reasonable estimate would be in the neighborhood of 7,000,000 hats. In their testimony of production they entirely neglected to take that item into consideration. They said they manufacture 6,500,000 sewed hats. That did not take in the body hats that they manufacture here or make here.

Senator WALSH. Which of those types of hats is the most commonly purchased in America, including the raw product and all?

Mr. FRANK. For the past season it has been on the body hat. This grade [indicating] has fallen slightly in disfavor.

Senator WALSH. But heretofore it has been this hat [indicating]?

Mr. FRANK. Heretofore it has been this hat.

Senator WALSH. Give that name again?

Mr. FRANK. That is the stiff hat, sir; sailor or yacht hat.

Senator WALSH. Heretofore it has been the stiff sailor or yacht hat?

Mr. FRANK. Yes. The industry is composed, according to the manufacturers, of three thousand-odd workers. An increase in duty will perhaps add to their earning power slightly. However, it will be adding to the living costs of practically the entire male population of the country by raising the general price of all hats.

The theory is offered by one of the manufacturers that by the domestic manufacturer being able to compete on a lower price basis he can make more hats.

Senator WALSH. Have you made any investigation of the financial standing of these domestic producers?

Mr. FRANK. I have a fair idea of them, generally speaking. Not intimate, as I say, because practically all of them are close corporations.

Senator WALSH. Generally speaking, what is your information?

Mr. FRANK. Generally speaking, many of the concerns are of very old standing, have been successful over a period of years. Perhaps the last two or three years have not been as good as heretofore, due to reasons other than importations—rains and the hatless fad. Lightweight felt hats also have come into extreme prominence in this country, following the European style.

Senator WALSH. And the use of the automobile?

Mr. FRANK. And caps also, by the use of the automobile. There has been a tendency toward lightweight felt hat in the last two years. As you know, straw hats are not worn nearly as much in Europe as they are over here.

Senator WALSH. Due to the rainy weather, more or less.

Mr. FRANK. Yes.

We believe that the present duty is fair, with the exception that we request a reduction on the sewed hat. Because it can be shown by the decrease in importations that the duty on that sewed hat costing under \$9.50 is excessive. The importations have been reduced 33 $\frac{1}{3}$ per cent from 1927 to 1928.

Senator COUZENS. Have the manufacturers increased their price on that hat since the President's proclamation?

Mr. FRANK. I doubt whether it has been increased very much, Senator, because the demand has not been as heavy.

Senator WALSH. Most of them were sold before that time, anyway, were they not?

Mr. FRANK. They are usually sold one year in advance.

Senator WALSH. In other words, the straw hats for this year were displayed and sold and the orders taken in October, November, and December?

Mr. FRANK. The orders are taken beginning in July and August for the following season. At the present time the sample lines are being taken.

Senator COUZENS. When did the President issue his proclamation?

Senator WALSH. March.

Mr. FRANK. March of 1926.

Senator COUZENS. Of course, they were not sold at retail before that time?

Mr. FRANK. No; they were not sold at retail before that time.

Senator COUZENS. So the retail price was not materially advanced as the result of this increase in duty?

Mr. FRANK. I would not want to say definitely, Senator, about that, because I would have to trace back—I do not ever or I very seldom buy a hat retail, and I am not sufficiently familiar.

Senator COUZENS. You can not state that it has been?

Mr. FRANK. No; I can not state that it has been.

Senator COUZENS. So the American consumer has not been hurt by the 28 per cent raise?

Mr. FRANK. No; but the importer has, the foreign manufacturer has, as is shown by the decrease in importation.

Senator COUZENS. Of course, we are not so concerned about that if it does not increase it to the consumer.

Mr. FRANK. If you put another \$4 on the hat, Senator, you will put a definite embargo on the hat. It can not be brought in.

Senator KEYES. Is that all?

Mr. FRANK. That is all. We will file our brief later.

Senator THOMAS. Let me ask you a question. Unless the American public buys foreign-made hats and foreign-made commodities, how will the American public continue to sell goods abroad, including automobiles and other articles too numerous to mention?

Mr. FRANK. Of course that is a very general question, but the tendency is shown to have been that there are organizations, as I understand from the Associated Press, being formed throughout Europe trying to raise general protests on the proposed bill put up by the House.

Senator THOMAS. Is it not a fact that every country in the world that is doing any business with America worth speaking of has filed a protest?

Mr. FRANK. The Italian Government has particularly filed a protest, and the manufacturer I represent in Italy has advised me that at the present time there are many societies being formed in Italy to definitely put an embargo on American merchandise or to do without them as much as possible if the proposed rates go through. There is a great deal of ill feeling.

Senator THOMAS. Already in Italy, on account of these proposed increases in duty on things they have to sell to us, they are now requiring of a purchaser of an automobile in Italy, for example, to register that purchase, tell what make of automobile it is, whether American or foreign car, and why he has purchased, if he did, that American car or foreign car. It is a question of that sort of retaliation that is in prospect in event these high rates go into effect. Is it not also a fact that the other Governments and the tradesmen of other countries are now proposing to get together and arrange to do their business among themselves, to our exclusion, because of necessity and because of embargoes proposed by this bill?

Mr. FRANK. That would be the natural inclination if this happens. Could I have until tomorrow morning to file this brief? There are a few corrections I want to make.

Senator KEYES. Yes.

BRIEF OF CERTAIN IMPORTERS OF MEN'S STRAW HATS

The importers of men's straw hats protest against the proposed increase in duties for the following reasons:

First. With the exception of the very low-priced hats known as chip hats and used almost exclusively in the farming districts, the present duties are so high that American manufacturers can and do undersell the importers.

Second. Imports of all hats excepting the low-priced chip hats are rapidly declining. If the duty be raised, it will result in an absolute embargo on the importation of all hats, including the chip hat.

IMPORTATIONS ARE LESS THAN 20 PER CENT OF CONSUMPTION

The statement of the manufacturers that importations furnish approximately 60 per cent of the entire consumption in this country is erroneous and misleading. Straw hats fall under two general classifications; the braid or sewed hat, and the woven or body hat.

The representatives of the domestic manufacturers gave testimony to the effect that they produce approximately 6,500,000 hats in this country. These figures are entirely misleading, as they refer only to the sewed hats produced, and do not include a very large number of other hats made in this country as follows:

First. Imported raw body hats (see Department of Commerce

Monthly Summary Foreign Importations, December, 1928, p. 57). 4, 286, 388

Second. Milans, imitation leghorns, imitation Panamas, etc. (estimated and referred to later)..... 7, 000, 000

The item of 4,286,388 raw unfinished hats should be included in the domestic manufactured hats because the manufacturers themselves treat these hats as raw material, which are blocked, trimmed and finished in this country; and, upon the theory that these hats are raw material, have requested Congress to reduce the rate from 35 per cent ad valorem to 25 per cent ad valorem. They, however, included these hats in their quotations of total importations, although they asked Congress to treat them as raw material from which the finished hats are made.

Referring to the 7,000,000 item of Milans and imitation leghorns, etc., which are made here, the manufacturers for some unknown reason totally failed to say

anything about this enormous number of body hats manufactured in this country. We thus find the total number of hats manufactured in this country as follows:

Total number hats manufactured in this country

| | |
|---|---------------------|
| Sewed hats..... | 6, 500, 000 |
| Milans, imitation leghorns, Panamas, etc..... | 7, 000, 000 |
| Raw body hats imported and finished here..... | 4, 286, 388 |
| Total..... | 17, 286, 388 |

As the total consumption of hats in this country is approximately 21,750,000, the American manufacturers are now supplying over 80 per cent of the entire demand.

The total consumption of straw hats in this country may be estimated as follows:

Total consumption straw hats in this country

| | |
|--|---------------------|
| Sewed hats manufactured here (see testimony of manufacturers, pp. 7189-7195)..... | 6, 564, 000 |
| Total sewed hats imported (see manufacturers' table, p. 7203)..... | 2, 812, 428 |
| Finished woven or body hats imported (see Department of Commerce statistics, 1928)..... | 1, 043, 015 |
| Body hats imported as raw material and finished here (Department of Commerce statistics, 1928)..... | 4, 286, 388 |
| All other hats manufactured in this country, such as Milans, imitation leghorns, imitation Panamas of various kinds, etc. (no figures available, but estimated conservatively; see addenda)..... | 7, 000, 000 |
| Total straw hats consumed..... | 21, 705, 831 |

The total number of imported hats are as follows:

Total number hats imported

| | |
|---|--------------------|
| Sewed straw hats (manufacturers' table, p. 7203)..... | 2, 812, 428 |
| Finished woven hats (see statistics, Department of Commerce, p. 57 of summary issued December, 1928)..... | 1, 043, 015 |
| | 3, 855, 443 |

Thus we see that the imports constitute only approximately 17 per cent of the total consumption instead of the 60 per cent claimed by American manufacturers.

But the very cheap chip hats should also be eliminated from the comparison because they are not made in this country (p. 7199) and are sold almost entirely in the farming districts and in small towns.

By looking at the manufacturers' table on page 7203 we find the imports of sewed hats divided into two classes (for 1928), as follows:

| | |
|---------------------------------------|-------------|
| Those taking an 88 per cent duty..... | 1, 005, 682 |
| Those taking a 60 per cent duty..... | 1, 806, 746 |

The hats taking a 60 per cent duty, and amounting to 1,806,746, are practically all chip hats. Eliminating this item, the total number of hats imported are 2,049,700. We then have the following comparison:

| | |
|--|--------------|
| Total hats consumed excluding chips..... | 19, 899, 700 |
| Total hats imported eliminating chips..... | 2, 049, 700 |

or less than 11 per cent instead of the claimed 60 per cent.

EXTRAORDINARY INCREASES PROPOSED ON LOW-PRICED HATS

The chip hat is a very low-priced hat which is not made in this country (p. 7198). It costs the importer in Italy approximately \$4 per dozen (p. 7198). It pays 60 per cent duty, which equals \$2.40 per dozen. This makes the importers' cost, without freight, \$6.40 per dozen. Adding transportation brings the cost to approximately \$7 per dozen, or approximately 60 cents each. The hats do not retail at \$2 or \$2.50 each, as stated by Mr. Moses, at page 7198. The retail price is usually \$1 to \$1.25. Even in Washington they can be bought for \$1 each. A call at F. & W. Grand's store, on Seventh Street at D Street, in Washington, will demonstrate this.

The chip hat is sold largely in rural districts and small towns. The modest request of the manufacturers is that the present duty on this hat be increased from 60 per cent ad valorem to 60 per cent ad valorem and a specific duty of \$4 per dozen, thus increasing the present duty from \$2.40 per dozen to \$6.40 per dozen, or a duty almost three times as high as it now is. The cost of such increase would be almost entirely borne by the farmer whom this Congress was especially convened in order to aid.

The following table shows the proposed increase:

TABLE No. 1

| Present rate: | Proposed rate: |
|--|----------------------------------|
| \$4.00 per dozen, foreign cost. | \$4.00 per dozen, foreign cost. |
| 2.40 per dozen, 60 per cent ad valorem duty. | 2.40 per dozen, ad valorem duty. |
| ----- No specific duty. | 4.00 specific duty. |
| 6.40 | 10.40 |

Thus increasing the duty alone from \$2.40 per dozen to \$6.40 per dozen on a hat which originally cost only \$4 per dozen.

It is a well-established principle that any increase in original cost is passed on to the consumer with additions. The proposed duty will make these hats cost the importer 33½ cents each more than they now cost, resulting in the ultimate consumer paying a minimum of 50 per cent more than he now pays for this hat.

EXCESSIVE INCREASES DEMANDED ON IMPORTED WOVEN HATS

The manufacturers request a reduction in duty on unblocked woven body hats such as leghorns, Panamas, etc. At the same time they request a tremendous increase on the same hat if it be blocked. The duty requested on the unblocked hat is a reduction to 25 per cent ad valorem in place of the present duty of 35 per cent. At the same time they request a duty on the blocked woven hats of 50 per cent ad valorem, plus \$4 per dozen specific duty. The difference in the two proposed duties can be illustrated by taking as an example unblocked hats that cost \$8 per dozen in the foreign country.

Proposed duty on body hats:

| Unblocked: | Blocked: |
|-----------------------------------|-----------------------------------|
| \$8.00 Foreign cost per dozen. | \$8.80 Foreign cost per dozen. |
| ----- | ----- |
| 2.00 25 per cent ad valorem duty. | 4.40 50 per cent ad valorem duty. |
| ----- No specific duty. | 4.00 Specific duty. |
| 2.00 Total duty. | 8.40 Total duty. |

An increase in duty of \$6.40 per dozen caused by the simple operation of blocking, which costs approximately 70 cents per dozen in this country. In other words, if labor, which costs 70 cents in this country be placed upon the hat before importation, the increased duty requested is \$6.40 or nine times as much as the labor costs.

IMPORTS ARE RAPIDLY DECREASING, NOT INCREASING

The manufacturers tell a pitiful tale of rapidly increasing imports with the result that the American product is being rapidly driven out of the market. The actual facts are exactly contrary. By referring to the tables submitted in the manufacturers brief (p. 7203) we find that imports of the sewed braid hats, which, according to the brief, is the most popular hat in this country (see bottom p. 7205), are rapidly declining. In 1927 there were imported into this country of these sewed braid hats 1,499,352. In 1928 the imports had declined to 1,005,682, a decrease of almost 500,000 hats or more than 30 per cent. This decrease is accounted for largely by the increase in the tariff to 88 per cent in 1926, which the importers are finding it difficult to pay and compete with the domestic hat.

This increased duty was put on by the President in 1926 due to the earnest request of the hat manufacturers. Not satisfied with this increase, which was from 60 per cent to 88 per cent, and which increase has resulted in the rapid decline of importations, the manufactures now wish to exclude these imported hats altogether by a large increase in the already excessively high tariff.

Importations of the finished woven hat are also rapidly declining. In 1927 there were imported into this country 1,378,044 finished woven hats (manufacturers' table, top of p. 7204). In 1928 there were imported of these same hats 1,043,015 (Department of Commerce statistics for 1928, p. 57 of summary issued for December, 1928). showing a decrease in importations of over 330,000 hats, which is more than a 25 per cent decrease.

The only hat which is increasing in imports, as above mentioned, is the low-priced chip hat retailing at \$1 each. It is true that importations of this hat have increased, but the hat is not made, and has never been made in appreciable quantities in this country, and furnishes the rural districts with a low priced hat which is badly needed.

Again, the demand for these hats is highly erratic; for instance, they were imported between the years 1912 and 1915 in large numbers, but were not at all in demand again between the years 1915 and 1925. In 1927 and 1928 they again developed salability. However, due to a style change it is evident to the trade that these hats will be largely eliminated for 1930. If the duty be raised as proposed there will be a complete elimination of this as well as all other imported straw hats from the American market.

MANUFACTURERS OF STRAW HATS IN GOOD FINANCIAL CONDITION

Mr. Wolf, the president of the Townsend-Grace Co. testified before this committee that the industry was paying a wage scale of \$1 per hour for skilled labor for a 48-hour week. An industry which can pay such wages as this can not be in a deplorable condition. Unfortunately the manufacturers have not chosen to submit to this committee any financial statement of their condition and as most of the companies are close corporations, no public figures are available; however figures for the Crowfoot-Knapp Co., well-known manufacturers of straw hats, are available. For the fiscal year ending October 31, 1928, on a total capitalization of \$8,261,000, the profits were over \$910,000, or more than 11 per cent (see Daily News Record, January 1, 1929).

An industry which can make 11 per cent and still pay its laborers \$1 per hour is certainly not entitled to be classed as in a declining and deplorable condition.

WHATEVER UNSATISFACTORY CONDITIONS EXIST ARE NOT DUE TO IMPORTS

If there be unsatisfactory conditions in the straw-hat industry, as perhaps there are, they are due to the three following reasons, which have been in existence for the last three seasons.

1. Heavy and early rains during the months of May and June, which effectually prevent an early and successful opening of the straw-hat season by the retailers, and purchases by consumers.

2. A pronounced increase in the hatless fad, particularly among college students and younger men, which has grown to extreme proportions.

3. Tendency to adopt the European style of wearing the light-weight felt hat during the summer months.

It is submitted that these conditions are not due to the present tariff and can not be remedied by any increase in tariff rates.

RECOMMENDATIONS AND CONCLUSIONS

We, representing practically the entire industry of importers of men's straw hats in this country, respectfully request that the present tariff bill be maintained, with the exception that a reduction be made on all sewed hats coming under the 88 per cent classification to 60 per cent, as provided for in the original Fordney-McCumber Tarriff Act of 1922, before the raise of duty on this classification by the presidential proclamation of 1926.

The proposed tariff increasing the rates of duty will place an embargo on the importation of men's finished straw hats. It will unfairly favor an industry in which less than 4,000 Americans (figures given by American manufacturers in their testimony) are employed whose earnings capacity to-day is on an entirely satisfactory basis. It will unduly increase the already large profits of the manufacturer. And finally it will increase the retail price of all straw hats to the farmer, working man, and the masses, thereby raising the living cost of tens of millions of Americans.

ADDENDA—ANSWER TO ORAL STATEMENT OF MR. LESLIE MOSES, OF M. S. LEVY & CO.

Mr. Moses, through permission of the committee, was allowed to contradict certain statements which had been made by Mr. Perry Frank. As Mr. Frank was not permitted to orally offset these contradictions by Mr. Moses, and as he was invited to place his answer to Mr. Moses in writing, this addition to the brief already prepared is submitted.

Mr. Moses objected to Mr. Frank's statement that there were 17,000,000 hats manufactured in this country, claiming that there were not to exceed 9,000,000 so manufactured. Even this is a considerable increase over the amount of 6,500,000 stated by Mr. Moses when he appeared before the House committee, as shown on page 7195 of the hearing.

Mr. Moses orally quoted from the Census of Manufacturers, 1927, but Mr. Moses, while probably not intentionally trying to mislead the members of the committee, in fact did definitely mislead them. The very document from which he quoted (Census of Manufacturers, 1927, issued January 14, 1927), which is hereto annexed and made a part of this brief, shows the following, the figures being given in dozens instead of individual hats.

Hats manufactured in this country

| | Dozen |
|---|--------------------|
| Straw braid hats (finished from imported shells)----- | 547, 727 |
| Unfinished body hats----- | 235, 175 |
| Woven body hats (except harvest hats)----- | 256, 461 |
| Total----- | 1, 039, 363 |

making a total of 12,472,356 hats made in this country during the year 1927. It must be remembered that this report does not pretend to include all the factories of the United States. It probably includes a great majority of them, but the Department of Commerce only reports the factories which report to it, and it is stated in the report that it covers 48 factories only.

Again, this report was for 1927. There was a large increase in production in the American factories during 1928. This is shown by the fact that while in 1927, according to the above figures, there were only 235,175 dozen hats made from imported bodies, according to the figures given on page 57 of the Monthly Summary of Foreign Commerce, part 1, issued for December, 1928, there were 4,286,388 such bodies imported into this country during 1928. These bodies were not imported into this country for any other purpose than to be finished. They could not be sold to anyone except other manufacturers, nor made use of in any way without being blocked, trimmed, and finished. It is, therefore, apparent that there was a large increase in the production of these hats during 1928 over the production in 1927.

It is also a matter of common knowledge and everyday observation that there has been a tremendous increase in the number of body hats (imitation Panamas, leghorns, and other body hats) made in this country during the last year. While Mr. Moses, in his testimony, implied that there were no body hats entirely made in this country, the report of the Department of Commerce hereto attached shows that in 1927 there were 256,461 dozen such hats made in this country. Evidently Mr. Moses is badly informed as to what is going on in his particular line of business.

There were thus over 3,000,000 of these body hats made in American factories during 1927. Not from the unfinished imported shell, but entirely made from the raw material, such as hemp braid, rayon, etc. The figures from the Department of Commerce, therefore, contradict the figures of Mr. Moses, that there were only 9,000,000 hats manufactured in this country. These figures show, as above stated, a total of 12,472,356 hats made in 1927 from 48 factories. In 1928, as above shown, there was a large increase in the manufacture of the unfinished imported body hats, and also in the imitation body hats. We, therefore, contend that our original estimate of some 17,000,000 hats made in this country for the year 1928 is as nearly an accurate estimate as can be made. Mr. Moses is, therefore, wrong in his two fundamental statements that no body hats are made in this country and that the total manufactured in this country are only 9,000,000 hats.

Mr. Leslie Moses represented that the imported chip hat was retailed in Philadelphia at \$1.95 per hat, whereas any Senator on the committee can verify our statement that in the city of Washington F. & W. Grand Co., 400 Seventh

Street, NW., have been selling this hat throughout the season at \$1 apiece. This is a better proof than a single invoice submitted.

Mr. Moses complained about the shutdown of both his factory and other straw hat factories. It has been the custom throughout the life of the industry that all factories have shut down for the months of July and August, both for the purpose of making their new sample lines for the following year, the taking of inventory, and the desire to wait before manufacturing hats for the coming season until the style tendency has been established by the retailers in their purchases from the manufacturers during the months of July and August for the following season's business.

So that this is nothing new in the industry, but has always been a definite prevailing custom.

Mr. Frank's testimony indicated that one of the causes of lack of prosperity in the industry was due to the heavy early rains. Mr. Moses contended that this did not affect the heavy importations, and that they took place regardless of rain. Mr. Moses neglected to mention that these hats had been ordered, purchased, and were made up for delivery months before the season opened, due to the distance from which they are to arrive, whereas the American manufacturers, duplicate business is dependent upon daily weather conditions.

Mr. Moses complained of the large increased importations for the current year, but this increase in importations is obviously due to the importers' fear that the present proposed increase in tariff may become a law, and they are endeavoring to bring in as many hats as possible, to stay in business for at least one more season.

Mr. Moses presents a distressing picture of a poverty-stricken business, but had he been questioned regarding his own company, it would have developed that the company is rated at over \$1,000,000 in R. G. Dun Credit Agency, has the highest credit standing, and has been uniformly successful for over 50 years. It is submitted that companies of this character do not need to increase their profits at the expense of the American people and particularly the expense of the farming and poorer elements, which this proposed tariff directly affects.

JOHN WEBER (INC.),
BATES-THOMPSON & Co.,
KEULEWITCH & Co.,
LEON'S (INC.),
SCHNELLI & Co.,
MILLER BROS. HAT Co.,

WATSON & LEVINE,
BRONSTON BROS. & Co.,
By C. BASCUM SLEMP,
LOUIS TITUS,
Attorneys for above firms.

DISTRICT OF COLUMBIA, ss:

Louis Titus, being duly sworn, deposes and says that he is one of the attorneys for the above named firms; that he has read the foregoing brief and knows the contents thereof, and verily believes all statements therein to be true.

LOUIS TITUS.

Subscribed and sworn to before me this 2d day of July, 1929.

[SEAL.]

BERYL W. ROBERTS,

Notary Public in and for the District of Columbia.

My commission expires January 7, 1933.

DEPARTMENT OF COMMERCE, CENSUS OF MANUFACTURERS, 1927—MEN'S STRAW HATS

WASHINGTON, D. C., *January 14, 1929.*

The Department of Commerce announces that, according to data collected at the biennial census of manufacturers taken in 1928, the establishments engaged primarily in the manufacture of men's straw hats in 1927 reported products valued at \$21,717,689. Because of a change in classification (explained below) no comparable figures are available for years prior to 1927.

The establishments classified in this industry are those engaged primarily in the manufacture of men's straw hats, either complete or from purchased shells. At prior censuses the "Hats, straw" industry embraced the manufacture of men's straw hats, together with the manufacture of women's and children's straw hats. At the present census, however, the manufacture of women's and children's straw hats has been transferred to the "Millinery" industry, while the manufacture of men's straw hats is classified under "Hats, men's straw."

Of the 48 establishments reporting for 1927, 19 were located in New York, 8 in Missouri, 5 in New Jersey, 4 in Massachusetts, 4 in Maryland, 3 in Texas, 2 in Pennsylvania, 1 in Connecticut, 1 in Illinois, and 1 in Ohio.

The statistics for 1927 are summarized in the following table. These figures are preliminary and subject to such correction as may be found necessary after further examination of the returns.

| | |
|--|----------------|
| Number of establishments..... | 48 |
| Wage earners (average for the year) ¹ | 3, 263 |
| Wages ² | \$4, 232, 332 |
| <hr/> | |
| Cost of materials, containers for products, fuel, and purchase power, total ³ | \$11, 782, 956 |
| Materials and containers..... | \$11, 644, 816 |
| Fuel and power..... | \$138, 140 |
| <hr/> | |
| Products, total value..... | \$21, 717, 689 |
| <hr/> | |
| Straw-braid hats: | |
| Made complete in the plant— | |
| Dozens..... | 547, 727 |
| Value..... | \$9, 279, 178 |
| Finished from imported shells— | |
| Dozens..... | 235, 175 |
| Value..... | \$1, 817, 710 |
| Woven-body hats (except harvest hats): | |
| Dozens..... | 256, 461 |
| Value..... | \$7, 012, 987 |
| Harvest hats: | |
| Dozens..... | 757, 448 |
| Value..... | \$2, 206, 522 |
| All other products, value..... | \$1, 401, 292 |
| <hr/> | |
| Value added by manufacture ³ | \$9, 934, 733 |
| Horsepower..... | 1, 554 |

BRIEF OF BILL & CALDWELL (INC.), NEW YORK CITY

To the SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

So far as men's blocked, trimmed, and ready-to-wear Leghorn hats are concerned, we ask that the present duty of 50 per cent remain. Leghorn hats are solely and definitely a product of Italy. Some are blocked and trimmed in Italy, same as the hats we import; others are imported in the hood and blocked and trimmed by domestic factories here. In any case, the source of supply and the cost in Italy of the bodies or hoods are identical. The only point at issue is the expense of blocking and furnishing trimmings and putting those trimmings in the hats, and then packing the hats. What more does it cost to do this in America than in Italy? We feel that the 50 per cent present duty amply protects the American interests. The imports of men's trimmed, blocked, and ready-to-wear Leghorn hats have not grown relatively any faster than the output of similar merchandise by domestic factories.

Regarding men's sewed straw hats of a foreign value of over \$9.50 per dozen, we bring to your attention this situation:

At the request of the National Association of Men's Straw Hat Manufacturers of America in May, 1924, the Tariff Commission ordered an investigation under section 315 of Title III of the tariff act of 1922 looking toward an increase in the duties on men's sewed straw hats.

After a thorough investigation both in this country and abroad, taking some time and probably costing considerable money, and after public hearings and careful consideration by the members of the Tariff Commission, it made a recommendation to the President on July 17, 1925. This was accepted by the President, and the increased duties then recommended have since been collected.

¹ Not including salaried employees.

² The amount of manufacturers' profits can not be calculated from the census figures, for the reason that no data are collected in regard to a number of items of expense, such as interest on investment, rent, depreciation, taxes, insurance, and advertising.

³ Value of products less cost of materials, containers for products, fuel, and purchased power.

Although their conclusion was not in accord with what this firm asked for at that time, still, it seems to us, in view of the most thorough way the entire matter was handled by the staff and the members of the commission not later than two and a half years ago, that it should carry great weight to-day.

Unless there is a need to consider the question of chip-hat importations, which, at the time of the Tariff Commission's study, were not a factor in the straw-hat importations, but now have grown to rather large proportions, it seems futile and unnecessary to upset the entire industry so soon again by any changes.

This well-considered opinion of the Tariff Commission should be written as the new law and, probably, with a proviso to cover the chip-hat situation, it seems the only needed change in the present paragraph 1406.

The majority of the commission decreed that transportation costs to New York should be considered in arriving at the question of production costs. That view may also be shared by your committee. Obviously, on such a bulky article as a man's flat-brim, sewed straw hat the charge, for instance, of 60 cents to \$1.25 per dozen to transport a dozen hats from Italy or England to the United States is an added penalty for the importer, and, reversely, an added protection to the domestic maker. (Depending on the foreign value of the hat and partly on shipping conditions, etc., it erects an additional barrier of 11 to 13 per cent on the average of foreign cost.) Truly the hats are not competitive until they have been landed on our shores, and they are landed already carrying this penalty even before a cent of duty is collected.

With these few suggestions before you, we bring to your attention part of the last paragraph of the report above referred to:

"As to hats with a foreign valuation above \$9.50 per dozen, if foreign transportation be included, the present duty of 60 per cent on the basis of foreign valuation is in excess of the difference in cost of production and the rate of duty indicated is 55 per cent on the basis of foreign valuation."

Therefore, we ask that in the rewriting of the law as suggested this finding be noted and that the rates on sewed straw hats of a foreign value of over \$9.50 per dozen be put at the figure held by the Tariff Commission after exhaustive investigation as amply protective of American industry, namely, 55 per cent instead of the present 60 per cent.

In view of the above statements, it will be seen that we feel the rates already existing in paragraph 1406, tariff act of 1922, are excessive, and certainly the proposed act, carrying an additional \$4 per dozen specific duty, would be entirely prohibitive and would act as an embargo on men's straw hats covered by the proposed paragraph 1505. We particularly refer to those hats which are valued at more than \$9.50 per dozen. We are in favor, however, of the rate of duty as written in paragraph 1505 in respect to those hats whose value is less than \$9.50 per dozen.

Respectfully submitted.

BILL & CALDWELL (INC.),
By WILLIAM COE BILL, *Vice President.*

This statement is concurred in.

THE STERN HAT CO.,
By SIDNEY H. STERN.

NEW YORK, June 29, 1929.

WILLIAM TELLER, *Notary Public.*

CELLULOSE-COATED PAPER HOODS

[Par. 1505 (b)]

STATEMENT OF LEO SILVERMAN, ELKINS PARK, PA., REPRESENTING MANUFACTURERS OF HAT BODIES

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

Senator KEYES. Whom do you represent?

Mr. SILVERMAN. S. Rosenau & Co., and three other manufacturers.

Senator KEYES. You are addressing yourself to paragraph 1505 (b)?

Mr. SILVERMAN. Yes, sir. On hoods; body hoods.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. SILVERMAN. No, sir.

Senator KEYES. Did you say you were a manufacturer?

Mr. SILVERMAN. Yes, sir.

Senator KEYES. A domestic manufacturer?

Mr. SILVERMAN. Yes, sir.

Senator WALSH of Massachusetts. Do you represent the other manufacturers in the same line?

Mr. SILVERMAN. Yes, sir.

Senator WALSH of Massachusetts. How many are there?

Mr. SILVERMAN. Only five. This is a new industry. There are only a few in this industry because it is an absolutely new industry in this country.

Senator KEYES. How long have you been manufacturing these products?

Mr. SILVERMAN. About a year; another concern about two years. We are threatened now with this tariff to be put out of a new business, in which we are spending a lot of money on machinery and so forth.

Senator COUZENS. Because of the tariff on the raw product?

Mr. SILVERMAN. The tariff on the hoods made by machine in operation, not the braids sewed together, a product just the same as the other gentleman had here.

Senator COUZENS. Are you satisfied with the paragraph as it is written?

Mr. SILVERMAN. No, sir.

Senator COUZENS. You want to make changes in it?

Mr. SILVERMAN. Yes, sir.

Senator THOMAS of Oklahoma. What changes do you want to make?

Mr. SILVERMAN. I want to change it from 25 per cent ad valorem and five cents a dozen to the same as visca bodies and hats.

Senator THOMAS of Oklahoma. How much is that?

Mr. SILVERMAN. 70 per cent.

Senator COUZENS. You are going to file a brief?

Mr. SILVERMAN. Yes, sir.

Senator KEYES. What is the difference between a hat and a hood?

Mr. SILVERMAN. A hat is the first stage of the body. It has then got to be, as this other gentleman explained to you, blocked, trimmed, lined and finished. That is the difference. I have them in all three forms. Here is the hood as it is made on the machine, finished. This is the finished hood.

Senator KEYES. What is the trade name for that?

Mr. SILVERMAN. A body hood. Here it is put over a block with a little sizing. Here it is cut and finished ready for lining and ribbon or ornaments of any kind.

Senator THOMAS. That is the same class of goods?

Mr. SILVERMAN. Those are all three the same hat only in different colors.

Senator THOMAS. After it passes through the various processes of development?

Mr. SILVERMAN. Yes, sir. This is in the natural. We dye it ourselves; we size it over and block it; then we put it over another block and then it is ready to be worn with lining and ornaments.

Senator COUZENS. What is that made of?

Mr. SILVERMAN. Visca.

Senator COUZENS. What is visca made of?

Mr. SILVERMAN. Rayon and cellulose.

Senator COUZENS. Have you a record of the importations of those goods into this country in the last few years?

Mr. SILVERMAN. Of these goods here?

Senator COUZENS. Yes.

Mr. SILVERMAN. In hand crochet knitted bodies, there have been hundreds of thousands, if not millions of dollars worth brought in under 90 per cent.

We are threatened now with a hat to take the place of this made of paper coming from Japan. That is, coated paper, paper coated with cellophane, which comes in here as a 15 per cent material. All we want to do is to have it classified that anything made as paper coated or mixed with cellulose of any kind should come in at the higher rate of duty. The entire paper hat as it has been coming in—

Senator THOMAS of Oklahoma. Is that a paper hat?

Mr. SILVERMAN. This is a paper hat.

Senator COUZENS. That is all explained in the brief, what you want done?

Mr. SILVERMAN. As well as it can be. Now, here is a paper-coated hat which is coming now from Japan and which costs \$3 a dozen in Japan. It comes in here at 25 per cent.

Senator WALSH of Massachusetts. Are these made in this country?

Mr. SILVERMAN. No, sir.

Senator WALSH of Massachusetts. Why are they not made here?

Mr. SILVERMAN. Because it is a new industry and we are just getting the machines in shape. They have been working two years on the machine. These hats have always been made by hand. We worked on the machines here with machine builders and spent about two years on it. We now have the machines perfected ready to produce the hats and we did produce thousands of dozens last year until the new duty comes along, and if this comes in as paper at a low rate of duty, there is no use of our making these hats at all. We might as well junk the machines before we start.

Senator WALSH of Massachusetts. Both of those hats come in as paper?

Mr. SILVERMAN. Yes, sir.

Senator WALSH of Massachusetts. And not as hats?

Mr. SILVERMAN. No, sir. These come in as body hoods. They are classified as such. This is coated paper. What we want, and I have it in the brief, we are just asking for a change as follows:

We want to amend paragraph 1505-b, H. R. 2667, page 232, line 16, of the committee comparative print, by inserting in parentheses after the word "paper" the following words:

"Except paper bodies treated or covered in any manner with cellulose or products of cellulose, which shall pay a duty of 70 per cent ad valorem and 45 cents per pound."

Senator COUZENS. That is all in your brief?

Mr. SILVERMAN. That is in the brief. I would like to say just one more word. Here is a hat made in this country, a body had of this material called Neora, which is cellophane covered over with either remy or paper. This will show you that we can make body hats in this country as good as they can make them abroad, if we have the proper protection.

Senator WALSH of Massachusetts. What is the difference in the price of those that come in and those that are made in this country?

Mr. SILVERMAN. This would come in under 25 per cent and 5 cents a dozen. It should come in, and it is embodied in this last clause, under 70 per cent if they bring this in as a paper hat.

Senator WALSH of Massachusetts. What is the difference in the price of the imported and domestic hat which you have in your hand? What does the hat sell for?

Mr. SILVERMAN. This is a hand-made hat. This hat would sell for about \$6.

Senator WALSH of Massachusetts. How much would the Japanese hat, comparable with that, sell for?

Mr. SILVERMAN. This would sell for about \$3.

Senator WALSH of Massachusetts. Is that handmade also?

Mr. SILVERMAN. This is handmade. This is coated with cellulose.

Senator THOMAS. Which is the better hat?

Mr. SILVERMAN. This [indicating].

Senator THOMAS. How much better?

Mr. SILVERMAN. It is a different style. One woman may think this is better and one woman may think that is better. Sometimes they think the worst is the best. I know I have found that to be the case very often.

Now, regarding this material: I want to take up just a little of your time. I have been manufacturing braids since I have been 12 years old. I heard a gentleman here say there never were any braids originated in this country. That makes me laugh. I used to go to Switzerland twice a year, and while they do make original braids and they come to this country, we can never imitate them for the same price that they bring them in for, even with the 90 per cent duty. The raw material that is brought in, from which we manufacture, carries a tax of 35 to 45 per cent, and we only have the differential of between 45 and 90 per cent. So we very rarely copy any imported braids. But I can show you thousands of patterns that are originated in this country and copied in Switzerland and then brought over here a year or two later. I know a particular instance of that where a certain braid was originated here and 7,000 gross yards of it produced and sold to a certain concern and some time later it was copied abroad and sent over here. Seven thousand gross yards make quite a few hats.

So that the question of reducing the duty from 90 per cent to 50 per cent would leave us with about a 5 per cent differential between the price of the raw material and the finished product. We would have to send all of our machines to Switzerland.

Senator THOMAS of Oklahoma. Will not the result of high tariffs be that much to the machinery we now have in operation will be sent abroad and factories built abroad, using the same machinery, using the cheap product abroad, and then bringing the material back to America?

Mr. SILVERMAN. Yes; and ruining our business. If the tariff was lowered on braids it would be that much worse. It is low enough now. That is all I can say. There would be no differential then if it would be brought down to 50 per cent. We would only have a 5 per cent differential. We employ 500 people in our factory and when we are busy about 800. We have been in business, as I say, 30 years.

I have been in the industry since I was 12 years old. We have never had enough differential or have never had enough duty that any of us could retire rich on. We are still working.

(Mr. Silverman submitted the following brief:)

BRIEF ON BEHALF OF MANUFACTURERS OF HAT BODIES

HON. REED SMOOT,
Chairman Senate Finance Committee,
Washington, D. C.

DEAR SIR: I represent the firm of Silverose (Inc.), which is a concern owned and associated with S. Rosenau & Co., for the manufacturing of body hats in this country.

I also represent a number of other concerns who are engaged in this same line of industry in this country.

This is a new industry that has developed within the last few years. Formerly all body hats for the making of ladies' hats were made by hand, but we have developed, through our ingenuity, machines for braiding, weaving, and knitting these hats, and it has required a very large investment of capital in machinery and plant equipment to establish this business.

Since the installation of this equipment and the establishment of these plants we find that hat manufacturers in Japan have installed similar machines and are using on these machines cellulose-covered paper thread to simulate the materials that we are using and producing in this country. We formerly employed for making these hats visca, rayon, and cellophane materials.

As a result of the introduction of hats made of cellulose-coated paper we fear that this pioneer business will be totally destroyed, as it is self-evident that we can not compete against Japanese low labor costs and low material prices.

I show you a hat, Exhibit No. 19, made of cellulose-coated paper, imported from Japan.

This will come in at a duty of 25 per cent ad valorem in the natural color, and if dyed there is an additional duty of 25 cents per dozen.

Obviously we have not sufficient protection against an article of this kind. These hats will take the place of the visca, cellophane, and rayon hats which we now have in production and which the domestic manufacturers have sold very extensively through the past several years.

Do not confuse this article with the paper "Toyo" hat No. 25, which has no cellulose coating and which is used by the men's hat trade in the natural color as a substitute for the Panama hat. The coated and dyed paper body should have a rate of duty large enough to protect the body hat business which has been developing in this country during the last few years, but the future of which is imperiled under the present low duty of 25 per cent ad valorem.

You will find attached letters No. 26 and No. 27, showing that we have made these bodies in this country and with the style tendency there will be an increasing volume of these made if we can get the proper protection.

The hat-body machines that have been constructed in this country are capable of using visca, cellophane, paper, hemp, and a number of other filaments.

Hat bodies Nos. 12, 13, 16, 20, 21, and 22 are bodies that have all been made here, but can not possibly be made by the domestic manufacturers at a profit unless the duty properly protects us.

None of these materials which I mentioned are used in the men's hat trade, whose straw material is all imported.

We ask, in justice to this new domestic industry, so that it may be developed properly, that for unfinished body hats, made of rayon-coated paper, or other filaments coated with rayon in whatever proportion found or used, the duty rate be changed.

As these imported cellulose-coated paper hats are in keen competition with our knitted visca hats, made in this country, they should therefore be made dutiable as articles of wearing apparel, wholly or in part manufactured, of cellulose or rayon, at the rate of 70 per cent ad valorem and 45 cents per pound, as provided in paragraph 1311, H. R. 2667.

To accomplish this it will be necessary to amend paragraph 1505-b, H. R. 2667, page 232, line 16 of committee comparative print, by inserting in parentheses, after the word "paper," the following words: "except paper bodies treated or

covered in any manner with cellulose or products of cellulose, which shall pay a duty of seventy per centum ad valorem and forty-five cents per pound."

Respectfully submitted.

LEO SILVERMAN,

Noble and Darien Streets, Philadelphia, Pa.

Representing Amform (Inc.); Silverose (Inc.); Walser Manufacturing Co.; Sacks & Co.; Lipper Manufacturing Co. (Inc.).

(The letters referred to in the foregoing brief have been filed with the committee.)

BRUSHES

[Par. 1506]

STATEMENT OF HENRY H. HILL, BOSTON, MASS., REPRESENTING THE AMERICAN BRUSH MANUFACTURERS ASSOCIATION

[Including bristles, par. 1507]

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

Mr. HILL. I represent the American Brush Manufacturers Association.

Senator WALSH of Massachusetts. You are from Boston, are you?

Mr. HILL. Yes, sir.

Senator WALSH of Massachusetts. What is your company?

Mr. HILL. The Whiting-Adams Co., of Boston.

Senator KEYES. Did you appear before the Ways and Means Committee of the House?

Mr. HILL. I did not. Mr. Dixon appeared, and we expected him to appear here.

Senator KEYES. Please confine your testimony as closely as you can to additional information.

Mr. HILL. Yes; I will. That is my understanding. You have all of the other information.

We are here asking you to help because the brush industry is not prosperous. It is really a distressed industry. There are a number of concerns, to my knowledge, which have been in the red ink for several years past with apparently no opportunity of getting out immediately. There are large importations of brushes, and these importations are steadily narrowing the field in which we operate. The industry was all highly competitive.

Senator WALSH of Massachusetts. Are you including all kinds of brushes?

Mr. HILL. Yes, sir; we represent everything—toothbrushes, floor brushes, and everything else.

There has been an actual shrinkage in the number of manufacturers in the United States in the past 10 years. Ten years ago there were 379 manufacturers, but to-day there are 302, or there were according to the latest figures. There are perhaps less now.

The number of employees has dropped from 8,700 to 7,600 in the last six years.

There is an actual shrinkage in the dollar value of the brushes in this country, from \$50,000,000 six years ago to about \$43,000,000 to-day.

All of those figures show what has happened under the present tariff. And there has been a large increase in the brush imports all through this period. The figures are filed by the Tariff Commission, which you have.

In consequence of these conditions we make the following request for assistance. We ask that the pyroxylin-handle toothbrushes receive the 2 cents specific duty which was granted in the House bill and also that they receive the full 65 per cent ad valorem duty which we asked for in the original case. That was discussed very thoroughly, and the brush manufacturers association were convinced that was necessary to put the industry into a healthy condition.

Senator WALSH of Massachusetts. Is that the full amount that your industry asked?

Mr. HILL. That is the full amount.

Senator WALSH of Massachusetts. They gave you all you asked for?

Mr. HILL. No, they did not. They gave us 50 per cent. We asked for 65.

Senator WALSH of Massachusetts. Would you like to have us change it to 65?

Mr. HILL. Yes, sir. We are firmly convinced that it is necessary to reestablish the brush industry in a healthy condition.

I passed over the broom section, which is entirely satisfactory at 25 per cent.

The next section that comes up is the portion of the brushes which are made with backs ornamented or mounted on precious metals. The 60 per cent appears to be satisfactory to the manufacturers of those brushes.

For other tooth and toilet brushes we ask for the same specific duty which was granted celluloid-handle toothbrushes, and also 65 per cent ad valorem.

Senator WALSH of Massachusetts. Instead of what is now in the House bill?

Mr. HILL. Instead of 50 per cent. The 2 cent specific is needed just as greatly there as in the toothbrushes, because the valuation question comes up. If we could have American valuation an ad valorem duty would probably take care of the situation. But the specific duty is needed to protect us on the lower brackets of brushes, because when brushes get down to these low prices the ad valorem does not amount to enough to protect us, and the cheap brushes come in and wipe us out of the low-cost brush field.

Senator COUZENS. Do I understand if your proposition is accepted that that would preclude the 10-cent stores from using it entirely?

Mr. Hill. That question came up in several meetings, and there are three of the largest toothbrush manufacturers in this country who made the absolute statement that they would guarantee to produce brushes which could be sold at a profit for 10 cents. It would not eliminate the 10-cent toothbrush.

As to the remarks of the last speaker that Doctor Mayo said 75 per cent of the ills to which we are subject were due to infected teeth, I sometimes wonder how much of that is due to the Japanese toothbrushes which are made in uninspected factories and unsupervised homes. Our brushes are manufactured in sanitary factories, and they are all sterilized. They are compelled to be handled in that way by the various laws.

The 45 per cent does not protect all three brushes, as the last speaker said. The industry as a whole is not flourishing.

Senator COUZENS. Wouldn't you rather have a specific duty placed on these brushes than the ad valorem?

Mr. HILL. I prefer the combination because the specific duty would have to be graded into so many steps or else the ad valorem made higher on the high valued brushes. The brush industry handles brushes which vary from 35 cents a gross up to \$60 or \$70 a dozen. A specific duty on that of 2 cents would have no effect upon the higher brushes. The ad valorem duty which would be sufficient for the lower valued brushes would be utterly foolish on the higher valued brushes.

Senator THOMAS Why do you say it would be foolish?

Mr. HILL. It would be utterly unreasonable and become prohibitive and much more than wipe out the difference in the labor value.

Senator THOMAS. The ad valorem duty could be so many per cent and it does not look very large when, as a matter of fact, it is large.

Mr. HILL. It is not large enough, whatever it is, at the present time, because the importations are increasing and the industry declining.

Senator THOMAS. Is that a confession that you can not compete even under the present tariff law with foreign manufacturers?

Mr. HILL. It is a confession we can not compete on some styles of brushes. They are cutting the ground out from under our feet on the lower-grade brushes. That is a point I was going to bring out later on. We need all kinds of brushes to keep the industry in a healthy condition. On all other brushes, except hair pencils—and those are the little things that come with quills in water color sets for children—we ask for the same duty as on the toilet brush, with the exception that below \$5 per dozen we ask for a graded specific duty and on brushes up to \$2.50 per gross we ask for only one-half cent specific duty in addition to the 65 per cent ad valorem. On brushes \$2.51 to \$5 per gross we ask for only one cent specific duty. On brushes from \$5 upward we ask for 2 cents specific duty.

Without the protection which we are asking for the toilet brush manufacturers will be very seriously hampered. The wood-back toilet brush industry is now threatened with extinction. The company I represent has been making a very high grade line of wood-back toilet brushes comparable to the finest European, English, French, and other imported brushes. We are not able to make headway. It has been operated at a loss for years and it has been continued largely as a matter of pride, because we were proud of making the goods. But we can not make a profit, and unless we get additional help, in my opinion, that branch of the industry might just as well be thrown into the dicard. It is not worth while keeping.

When it comes to the paint-brush industry, the manufacturers of small paint brushes have been very largely eliminated in this country by the German brushes. Brushes which come down to six or seven dollars a gross are nearly all manufactured in Germany.

Senator WALSH of Massachusetts. Are those brushes used by artists?

Mr. HILL. By artists, and as marking brushes to mark cases; and little brushes for odd jobs of painting; and without the opportunity of making these small brushes, these cheaper grades, we are crippled,

in that we would not have that class of work to train our employees for making the better grades. You can not take a green hand and turn over to them bristles that are worth four or five dollars a pound, to play with. We have to have bristles worth only 50 to 60 cents a pound for them to practice on.

Bristles are of a peculiar fiber, and they are very hard to handle. They are slippery and have a peculiar way of traveling around on their own. They are of a scaly construction.

Senator WALSH of Massachusetts. What are these bristles made of?

Mr. HILL. Bristles are raised only on pigs. If a bristle does not come from a pig, it is not a bristle. That is the only animal in the world that makes a bristle. There is nothing else in the world like it; nothing else of that construction. They are all imported.

Senator WALSH of Massachusetts. From whence do they come?

Mr. HILL. From Russia and Siberia, and some are raised in Germany and some in India, and practically more than one-half now come from China.

Senator THOMAS. How do you account for that, that all pigs do not grow bristles?

Mr. HILL. They will grow bristles if we let them grow until they are 2 or 3 or 4 years old; but we kill our pigs when they are bald-headed babies.

Senator THOMAS. They would not be pigs if we did not kill them then.

Mr. HILL. No; when they grow to that age we call them hogs. "Hogs" is quite a common term.

The breeder in this country at the present time has discovered that when a hog is 4 or 5 months old, it does not pay to let him live any longer. They pay more per pound for his pork than if they let him live longer, and he is just like a bald-headed baby.

An old boar on the farm will have a ruff of bristles on the back of his neck. There are some bristles on that. But from the farmer's point of view they are not worth bothering with. The farmer would not save 10 or 15 cents worth of bristles, and they do not save them.

Senator THOMAS. Bristles are not a by-product, are they?

Mr. HILL. They are gathered incidentally. Pigs are not raised for bristles anywhere in the world. It would not pay to feed a pig for three or four years in order to get three or four dollars' worth of bristles from him. He would eat up more than that value in a month. They are simply an incident. In the countries where they have many pigs they are more thrifty, and they have learned that by saving every ounce of bristles they can get something that they can sell for money. When the trader comes around the husbandman has 2 or 3 pounds of bristles, and he takes them and pays a good value per pound, and then they come to the big dressing point.

I have spoken about the need of making these small brushes so as to train our help. Under the present tariff law there has been a steady and rapid increase of such small bristle brushes. I feel safe in saying that in some of these styles, 90 per cent of the brushes used in this country are imported. During the past winter, the company I represent has finally been forced to discontinue the manufacture of about 25 of such articles, and we have arranged to import them from Germany. Brushes that cost us \$5 and \$7 a gross to make in our factory we can buy, laid down in Boston, for \$3 to \$4 a gross. In

some cases we pay more for the handles and ferules of these brushes than we can buy the imported brushes for, and the labor which goes in these small brushes runs up very high on the small handles and ferules, the same as it does in this country.

Senator THOMAS. What is wrong with that system of importers and wholesalers and retailers patronizing factories that can produce a good article at a reasonable price, and bringing it to America and selling it; what is wrong with that system?

Mr. HILL. What is wrong with that system?

Senator THOMAS. Yes.

Mr. HILL. Nothing, except if you want to have a healthy brush industry in this country, you have got to protect it. Our labor cost runs from four to ten times the labor cost abroad, and that has done away with the sweatshop and kitchen work entirely. In Germany many of the brushes are made by kitchen work, where every person, from grandfather to the youngest child in the family, works, and the labor costs is very small. I have seen these corn cure pencils come in as low as 35 cents a gross. It is inconceivable, by our wage scales, how they can put them together. We could not take and cut the quills from the goose for that. Everybody works over there, and we simply can not compete.

This thing that is going on with us has started sooner with some other companies. We have been compelled to resort to this. We have been forced to it, because those small brushes have simply vanished from the orders we get. Our prices are too high. To regain that, we have got to import the brushes. Making that pencil in this country has practically disappeared. This German kitchen and child labor I speak about has wiped it out entirely, and I do not think there is much chance of reviving it. Still, I think it is worth while to make a little attempt, and perhaps give them a little more duty, and we feel that 65 per cent ad valorem on that without any specific duty would be well worth while, to keep alive the industry in some sort of a way.

Twenty-five years ago we made many of such kinds of brushes in our factories, and where we used to make a hundred gross we will occasionally now get an order for a gross from somebody who does not know where to go to get the cheap ones; but that business is very nearly dead.

To me, the interesting and important thing about the whole situation is that the increases that we ask for would make little or no difference in the selling price. I have taken occasion to check up on some of these cheap imported brushes, and brushes that I can buy from 90 cents to \$1.50 a gross sell in the stores at prices ranging from 5 to 10 cents a piece. We can make brushes that they could sell at 5 or 10 cents apiece and make a profit on them; but they do not need to pay our prices, and they do not mark down their selling price in conformity with their purchase price. They set their price, which is just under what our prices call for, and make a very handsome margin of profit.

That is all I have to say, other than what has been stated in the brief here. I desire to submit this brief. I submit that brief as additional matter to what was brought before the Ways and Means Committee.

Senator KEYES. Your brief will be printed.

(The brief referred to is as follows:)

BRIEF OF THE AMERICAN BRUSH MANUFACTURERS ASSOCIATION

In the House of Representatives bill No. 2067 revising the tariff act of 1922, paragraph 1506 of Schedule 15 (sundries) reads as follows:

"Paragraph 1506. Brooms, made of broom corn, straw, wooden fiber, or twigs, 25 per cent ad valorem; tooth brushes and other toilet brushes, the handles or backs of which are composed wholly or in chief value of any product provided for in paragraph 31, 2 cents each and 50 (note A) per cent ad valorem; handles and backs for tooth brushes and other toilet brushes composed wholly or in chief value of any product provided for in paragraph 31, 1 cent each and 50 per cent ad valorem; toilet brushes, ornamented, mounted, or fitted with gold, silver, or platinum, or wholly or partly plated with gold, silver or platinum, whether or not enameled, 60 per cent ad valorem; other tooth brushes and other toilet brushes, 50 (note B) per cent ad valorem; all other brushes, not specially provided for, (note C) and hair pencils in quills or otherwise 50 (note D) per cent ad valorem."

Note A: We believe this 50 per cent should be changed to 65 per cent.

Note B: We believe the duty on tooth brushes and other toilet brushes, whether having handles of wood, bone, or any other material, should be on the same basis as those having pyroxylin handles, that is, the duty should be 2 cents each and 65 per cent ad valorem instead of just 50 per cent ad valorem.

Note C: All other brushes not specially provided for should be on the following basis:

One-half cent specific duty on brushes of \$2.50 per gross or less, and 65 per cent ad valorem; 1-cent specific duty on brushes from \$2.51 to \$5 per gross, and 65 per cent ad valorem; 2-cent specific duty on all brushes over \$5 per gross, and 65 per cent ad valorem.

Note D: We believe this should be changed to 65 per cent ad valorem.

Our request for the above changes is made on behalf of members of the American Brush Manufacturers Association whose production approximates over 80 per cent of the total output of the industry, which employs over 7,600 workers.

In addition to all the facts mentioned in the brief presented to the Ways and Means Committee of the House of Representatives, we desire to respectfully direct your attention to the following supplemental information and data.

The increase in the dollar value of the products of our industry is not an accurate gauge of conditions. It neither reflects growth, nor the existence of a satisfactory situation. That fact is conclusively demonstrated by the Summary of Tariff Information, 1928, compiled by the United States Tariff Commission.

It shows that an increase in the dollar value of brushes produced in this country between 1919 and 1927 amounting to only \$3,686,863 is more than offset by increases in the cost of materials and wages during the same period which total \$4,085,756.

(Reference: Table at foot of page 1918.)

PROTECTION INADEQUATE

That the current rate of duty is inadequate to protect the industry is clearly revealed by the substantial increase in imports last year, i. e. 1928, when they reached a total of 66,182,640, exceeding the previous year by approximately 11,000,000.

It should also be borne in mind by the Finance Committee that the above figures do not include brushes in which component part of chief value is pyroxylin, such as tooth brushes, which are imported under paragraph 31 of Schedule 1 of the tariff act of 1922, and therefore included in pyroxylin imports instead of being classified separately.

However, in the report of the United States Tariff Commission previously referred to it is stated (p. 1919) that an analysis of invoices covering imports under paragraph 31 entered only through the port of New York for the first four months of 1928 showed that approximately 24,000 gross, or 3,456,000 tooth brushes with pyroxylin handles alone were imported from Japan during that brief period.

TOILET BRUSHES

In considering our request for higher duties on tooth and toilet brushes, including bath, hair, nail, shoe, clothes, eyebrow, complexion, and hat brushes, etc., your attention is particularly called to the report of Mr. Howard B. Titus, Assistant Trade Commissioner, at Tokyo, Japan, dated December 15, 1927.

He states that tooth brushes exported from Japan are worth approximately 3.78 cents each in American money.

It is apparent, therefore, that the duty requested will still permit the importation and sale of Japanese tooth brushes at extremely low prices well within the means of any American consumer.

It should also be borne in mind that extensive production of foreign brushes in the home not only lowers the cost of foreign producers but makes impossible the maintenance of proper sanitary conditions. The latter is quite an important fact with relation to tooth, toilet, and other brushes intended for personal use.

PAINT AND VARNISH BRUSHES

Foreign manufacturers of paint and varnish brushes are substantially increasing their importations into this country.

In recent years the importations of certain types of brushes, notably hair pencils, has increased to such an extent and the brushes offered at prices so low that their production in this country has been practically abandoned.

Imports of hair pencils since 1923, the Tariff Commission reports, were as follows:

| | Quantity |
|-----------|--------------|
| 1923..... | 3, 054, 249 |
| 1924..... | 3, 505, 427 |
| 1925..... | 4, 014, 058 |
| 1926..... | 12, 388, 085 |
| 1927..... | 17, 820, 720 |
| 1928..... | 37, 309, 848 |

The seriousness of this competition and the need for higher duties is clearly revealed by the above table.

CONCLUSION

Enactment of the rates requested would not only afford the American brush industry protection, which is urgently required, thereby insuring continuous employment to approximately 7,600 employees regularly engaged in the production of brushes, but would also be helpful to numerous other industries. Included in those who would be aided are dealers in bristle, hair, and the various fibers used by the industry, as well as manufacturers of handles and blocks, ferrule manufacturers, manufacturers of brush machinery, and others who furnish the industry its raw materials and supplies.

The attention of the committee is also directed to the fact that the United States Tariff Commission concedes that Japanese manufacturers are more advantageously situated, especially with respect to raw material and that "practically all of the world's supply of natural camphor, an important ingredient used in the manufacture of pyroxylin plastic handles for tooth brushes and toilet brushes, is produced in Japan."

Advantages are also conceded German manufacturers by the commission, especially with respect to the supply of Russian bristle, which is particularly well adapted for the manufacture of paint brushes.

Establishment of the rates of duty requested in this brief is, therefore, commended to the favorable consideration of the committee.

Respectfully submitted.

AMERICAN BRUSH MANUFACTURERS' ASSOCIATION,
 SAMUEL F. DIXON, *President*.
 HENRY H. HILL, *First Vice-President*.
 J. PAUL BOYLE, *Second Vice-President*.
 FRANKLIN G. SMITH, *Treasurer*.
 GEORGE A. FERNLEY, *Secretary*.

SUPPLEMENTAL BRIEF OF THE AMERICAN BRUSH MANUFACTURERS' ASSOCIATION

This brief is filed with the committee by the American Brush Manufacturers' Association to supplement that presented on June 25, 1929, and for the purpose of emphasizing additional facts which we believe to be extremely important.

The attention of the committee is especially directed to the following tabulation received from the Bureau of Foreign and Domestic Commerce which shows the imports of brushes into the United States by countries of shipment during the calendar year 1928:

Imports of brushes into the United States, by countries of shipment during the calendar year 1928

| | Tooth brushes | | Other toilet brushes | | Other brushes | |
|------------------------|------------------|----------------|----------------------|----------------|-------------------|----------------|
| | Dozen | Dollars | Dozen | Dollars | Dozen | Dollars |
| Austria..... | | | 493 | 4,004 | 1,976 | 506 |
| Belgium..... | | | 1,164 | 361 | 6,022 | 1,953 |
| Czechoslovakia..... | 23,107 | 8,710 | 2,037 | 1,391 | 13,576 | 1,799 |
| Denmark..... | | | 1 | 35 | | |
| France..... | 13,517 | 13,172 | 39,174 | 69,815 | 75,833 | 44,872 |
| Germany..... | 25,121 | 34,964 | 49,528 | 64,937 | 1,549,016 | 328,520 |
| Italy..... | | | 3 | 70 | 26 | 117 |
| Netherlands..... | | | 23 | 46 | 9,243 | 2,622 |
| Norway..... | | | | 20 | | |
| Poland and Danzig..... | | | | | 1 | 15 |
| Sweden..... | 1 | 2 | | 7 | | |
| Switzerland..... | | | 787 | 923 | 1,053 | 1,484 |
| United Kingdom..... | 27,806 | 58,338 | 5,470 | 59,013 | 21,393 | 48,420 |
| Canada..... | | | 22 | 242 | 216 | 539 |
| China..... | 5,564 | 4,509 | 67 | 41 | 26,617 | 3,324 |
| Hong Kong..... | 1,593 | 796 | 61 | 18 | 13,519 | 2,917 |
| Japan..... | 889,491 | 401,334 | 368,689 | 327,745 | 2,606,908 | 134,430 |
| Palestine..... | 100 | 10 | | | | |
| Australia..... | | | | | | 2 |
| Total..... | 1,986,290 | 521,839 | 1,467,460 | 528,688 | 14,325,393 | 571,530 |

¹ These figures do not include brushes with pyroxylin handles which are imported under par. 31 of Schedule 1 of the tariff act of 1922.

The above table reveals that importations during the calendar year 1928 were in excess of earlier estimates, reaching the staggering total of 68,349,716 brushes, and exceeding 1927 imports by over 13,000,000 brushes.

The figures it contains not only prove the urgency of increased protection to insure the future of our industry but demonstrate the truth of our contention that Japan and Germany are most formidable competitors. During the calendar year 1928 Germany shipped this country 19,483,980 brushes. During the same period Japan shipped into our markets 46,386,348 brushes. The combined imports from both countries amounted to 65,864,328 brushes, or approximately 95 per cent of the total.

They also give added emphasis and significance to the admission of the United States Tariff Commission that Japanese and German manufacturers are advantageously situated, to which previous reference was made in the brief filed on June 25, 1929.

Moreover, their ability to ship into this country within a 12-month period such an enormous number of brushes clearly reveals the vast difference in wages and working conditions in American factories as contrasted with those in Japan and Germany.

TOILET BRUSHES

In the brief previously filed with your committee, and also with the Ways and Means Committee of the House of Representatives, stress was placed upon the necessity for higher protection on tooth and toilet brushes.

In further support of that request, we desire to call the committee's attention to the fact that available data indicates that from 40 to 50 per cent of all toothbrushes consumed in this country at present are the product of foreign labor.

The table shows toothbrush importations last year totaled 986,290 dozen, or 11,835,480 brushes, most of which came from Japan.

These figures do not include brushes with pyroxylin handles which were imported under paragraph 31 of the tariff act of 1922 and classified as pyroxylin products instead of brushes.

The tremendous number of toothbrushes with pyroxylin handles now imported is shown by the report of the United States Tariff Commission entitled "Summary

of Tariff Information, 1929," on page 1919 of which it is stated that an analysis of invoices covering imports under paragraph 31 entered only through the port of New York for the first four months of 1928 showed that approximately 24,000 gross, or 3,456,000 toothbrushes with pyroxylin handles, were imported from Japan through that port alone during that brief period.

At that rate, total imports of toilet brushes with pyroxylin handles simply through the port of New York in the calendar year 1928 aggregated approximately 10,368,000 brushes. It is certain, however, that total imports of toothbrushes with pyroxylin handles is considerably in excess of that figure because New York is only one of many ports of entry.

From these figures it is apparent that toothbrush imports last year aggregated well over 22,000,000 and as domestic consumption is estimated at 40,000,000 to 50,000,000 annually, the estimate that about half that total are of foreign origin is believed modest.

It is clear, therefore, that rates affording the American industry the protection it requires will insure increased employment for American labor.

OTHER BRUSHES

Data in the table further reveals the tremendous quantities of other brushes, including paint, varnish, hair pencils, household and industrial brushes, coming from Germany and Japan. The former was the source of 18,588,192 brushes classified under this heading and the latter the source of 31,282,896.

It is our belief that the large volume of imports is in itself sufficient to indicate to the committee the need for greater protection.

However, it is desired to call to the attention of the committee the fact that their demoralizing influence is far greater than statistical data reveals.

The production of certain types of brushes, of which hair pencils are an example, has been practically abandoned because of increasing foreign competition. However, in order to keep their factories operating, hold their organizations together, and protect their capital investment, American manufacturers of such brushes have diverted their production to other types. This has materially increased competition in the domestic market and added to the problems of the industry as a whole.

It is for these additional reasons that we again wish to urge upon the committee its favorable consideration of the rates requested in the brief filed by our association on June 25, 1929.

Respectfully submitted.

AMERICAN BRUSH MANUFACTURERS' ASSOCIATION.

SAMUEL F. DIXON, *President.*

HENRY H. HILL, *First Vice President.*

J. PAUL BOYLE, *Second Vice President.*

FRANKLIN G. SMITH, *Treasurer.*

GEORGE A. FERNLEY, *Secretary.*

LETTERS FROM THE WILLIAMS BRUSH CO., PHILADELPHIA, PA., AND THE WHITING-ADAMS BRUSH CO., BOSTON, MASS.

[Toothbrushes]

Senator WALSH of Massachusetts. I would like to have put into the record the two letters which I have here, one from the Williams Brush Co. and the other from the Whiting-Adams Co.

(The letters referred to are as follows:)

PHILADELPHIA, June 17, 1929.

HON. DAVID I. WALSH,
United States Senate, Washington, D. C.

DEAR SIR: The pending bill calls for 50 per cent ad valorem and 2 cents each, specific duty, on celluloid toothbrushes, equivalent to over 200 per cent on the cheaper goods and over 120 per cent on the medium goods. This rate is prohibitive. I don't believe any importer can survive without celluloid brushes in his line. They constitute about 40 per cent of the importer's business.

It will deprive the importer and his employees of their chief means of livelihood, and will give the business, not as a means of livelihood, but simply to

increase dividends to one of the world's richest syndicates, whose enormous war profits started them to invading various fields, taking with them despair and failure to the rightful heirs of the invaded industries.

The importers nurtured and popularized the bright-colored celluloid toothbrushes until the volume of the business excited the cupidity of this syndicate, and the House bill gives it to them. This appears unjust to us. The pretext upon which it is done is that it would benefit a larger number than it is now benefiting, which point, however, is open to argument because most of the work is done by highly specialized automatic machinery that a small man could never hope to buy. But even if it would require a few more employees to manufacture these goods than it does to distribute the goods, the point is, the manufacturers and their organizations are now living, and prospering far more than the importers without all of this business; while there is hardly a chance for the importers to survive the loss of this branch of the business.

But there is another element, not considered at the tariff hearings—over a hundred million people who use, or should use, toothbrushes. These were not considered, but surely if a little item that protects health and cleanliness and is used daily by many, and should be used by all, is to be doubled in cost, then the consumer should certainly be considered; and he is far more numerous than the few hundred people employed in the toilet-brush business. The new bill will deprive the very poor, who are given their brush by welfare associations, of the use of a toothbrush; while those who pay will either have to pay more or accept a poorer brush.

We are sure your committee is awake to the importance of the toothbrush as an instrument of health. It is being brought more and more to public attention daily, not by importers or manufacturers, but by the dental and medical profession.

Surely you can not believe that it was with a full knowledge of the situation that the House has drawn up a bill which would increase the tariff on the cheaper brushes 215 per cent, on the next class 150 per cent, and on the next 120 per cent. These three classifications are the importers' chief dependence for a living and they are the brushes used chiefly by the poor, and entirely by welfare organizations.

Furthermore, we beg to submit to your attention the fact that while the manufacturer of celluloid has been granted this prohibitive protection, in contrast, the manufacturer of other classes of brushes has been granted by 5 per cent increase. And yet it is this last class that is prospering least under the Fordney-McCumber bill, which granted a rate of 45 per cent on toothbrushes. For several months after this ratification, all toothbrushes were brought in at 45 per cent. Then it was discovered that a joker had been inserted into the bill. Nobody will accept responsibility or admit any knowledge of how or when it happened. But it happened, placing a tariff of 60 per cent on manufactures of celluloid, since when the importers have had to pay 60 per cent.

Under this ruling, a factory has developed in the United States that has the largest daily production of toothbrushes in the world, and a second factory has grown up that produces almost as much, as a direct result of the bill. While a third factory, established and prospering before 1922, has enjoyed increased prosperity and has a large flotation of stock listed on the New Stock Exchange, which sells at a premium; and their prospectus reads very different from the brief Mr. Dixon filed with the Ways and Means Committee of the House.

This particular company has been in business for over 30 years and they have consistently made progress and profit every year for 30 years, regardless of existing tariffs. No importer can say this. It is a high tribute to the ability of this company.

The domestic manufacturers are flourishing, especially in the celloid branch. Their factories producing celloid brushes have the largest production and are arranging to increase their facilities.

The prophylactic toothbrush is made in the United States. It is the biggest selling toothbrush in the world, sold in every country in the world.

The Doctor West toothbrush has the second largest distribution in the world. It was formerly made in Japan, but is now made in the United States, because it can be made for less here, as can any celluloid brush that is standardized and used in large quantities.

The brush industry boasts of a total business of \$55,000,000. Total import for 1928 was less than two million. Who could begrudge this mite to a class of our citizens as loyal, as industrious, and as productive as those who cover their business.

Which should receive the protection—a handful of covetous manufacturers or the millions of poor children?

There is no justification for an upward revision of the tariff on toothbrushes. The 2 cents specific duty is an outrage and should be killed for all time.

Yours very truly,

P. E. T. WILLIAMS.

BOSTON MASS., *May 22, 1929.*

HON. DAVID I. WALSH,
Senate Office Building, Washington, D. C.

DEAR SIR: In the proposed tariff bill, H. R. 2667, paragraph 1507, the Ways and Means Committee of the House proposes considerable relief to one branch of the industry, viz, the celluloid-handled toothbrush manufacturers are given the benefit of a much-needed specific duty, although reducing the 60 per cent ad valorem, which their brushes received under paragraph 51, to 50 per cent. The net result is a substantial gain, although not all that was asked for and believed to be needed. Other brushes, however, received merely an increase of from 45 to 50 per cent ad valorem. This increase will be of some help in the case of the higher grades of brushes but will be of practically no assistance in the case of the smaller paintbrushes and wood-backed toilet and household brushes. The proportion of labor cost to the total cost of small paintbrushes is so great that the foreign manufacturer, with his cheap labor, can ship such brushes into this country at will and sell them at prices ranging from one-half to two-thirds of the American factory cost. This condition has literally killed the manufacture of many kinds of small brushes in the United States.

The manufacture of small brushes is a much more vital thing to a brush factory than appears on the surface. It is in the making of such brushes that the brush manufacturer breaks in and trains his skilled help, and without these brushes to work on the maintenance of our staffs of skilled operatives becomes very difficult indeed.

Conditions are bad at present and getting worse. Within the past six months our company has been forced to discontinue the manufacture of over 25 items of small brushes and has arranged to import them from Germany. This means that a number of American workers will have to hunt jobs elsewhere and a corresponding number of German brush workers will find employment. It also means that the American handle manufacturers and the American ferrule manufacturers who have supplied us with these materials for small brushes in the past will lose this business.

Our failure to get the increase desired makes the future of the wood-backed toilet-brush industry very dubious. Our company for the past 50 or 60 years has manufactured the finest line of such brushes which is made in this country and fully equal to the best English brushes. The present-day habits of the women of world in using hairbrushes little or not at all has cut down the volume considerably and if we must continue to divide the remainder with England, France, Germany, and Japan, I for one, believe we might as well abandon this branch of our business. It is futile for us to try to supply high-grade toilet brushes without profit, as we have done for a number of years past.

You may be sure that any assistance you can give the brush industry to obtain the rate asked for, viz; 65 per cent ad valorem, plus 2 cents per brush specific duty will be well merited and will be of benefit to an industry which has very substantial interests in Massachusetts.

Yours very respectfully,

WHITING-ADAMS CO.,
HENRY H. HILL. *President.*

STATEMENT OF C. L. THOMPSEN, NEW YORK CITY, REPRESENTING THE TOILET BRUSH GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

(Tooth and toilet brushes)

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

Mr. THOMPSEN. I represent the toilet brush group of the National Council of American Importers and Traders. I represent the toilet brush group in so far as paragraph 1506 of the tariff act refers to tooth and other toilet brushes.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. THOMPSEN. I did.

Senator KEYES. Have you something to add to what you said there?

Mr. THOMPSEN. Yes, sir; with reference to the proposed bill.

Senator KEYES. Very well.

Mr. THOMPSEN. Paragraph 1506 provides 50 per cent ad valorem and 2 cents each on brushes, on tooth and other toilet brushes, wholly or in chief value of any product provided for in paragraph 31.

Senator WALSH of Massachusetts. That includes celluloids?

Mr. THOMPSEN. Yes, sir; pyroxylin.

In our brief before the Ways and Means Committee of the House we requested that the present rate as in the tariff act of 1922 be retained; that is, 45 per cent for the duty on all brushes, regardless of the material of which the back is made.

The 2 cents each naturally brings the tariff on popular priced brushes, as shown in the table which we have prepared, up to as high as 250 per cent.

We have here an exhibit to show how that 2 cents each operates. These are popular priced tooth brushes, sold chiefly in the chain stores, the 5 and 10 cent stores, and these articles sell up to 15 cents each [indicating on exhibit].

Senator KEYES. Where are those made?

Mr. THOMPSEN. In Japan.

Senator THOMAS. Those are all celluloid brushes?

Mr. THOMPSEN. Yes, sir.

Senator THOMAS. What are other similar brushes made of?

Mr. THOMPSEN. They are made of bamboo, wood, and bone.

Senator THOMAS. Are these brushes now being exhibited as good a quality from the standpoint of service as the brushes made of wood and bone?

Mr. THOMPSEN. Yes, sir.

Senator THOMAS. What do the other brushes sell for in the American market?

Mr. THOMPSEN. Approximately the same price as those. They are like values. The value we offer at 10 cents retail would be alike in both the bone and celluloid. The wood handle would be somewhat cheaper, but there are very few wood handle brushes sold. They are mostly sold as a guest brush, whereas a brush sold by the clinics are given away by the clinics to the poor children who can not afford to buy toothbrushes.

Of course, these also serve the purposes, and a good many clinics give these brushes away, and they sell them at cost.

Senator KEYES. You represent the importers, do you not?

Mr. THOMPSEN. Yes, sir.

Senator KEYES. You are against the increased duty, are you?

Mr. THOMPSEN. Of the 2 cents.

Senator WALSH of Massachusetts. What is the present duty?

Mr. THOMPSEN. Forty-five per cent on all brushes except where celluloid is the chief value; where the handle exceeds the value of the bristle used in the brush, then it is 60 per cent.

Senator WALSH of Massachusetts. You want that rate continued?

Mr. THOMPSEN. Yes, sir; we want it continued. It amply protects the American manufacturer. Our imports have steadily

declined since 1920 from \$4,800,000 in 1920 to approximately \$1,800,000 in 1928.

Senator THOMAS. Do you account for that fact by the ability of American factories to produce an equally good brush at a lesser price than they can be produced by foreign factories?

Mr. THOMPSEN. To a degree only. The domestic manufacturers produce more of a high-grade brush and they can not produce these lower end brushes such as we have here.

Senator THOMAS. Then this sort of goods really has no competition in America? Is that your contention?

Mr. THOMPSEN. Mainly so; yes, sir. There are some 10-cent toothbrushes offered to-day, but only a small percentage of those used.

Senator WALSH of Massachusetts. Here is a letter from the Williams Brush Co., stating—

The pending bill calls for 50 per cent ad valorem and 2 cents each, specific duty, on celluloid tooth brushes, equivalent to over 200 per cent on the cheaper goods and over 120 per cent on the medium goods.

Is that correct?

Mr. THOMPSEN. Yes; as shown on those exhibits.

Senator WALSH of Massachusetts. The letter also says the domestic manufacturers are flourishing, especially in the celluloid branch, and—

Their factories producing celluloid brushes have the largest production, and are arranging to increase their facilities.

The Prophylactic toothbrush is made in the United States of America. It is the biggest-selling toothbrush in the world, sold in every country in the world.

The Doctor West toothbrush has the second largest distribution in the world. It was formerly made in Japan, but is now made in the United States, because it can be made for less here, as can any celluloid brush that is standardized and used in large quantities.

The brush industry boasts of a total business of \$55,000,000. Total imports for 1928 were less than 2,000,000.

Mr. THOMPSEN. Yes, sir.

Further, the use of toothbrushes by children and grown-ups in general is a very great help in regard to health hygiene. We believe the use of toothbrushes should be encouraged by permitting the people to buy them at a reasonable price.

The proposed duty would eliminate the 10-cent brush in the quality now furnished entirely from the 10-cent stores, and there are a great many thousand sold through those stores.

Doctor Mayo recently made the statement that 75 per cent of the diseases were directly traceable to infected teeth.

Mr. Guggenheim, I might say, has just announced the giving of a free dental clinic to the children of New York City, and the first unit will be started shortly at a cost of \$3,000,000 or \$4,000,000. He proposed a foundation of about \$35,000,000 for that work.

Mr. Guggenheim pointed out that school medical inspections had revealed the fact that at eight years of age approximately half the children in the public schools are suffering from dental caries, and said, that, in his opinion, the most urgent need is for the prophylactic care and the treatment of children's teeth.

Next in importance in this field he places the education of parents and children to a knowledge of the great harm that may result from neglect of the teeth.

Senator COUZENS. What have you to say as to the ad valorem tax versus the specific tax? I ask that question, because I want to know what the present duty is on one of those brushes.

Mr. THOMPSEN. For example, on these children's toothbrushes on this third item the foreign cost is \$2.18. Under the present rate of 60 per cent that duty is \$1.31. Under the new rate it would be \$3.97, or equivalent to 182 per cent ad valorem on the original foreign cost.

Senator COUZENS. As a matter of fact, isn't it better to have a specific tax rather than an ad valorem tax?

Mr. THOMPSEN. No, sir. It works to a great disadvantage in the duty we have to pay. You see the percentages show from 250 per cent down to 95 per cent as against a general rate of 60 per cent which now prevails.

Senator COUZENS. Is this ad valorem tax applied on the cost of production in Japan or the selling price in Japan?

Mr. THOMPSEN. The selling price in Japan, the price the importer pays for his merchandise on the other side.

Senator COUZENS. No matter at what it may be invoiced, the ad valorem is applied to that rate?

Mr. THOMPSEN. What it is invoiced at. The price on all invoices is the price we pay for the goods over there.

Senator COUZENS. Do the customs authorities check those invoices?

Mr. THOMPSEN. Absolutely. We had a representative of the Government over there who checked our figures on every detail of the cost of manufacturing these brushes, and he has reported to the appraiser as to the correctness of our invoices.

Senator KEYES. Could the distinction be made between toothbrushes and toilet brushes?

Mr. THOMPSEN. Is there a distinction?

Senator KEYES. Should there be one?

Mr. THOMPSEN. I don't think so, because the 45 per cent ad valorem absolutely protects the American manufacturer with regard to other brushes.

Senator KEYES. Do you import toilet brushes?

Mr. THOMPSEN. Yes, sir; toilet brushes and hand brushes mainly.

Senator KEYES. This increased duty applies to both toilet brushes and toothbrushes?

Mr. THOMPSEN. When they have celluloid handles the rate generally has been increased on brushes 45 per cent to 50 per cent, where 45 per cent amply protected the American manufacturer, when you take into consideration that our imports have steadily declined since 1920, and the total importations now in 1928 are \$1,800,000, which includes paintbrushes, artist's brushes, and all other kinds of brushes.

Senator KEYES. Is that all?

Mr. THOMPSEN. Yes, sir. But I would like to submit this brief.

Senator KEYES. Very well. And do you wish to leave that exhibit?

Mr. THOMPSEN. Yes, sir.

(The brief referred to is as follows:)

BRIEF OF THE TOILET BRUSH GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

**SENATE FINANCE COMMITTEE,
Senate Chambers, Washington, D. C.**

GENTLEMEN: Paragraph 1506 of the proposed tariff act, H. R. 2667, so far as said paragraph deals with tooth and other toilet brushes, is the paragraph in connection with which the toilet-brush importers of the National Council of American Importers and Traders respectfully submit for the consideration of your committee the following brief in support of the retention of the present tariff rate at 45 per cent ad valorem as the duty on all tooth and toilet brushes without any special provision in favor of brushes made up with pyroxylin handles or backs.

This is the position which the said brush importers took before the Committee of Ways and Means of the House of Representatives and our brief before the House committee will be found beginning at page 7233 of the minutes of the hearings before the House committee, volume 14, Schedule 14, sundries.

The proposed rate as stated in the bill is as follows:

"**PAR. 1506.** Tooth and toilet brushes, the handles or backs of which are composed wholly or in chief value of any product provided for in paragraph 31, 2 cents each and 50 per centum ad valorem; handles and backs for toothbrushes and other toilet brushes composed wholly or in chief value of any product provided for in paragraph 31, one cent each and 50 per centum ad valorem; * * * other toothbrushes and other toilet brushes, 50 per centum ad valorem; * * *."

For the convenience of your committee, the following résumé may be useful:

The present tariff act of 1922, in paragraph 1407, fixed the tariff on toothbrushes and toilet brushes generally at 45 per cent, but in paragraph 31 of that act, if the handle or back of the brush is made of pyroxylin and is of greater value than the bristles which make up the rest of the brush, then the brush pays a tariff of 60 per cent ad valorem. Before the House committee we sought the elimination of that discrimination in favor of brushes of which the handle or back was made of pyroxylin and the retention of the 45 per cent rate on all brushes regardless of the composition of the handle or back. We adhere to that position.

The House committee in the proposed act have increased the general rate on tooth and toilet brushes from 45 to 50 per cent and have increased the discrimination in favor of brushes of which the handle or back is made of pyroxylin from 60 to 50 per cent ad valorem plus 2 cents for each brush.

The addition of the 2 cents each, while apparently innocent on its face, actually brings the tariff on popular-priced brushes, as shown in the table hereinafter set forth, up to as high as 250 per cent.

The issue, therefore, is not only whether this tremendous increase in the House bill on brushes with pyroxylin handles or back is justified but also whether any discrimination should be made in favor of toothbrushes made up with pyroxylin handles or backs as against toothbrushes made up with backs or handles of other materials.

1. The rate of 50 per cent fixed in paragraph 1506 for other tooth and toilet brushes may fairly be taken as the opinion of the House as to the difference necessary to equalize competitive conditions as to brushes generally. Paragraph 1506 singles out pyroxylin handled or backed brushes alone for the special rate and does not provide a special rate for brushes made up with handles of other materials.

If the rate of duty depended on the material of which the handle is composed, then in order to protect the several basic industries brushes with wooden, bone, galalith, rubber, and pyroxylin handles should all pay different rates according to the chief value of the handles. For discussion, we give the rates in the House bill for manufactures in chief value of these different materials:

Paragraph 33: Manufactures of galalith, 40 cents per pound, and 50 per cent ad valorem.

Paragraph 413: Manufactures of wood, 33¼ per cent.

Paragraph 1537-b: Manufactures of hard rubber, 35 per cent.

Paragraph 1537-a: Manufactures of bone, 25 per cent.

Paragraph 31-b-2: Manufactures of pyroxylin, 60 per cent.

The difference in the material used for handles did not receive the consideration of the House, presumably for the reason that the committee considered 50 per cent ad valorem adequate protection. The insertion of the bristles into the handle and the subsequent processes of manufacture to complete the brush are alike regardless of the material of which the handle is composed. The rate of 50 per cent, therefore, covers all the processes employed in the manufacture of brushes.

2. The proposed rates on pyroxylin handled or backed brushes of 2 cents each plus 50 per cent ad valorem and upon pyroxylin handles and backs themselves of 1 cent each plus 50 per cent ad valorem are inconsistent with the tariff on pyroxylin.

Paragraph 31 of the proposed bill dealing with pyroxylin fixes a rate of 45 cents per pound for sheets and various forms of pyroxylin and (subdivision b, 2) for articles finished or partly finished in chief value of pyroxylin, 60 per cent ad valorem. A brush handle is a partly finished article produced by molding in the plastic state or cutting into form from sheets. If the 60 per cent ad valorem rate on finished or partly finished pyroxylin articles is sufficient, it is inconceivable that the proposed rate of 2 cents plus 50 per cent ad valorem where bristles have been inserted into the pyroxylin handles can be justified or for that matter that the 1 cent plus 50 per cent ad valorem in the case of the pyroxylin handle without the bristles can be justified.

Certainly the bristles furnish no excuse, because, as above stated, all other brushes are rated at 50 per cent ad valorem with no specific rate depending upon the material of the handle.

If it was the intention of the framers of the proposed bill to protect the pyroxylin industry with a rate of 60 per cent ad valorem (par. 31-b-2) for finished or partly finished articles in chief value of pyroxylin then the House should not have increased the rate on brushes or brush handles beyond 60 per cent ad valorem.

It is assumed that pyroxylin in any form, in the partly finished state, when imported, is competitive. For a discussion, we suggest a few articles belonging to this group: Mirror backs, knife handles, umbrella handles, nail-file handles.

What are these articles? Pyroxylin molded in the plastic state or cut from sheets or rods. All of these articles are practically monopolized by this country and when the House bill fixes a rate of 60 per cent ad valorem (par. 31-b-2), why? Because the House considered it adequate protection.

Further, we submit a table showing three articles made of pyroxylin to demonstrate the modus operandi of the proposed bill: No. 1. umbrella handle; No. 2, toothbrush handle; No. 3, toothbrush.

For easy calculation let us figure them all at the same first foreign cost—2 cents each:

Article 1, paragraph 31-b-2 would pay a duty of 60 per cent.

Article 2, paragraph 1506, 1 cent each and 50 per cent—equal to 150 per cent.

Article 3, paragraph 1506, 2 cents each and 50 per cent—equal to 200 per cent.

We herewith insert a table which graphically illustrates the tremendous increase in the percentage upon pyroxylin-handled toothbrushes by reason of the proposed specific rate of 2 cents each plus 50 per cent ad valorem, in comparison with the rate now in force under the 1922 act, paragraph 31. of 60 per cent on brushes in chief value of pyroxylin.

| Exhibit | Foreign cost per gross | Present duty 60 per cent | Proposed duty | | | Equivalent ad valorem percentage |
|---------|------------------------|--------------------------|---------------|------------------|--------|----------------------------------|
| | | | 2 cents each | Plus 50 per cent | Total | |
| A..... | \$1.44 | \$0.86 | \$2.88 | \$0.72 | \$3.60 | 250 |
| B..... | 2.03 | 1.21 | 2.88 | 1.01 | 3.89 | 191 |
| C..... | 2.18 | 1.31 | 2.88 | 1.09 | 3.97 | 182 |
| D..... | 2.25 | 1.35 | 2.88 | 1.13 | 4.01 | 178 |
| E..... | 2.43 | 1.46 | 2.88 | 1.21 | 4.09 | 168 |
| F..... | 2.61 | 1.56 | 2.88 | 1.30 | 4.18 | 160 |
| G..... | 3.03 | 1.82 | 2.88 | 1.52 | 4.40 | 145 |
| H..... | 3.28 | 1.97 | 2.88 | 1.64 | 4.52 | 137 |
| I..... | 4.00 | 2.40 | 2.88 | 2.00 | 4.88 | 122 |
| J..... | 4.39 | 2.63 | 2.88 | 2.19 | 5.07 | 115 |
| K..... | 4.68 | 2.81 | 2.88 | 2.34 | 5.22 | 112 |
| L..... | 5.07 | 3.04 | 2.88 | 2.53 | 5.41 | 107 |
| M..... | 6.30 | 3.78 | 2.88 | 3.15 | 6.03 | 95 |

The above table shows how unjustly the 2-cent specific duty operates. It imposes a tremendous burden upon popular-priced toothbrushes, the brush of the masses—school children, the laborers, the farmers, the welfare workers, the dental clinics.

It is a lamentable fact, but nevertheless true, that only about 75,000,000 toothbrushes are sold yearly in the United States, representing about 50,000,000 users. Hundreds of thousands are distributed free, and tremendous quantities are sold at cost by schools, welfare associations, and free clinics, all for the purpose of encouraging an increased use of toothbrushes as a health measure. It is an accepted fact that an unclean tooth is the worst enemy of the human body and the greatest predisposing factor of disease.

Doctor Mayo, of Rochester, Minn., recently made a statement, published by the press, that 75 per cent of the diseases were directly traceable to infected teeth.

A slogan used by one of the nationally advertised brands of toothbrushes, "A clean tooth never decays," is only too true.

No obstacle should be placed in the path of this welfare work and it may at least safely be said that if the proposed specific duty of 2 cents plus 50 per cent ad valorem becomes a law it will act as a very serious deterrent to the splendid efforts which for years have been made by the physicians, clinics, schools and welfare associations to teach mouth hygiene, to encourage the use of toothbrushes as a preventive for many diseases:

In addition we urge upon your committee that there is absolutely no need for the proposed special protection of pyroxylin-handled toothbrushes. If the House fixed, as it did, the rate of 60 per cent on pyroxylin articles, finished or partly finished, that with minor and not pertinent exceptions American manufacturers control, why discriminate against a commodity the total imports of which during 1928 amounted to the infinitesimal sum of \$236,139? (See p. 7234, minutes of hearings before the House committee, volume 14, Schedule 14, sundries.)

In this connection we beg to refer your committee to the table showing the importations of brushes for 1920 to 1928 appearing on page 7234 of the hearings just above referred to, which shows that the importations of brushes for 1920 to 1928 has suffered a steady decline and also to the table at the bottom of page 7235 (supplemented by the figures on p. 7237) showing that the volume of business of domestic brush manufacturers from 1914 to 1927 has steadily increased.

The only inference to be drawn from the above tables is that certainly the 1922 tariff act did not increase the importations of brushes to the detriment of domestic manufacturers but on the contrary that the business of the domestic manufacturers increased under the 1922 tariff act and no reason exists for placing any further burden upon the importation of toothbrushes.

In addition we call the attention of your committee to the fact that if tooth and toilet brushes are brushes, then the duty should not exceed 50 per cent (par. 1506), and on the other hand, if pyroxylin handled or backed tooth or toilet brushes belong to the class of finished or partly finished pyroxylin articles in chief value, the duty should not exceed 60 per cent (par. 31-b-2.)

In conclusion, for the reasons stated above and in our said brief before the House committee, we respectfully ask that the rate on tooth and other toilet brushes generally be maintained at 45 per cent ad valorem with no special discrimination in favor of pyroxylin-handled toothbrushes and that in any event the special rate of 2 cents each provided by paragraph 1506 for pyroxylin-handled brushes be eliminated.

Respectfully submitted.

C. L. THOMSEN.

[Extract from New York Times, Monday, June 24, 1929]

GUGGENHEIM TO GIVE FREE DENTAL CLINICS FOR CHILDREN OF CITY

Murray Guggenheim announced yesterday that he had provided for a foundation to establish a comprehensive city-wide system of free dental clinics for children, the first unit of which, to be built and put in operation as quickly as possible, will cost between \$3,000,000 and \$4,000,000.

Mr. Guggenheim pointed out that school medical inspections had revealed the fact that at 8 years of age approximately half the children in the public schools are suffering from dental caries, and said that, in his opinion, the most urgent need is for the prophylactic care and the treatment of children's teeth. Next in importance in this field he places the education of parents and children to a knowledge of the great harm that may result from neglect of the teeth.

In addition to preventive and reparative work, including departments for the straightening of crooked teeth, the new Guggenheim Foundation plans to provide for the training of dental hygienists for employment in our public schools and

industrial establishments. This is recognized as of prime importance, as only by the periodic cleansing and inspection of the teeth can many defects be discovered in their early stages and corrected. Efforts will be made to follow the example of the Rochester Dispensary in its close affiliation with the municipal school authorities. The maintenance of the health of school children has long been a recognized part of the program of the New York City Board of Education, whose experts, together with those of the department of health, will be asked to assist in the formulation of an effective program.

SUPPLEMENTAL BRIEF OF THE TOILET BRUSH GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS

SENATE FINANCE COMMITTEE,
Senate Chambers, Washington, D. C.

GENTLEMEN: The toilet brush group of the National Council of American Importers and Traders respectfully submit this supplemental brief for your consideration with reference to oral testimony made before your committee by Mr. Hill, representing the American Brush Manufacturers Association, and Mr. Aufesser, of the Mohawk Brush Co., Albany, N. Y.

It is claimed by the American Brush Manufacturers Association that their industry is "really a distressed industry" and that at the present time there are only 302 factories instead of 379 ten years ago. Even in view of the reduced number of factories making brushes, the total manufactures of brushes by the American brush manufacturers has consistently increased in value, as is shown by the table, printed on page 7235, with added figures on page 7237, of the hearings on ways and means, House of Representatives, volume 14, Schedule 14, sundries.

It is pointed out by Mr. Hill that the present volume is \$43,000,000 instead of \$50,000,000 six years ago. Variations in the American production of brushes is not due to competition, but to business conditions, and it will be found that imports of brushes correspondingly rise and fall in the same periods. To illustrate, we give the following comparative figures:

[Source of information: Biennial Census of Manufactures of the Bureau of the Census, Statistics of Department of Commerce and Navigation]

| Year | Domestic brush manu- facturers | Total brush imports |
|-----------|--------------------------------------|------------------------|
| 1921..... | \$35,545,000 | \$2,270,989 |
| 1923..... | 50,512,000 | 3,157,453 |
| 1925..... | 45,824,000 | 1,565,969 |
| 1927..... | 47,844,124 | 1,648,081 |

Regarding the number of people employed in the American brush industry, which Mr. Hill states had dropped from 8,700 to 7,600 in the last six years, this drop is due to the fact that brushes are being manufactured more and more by automatic machines, many of which have been installed during the past six years, thus permitting one person to manufacture several times the quantity formerly manufactured with old-type machinery and hand labor.

The imports of brushes, we submit, have not in the least affected the volume of the American brush manufacturers, as is shown by the table of imports. (P. 7234, hearings on ways and means, vol. 14, schedule 14, sundries.) This clearly shows that imports have steadily declined and that there has not been a large increase in imports, as stated by Mr. Hill, of the American Brush Manufacturers Association.

We quote from Mr. Hill's testimony as follows:

"As to the remarks of the last speaker that Doctor Mayo said 75 per cent of the ills to which we were subject were due to infected teeth, I sometimes wonder how much of that is due to the Japanese toothbrushes which are made in uninspected factories and unsupervised homes. Our brushes are manufactured in sanitary factories, and they are all sterilized. They are compelled to be handled in that way by the various laws."

The brush group of the American Council of Importers and Traders takes exception to this remark by Mr. Hill. Toothbrushes from Japan are made from thoroughly sterilized bristle and are made in sanitary factories by machines and not in homes. There has never been a case of disease directly traceable to a Japanese brush. We know that the brushes imported into the United States from foreign countries are in every detail sanitary. The bristles used in the greatest percentage of toilet brushes manufactured in this country are imported from Japan and are the same bristles as used by the Japanese manufacturer. The bristles are not again sterilized by the American manufacturer either before or after being made into brushes.

The wood-back toilet-brush industry in this country is not threatened with extinction, as claimed by Mr. Hill. The firm that Mr. Hill represents has been making a high-grade line of toilet brushes, which finds ready sale throughout the country, and their loss of business is not due to foreign competition. The type of brushes made by the Whiting Adams Co. (Mr. Hill's firm) are sold at much lower prices than the same quality of imported brushes.

For a period of time the American brush manufacturers of wood-back hairbrushes suffered alike with the importers, due to the fact that there were less hairbrushes used because of the hobbled-hair craze and permanent waves. This business is returning slowly, as the public in general is being advised to use hairbrushes to stimulate and promote the growth of healthy hair.

With reference to the statement made before your committee by Mr. Aufesser, of the Mohawk Brush Co., with reference to Ames Bonner & Co., of Toledo, and Grand Rapids Brush Co., Grand Rapids, Mich., we understand these firms did not fail due to the competition of imported brushes, but due to other causes.

In conclusion, may we emphasize—

(1) Imports of brushes amount to only 4 per cent of the total of American manufactures.

(2) The duty now paid on the foreign value of imported brushes, 45 per cent ad valorem, is greater than the entire labor cost of making like brushes in this country. This applies to the majority of types of brushes.

(3) And further, that the proposed duty of 2 cents each and 50 per cent ad valorem on pyroxylin brushes will seriously affect the retail price of popular-priced brushes purchased by the masses.

(4) Therefore, we respectfully ask that the rate on tooth and other toilet brushes generally be maintained at 45 per cent with no discrimination in favor of pyroxylin-handled brushes.

Respectfully submitted.

C. L. THOMSEN, *Chairman,*

Sworn to before me this 28th day of June, 1929.

[SEAL.]

BEATRICE TROMMER,

Notary Public, New York County.

Commission expires March 30, 1930.

**STATEMENT OF E. K. WILLIAMS, NEW YORK CITY, REPRESENTING
S. H. KRESS & CO., F. W. WOOLWORTH & CO., AND S. S.
KRESGE & CO.**

[Toothbrushes]

Senator KEYES. You were sworn before, I think.

Mr. WILLIAMS. Yes, sir. I am interested principally in the celluloid toothbrushes sold at 10 cents. I represent S. H. Kress & Co., and also I appear on these things in behalf of F. W. Woolworth & Co. and S. S. Kresge & Co.

The proposed act represents an increase in duty of about 35 per cent on a 10-cent toothbrush. It is principally the specific duty of 2 cents that causes our trouble. We are only concerned in retaining a good quality of 10-cent toothbrush. There are 10-cent toothbrushes made in this country, but they are usually made of No. 1 bristles, and do not last well, and we have worked for a number of years to develop a brush made with a celluloid handle, with a higher grade of bristles.

The question of the domestic source of supply is only dependent on the fact that the handles are only obtainable from three sources of supply, namely, the Du Pont Viscoloid Co., the Fabricoid Corporation, and the Celluloid Corporation, the Du Pont being the controlling factor.

The Rubberset Co., which makes toothbrushes, have their own source of supply and make their own handles. We contend that we need that duty, and that we are either going to have to lower the value very materially to our customers by offering a domestic toothbrush of an inferior quality, or lower our quality for the imported toothbrush. If we could have that 2 cents specific duty lowered, we could boost up and increase the present duty 35 per cent on the 10-cent toothbrush, we would be all right. To do that we propose that you should insert, "valued at \$6 a gross or less, 60 per centum ad valorem." That would take care of the 10-cent toothbrush and would not affect the higher-priced brush. There may come a time when the domestic toothbrush manufacturer will be able to sell a satisfactory toothbrush at 10 cents. If so, we would buy it of them. It is much simpler to buy the domestic toothbrush than to go through the operation of importing the foreign toothbrush.

We also contend that the proposed duty will not relieve the serious condition of the American industry today, for according to figures, that we have been able to gather, the amount of labor in producing a 10-cent toothbrush, excluding the handle, because of course they have to buy handles from the domestic sources of supply that I spoke of at \$6.50 a gross—the amount of labor is \$1.25 a gross. That is the amount of labor that goes into a 10-cent toothbrush, and the wholesale price is \$10.77. Now, those figures are given to you with just the knowledge we have of the domestic, gathered from the domestic sources of supply, with whom we are in close touch; but probably the Tariff Commission can verify those facts before you pass on the proposed rate of duty. I have these facts here.

Senator THOMAS. Do these concerns of the class that you represent patronize the foreign factories and purchase these toothbrushes of the cheaper grades?

Mr. WILLIAMS. We have to get the quality, to-day. I might mention here that our total imports, that is of the companies I mentioned, amount to less than 6 per cent of our total purchases. Of course we always patronize the domestic industry, because of the easy handling, and we are vitally interested in American industries, because their success is our success.

Senator THOMAS. Can you buy the imported brush and pay a duty on it and get it for less than you can buy the domestic brush of the same quality?

Mr. WILLIAMS. Some of them; but I believe that the lowest priced domestic toothbrush to-day is \$8.50 a gross. I am told that; I am not sure of that.

Senator WALSH of Massachusetts. What is the lowest priced of the imported?

Mr. WILLIAMS. In the imported we have a 10-cent brush that we usually get for 70 cents a dozen.

Senator WALSH of Massachusetts. How much a gross?

Mr. WILLIAMS. That would be \$8.40.

Senator WALSH of Massachusetts. That is more than the domestic? Mr. WILLIAMS. Yes; except for the quality of the bristles.

Senator WALSH of Massachusetts. But you can buy a domestic toothbrush cheaper than you can any imported toothbrush to-day.

Mr. WILLIAMS. No; I would not say that, because of the quality of the bristles, which is an important feature in a toothbrush—the last thing, quality of the bristles.

Senator KEYES. Is that all?

Mr. WILLIAMS. Yes.

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

TOOTHBRUSHES—SUGGESTED CHANGES AND REASONS

SUGGESTIONS AS TO PARAGRAPH NO. 1506, H. R. 2667

The following changes in this paragraph are suggested:

After the words “* * * paragraph 31 * * *” insert “* * * valued at \$6 per gross or less, 60 per centum ad valorem; valued above \$6 gross * * *”

REASONS

The provision of the bill as it now stands will result in wholly eliminating from the market 10-cent toothbrushes with pyroxylin handles that will stand up under use for a reasonable period of time.

The only brushes of domestic manufacture that can be and are retailed at 10 cents are made of No. 1 bristles or the residue bristles of higher-priced items, second cuttings, etc., which bristles are not serviceable but will soften and break after a very short period of use. This type of brush is offered at 10 cents principally to complete a line to stimulate the sales of higher-priced items.

It is submitted that if the provision as now framed is enacted, these brushes will be withdrawn, and that consequently practically all brushes which up to now have been sold at 10 cents will disappear from the market.

The No. 1 or No. 2 bristles, we are advised by the manufacturers of domestic toothbrushes, retailing at 10 cents, cost approximately \$1.50 for gross brushes. Other charges are labor, \$1.25 gross; overhead, \$1.10 gross; boxing, packing, 25 cents gross; discount, 17 cents; and the pyroxylin handles, \$6.50 gross, making a total of \$10.77 gross.

The reduction in duty on the bristles of 4 cents a pound will hardly be of material benefit to the domestic manufacturer in producing the 10-cent brush. The bristles are a small percentage of the cost as compared with the cost of the handles. The handles are obtainable from practically only three sources of supply, all of which are closely allied and dominated by the one large manufacturer who dominates the pyroxylin industry of this country, and in view of the fact that they also manufacture completed brushes they are essentially interested in keeping up the prices of their monopoly and are in a position to do it, so if the pending bill is passed the consuming public will be forced to pay whatever these factors demand for they are undoubtedly requesting the most outstanding protection. The labor in making toothbrushes is less than 15 per cent of the actual manufacturing cost so the protection asked for is fostered entirely by the producers of the handles.

The pending bill serves the profit interest of the manufacturers of handles alone and does not serve the interest of anyone else.

It therefore appears that the controlled source of supply for handles—a virtual monopoly—is in the position to totally determine to a large extent the cost of manufacture of brushes. In this price-determining power the virtual monopoly is buttressed by a tariff *vy*.

It is strange that in the hearings before the Ways and Means Committee the representative of the American brush manufacturers first gave it as his opinion that it was not possible to produce a 10-cent toothbrush in the United States, but that later through amendment he faced about and declared that it would be possible to produce a 10-cent brush because increased volume of production would result in decreased cost. He realized at that time it was not up to the brush manufacturers but the producers of the handles.

The domestic brush industry has prospered under the conditions that now maintain. True, the growth in production has been in the higher-priced brushes.

This is due to the fact that in these brushes the cost of the handle does not represent so large a percentage of the total cost.

As we have indicated this will continue to be the situation if the pending legislation is enacted unless it is amended so as to admit of competition of foreign produced handles with domestic produced handles and the price fixing power of the virtual domestic monopoly in handles is changed.

The provision if enacted as it now stands will only serve to deny to millions of our people brushes at 10 cents and will raise materially the cost to them of what is a health necessity.

This result will necessarily effect detrimentally the health-conserving movement which has grown tremendously in recent years and which has been carried to all of the nation's children in the schools in tooth-cleaning drills and talks upon the health value of the regular use of the brush.

Of what value is it to preach mouth cleanliness and at the same time to place the cost of a reasonably effective brush beyond the sum which the household budget of families of limited means can provide for this item of expenditure?

Before the Ways and Means Committee it was stated that no attempt is made to insure proper sanitary conditions in the factories in Japan. This is a serious charge. On the basis of our own knowledge and experience we deny it without reservation. The brushes are produced by machinery, in factories in which proper sanitary conditions are maintained. They are put through a sanitary sterilization process. The factories are inspected by American representatives at frequent intervals. These representatives have a high appreciation of their responsibility for the health of the users of the brushes. The thoroughness of their inspections is evidenced by the complete lack of complaint by the users of the brushes and the complete failure of anyone to claim to have traced diseases to the use of the brushes.

Specifically our suggestion asks for the value of \$6 per gross because of the price fixed for the handles by the Du Pont organization.

E. K. WILLIAMS.

STATEMENT OF GATES B. AUFSESSER, REPRESENTING THE MOHAWK BRUSH CO., ALBANY, N. Y.

Mr. AUFSESSER. Our company probably produces more popular-priced wood-back toilet brushes than any other company in this country. The only reason that I am testifying—and I will only take a moment—is because of the statements made in the supplementary brief by the importers' association before the Ways and Means Committee of Congress, in which they singled out the Mohawk Brush Co. in a statement that the Mohawk Brush Co. is successfully competing with the importers in obtaining the brush business of this country.

The reason that I am testifying is because that is only partially true, and I wish to state that although on the surface we are successfully competing, actually, from any banking point of view, we are going backward very quickly.

I have seen my largest competitors one by one get out of business I have seen the Grand Rapids Brush Co. and the Bonner Co., of Toledo, Ohio, who were the two largest companies in my line of business when I started in business 22 years ago, get out of business. I have seen the Grand Rapids Brush Co. go into bankruptcy and the Bonner Co. settle with their creditors and get out of business.

We have to-day, probably, as I said before, the largest concern. We have made up our minds to compete—to die fighting, in other words, in hopes that we will, after a while, get some relief from Congress and the United States Senate on the question of the tariff.

We have met the importers' prices, and we have done business; at this sacrifice, however, namely, at a reduction of executive salaries within the past five years of 60 per cent. We have maintained our

average scale of our labor, and taken it out of our management; with no dividends paid to either preferred or common stockholders during that period by the Mohawk Brush Co.

Senator WALSH of Massachusetts. How long has that been?

Mr. AUFSESSER. During the past five years.

Senator WALSH of Massachusetts. Five years?

Mr. AUFSESSER. And with an actual net loss on the gross amount of our sales during that period each year, a loss for the average of the five years of between 6 and 7 per cent on our gross sales.

Gentlemen, the importers claim that we are successful. My stockholders will not look at it that way. We have lost money.

Senator THOMAS. Did you organize your business?

Mr. AUFSESSER. I practically organized it. That is, back in 1907, when I graduated from school, I worked as an apprentice at the brush business. I can make a brush from beginning to end. I can operate any kind of a machine in my plant. We have developed automatic machinery in our plant, so that if you will just let me stray for a moment from what I was going to say there, I will say this.

Before the war our competition was from the machine-age Germany. We competed against the machine age of Germany of that period, and we had no automatic machines.

During the war, as necessity is the mother of invention, we produced an automatic machine. To-day we have a plant in Albany with this modern machinery, as fine machinery as there is in any plant in the world, I venture to say.

Then we find that instead of the competition of Germany, we had the child-labor competition of Japan. We had the Japanese children making brushes, and no matter how good we make our machinery, no matter how good we produce our merchandise or how cheap, we can get it out without sacrificing American labor, but we can not compete against the child labor and the home labor proposition in Japan.

Senator THOMAS. Do they make as good a brush as you can make?

Mr. AUFSESSER. They can.

Senator THOMAS. And make it for less than your machines can produce it for?

Mr. AUFSESSER. Yes.

Senator THOMAS. How much capital did you start your business with, 22 years ago?

Mr. AUFSESSER. I started my business 22 years ago with \$15,000 capital, and \$12,500 of it was borrowed money and \$2,500 was my own.

Senator THOMAS. What is your investment now?

Mr. AUFSESSER. About a quarter of a million dollars.

Senator THOMAS. In 25 years or less?

Mr. AUFSESSER. Almost all of it, if I may supplement my answer, was made during the period of the World War. The United States Government had possession of our plant, from the end of 1917, and in 1918, during which time I was in the Army in France, Lieutenant Rankin of the United States Army was in charge of my plant. They built up my plant during that period, and when I got back from the Army I had on my hands a modern plant, with no cash; and that plant I value to-day at a quarter of a million dollars.

Senator WALSH of Massachusetts. Does the increase in capitalization represent earnings and profits?

Mr. AUFSESSER. Only partially so.

Senator WALSH of Massachusetts. How much more money did you put in, in addition to the original capital?

Mr. AUFSESSER. In 1920, after the war was over, my brother and I put up \$40,000 in cash to tide over the Mohawk Brush Co. We were in financial trouble at that time.

Senator THOMAS. Had you made that money out of the plant in former years and saved it?

Mr. AUFSESSER. Partially so. If you will allow me, although it has nothing to do with this, and no bearing, I would say that I do not depend 100 per cent on the income from that company for my living. I do not know where that particular money came from. We have never drawn a lot of money out of the Mohawk Brush Co.

Senator KEYES. Is that all?

Mr. AUFSESSER. That is all I have to say. Thank you.

**STATEMENT OF DR. HAROLD M. WEINBERG, REPRESENTING THE
NEW YORK MERCHANDISE CO., NEW YORK CITY**

(The witness was sworn by Senator Keyes.)

Doctor WEINBERG. I am a physician, but am not practicing. I represent a merchandising company that does \$8,000,000 worth of business. I think we buy about as many domestic manufactured brushes as we do imported. I know both sides of the brush business pretty well.

The gentleman who represented Kress here was very honest in saying that he would prefer to buy domestic brushes—so would we prefer to buy the domestic. We do not have to advance our moneys six months in advance, and do not have to worry about delivery, or to worry about turnover. If I could buy domestic brushes I could get 12 turnovers as against 3 or 4 turnovers with the foreign article.

I have heard this testimony before you to-day, and I thought it was only fair to help your committee out, and being a physician I thought it would be some help to you gentlemen to know that the gentleman who refuted the statements about health and hygiene said something derogatory about the methods of the Treasury Department. You know, the Treasury Department is the strictest in enforcing the importations of anything that may tend to produce disease, particularly on bristles; everything must be sterilized.

When do you hear of a case of anthrax? Anthrax, years ago, was a common thing, as the result of infected animal hair or bristles. They can not come in here now. They are kept out thoroughly. I should say, that seldom if ever, do we hear about a case of anthrax.

Some one referred to a statement of the representative of the National Council of Importers that referred to the number of people who do not use toothbrushes. It is very difficult to determine exactly the total amount of brushes used in the United States. About a year ago, the fact was mentioned in *Printers Ink* that there were about 50,000,000 toothbrushes sold. I am willing to add to that and make it 75,000,000. Now we must allow that some persons use more than one brush a year which will cut that down to 60,000,000 users of toothbrushes.

Dental clinics and educational institutions all over the United States, health and hygiene organizations of every kind have distributed brushes free, and in spite of this fine work the figures show

that there are millions of children who do not use toothbrushes. The great insurance companies are distributing toothbrushes at cost.

The gentleman who preceded me representing Kress mentioned that a toothbrush must be good enough or else it defeats the purpose for which such a brush is made. We all know that the recesses between the gums and the margin of the teeth are places where decay starts, and unless you can remedy that condition by having a bristle that will have an abrasive surface, it will do no good. It is very simple to understand that if you can not brush off the dirt and can not remove foreign products, you can not clean the teeth; and our purpose is to give the very best there is for 10 cents. No matter what rate you will put as a duty, there will always be the 10 cent toothbrushes, but they will be mighty cheap goods.

Senator THOMAS. Do you mean to say that all imported toothbrushes are thoroughly sterilized?

Doctor WEINBERG. Unquestionably.

Now, there was mention made about refuting Mr. Thompsen's statement about the Mohawk Brush Co. Obviously, what the gentleman from the Mohawk said about his own earnings and increased capital speaks for itself. The gentleman said that he started with a capital of \$15,000, \$12,500 of which he borrowed, and that after the war he and his brother put in \$40,000. Presumably they paid back the \$12,500 that they borrowed, and on top of that they made \$200,000, which is an enormous profit.

I happen to know something about the Mohawk Brush Co., and I happen to know something about domestic brushes, and I buy where I can. A man came in here and he wanted to know how in the world we got mixed up with the importers here in this proposition. I am not interested, in imports. I am interested in my own business; but I tell you this, that merely to try to get protection for the purpose of building an industry is primarily wrong.

A simple little thing like the quill brushes that he talked about, and that are used for iodine application, or go into the corks of liquid nail polish. These brushes cost 30 cents per gross and are sold for 35 cents per gross. This article, gentlemen, according to their proposal will pay a duty of 2 cents each, or \$2.88 per gross plus 65 per cent ad valorem.

Senator KEYES. I take it that you do not believe in the protective policy?

Doctor WEINBERG. Protective, yes; but not prohibitive, and not to put a penalty on goods not made here. Liquid nail polish retails for 10 cents. The retail store pays 5 or 6 cents for that article. If the duty is 2 cents each and 65 per cent ad valorem on the brush alone, where is the cost of the bottle? Where is the cost of the liquid?

Take artists' brushes. They are selling in this country for as low as \$1.25 per gross. A great number of them go into the making of those little paint sets, which is the first step in teaching the child something about art. The whole set retails for a dime. The retailer pays from 5 to 6 cents for it. It includes the paintbrush and the metal case. He would impose a duty of 2 cents each on the brush.

Let us be frank with ourselves. The Ways and Means Committee investigated the proposed changes recommended by the brush group. They asked for 2 cents each and 65 per cent ad valorem. It represents a gross industry of approximately \$60,000,000. The House, after

a thorough investigation, fixed a duty of 50 per cent because they considered it adequate protection. The only ones that got extra protection were the celluloid interests.

I am not a tariff expert, but it strikes me that all through the tariff book we find two things, either the intention to protect the basic industry or else to protect the manufactured article. In the case of brushes, the House fixed a duty of 50 per cent, considering it adequate protection. In paragraph 31 there is a provision made for celluloid articles that come in sheets or rods, 45 cents per pound. Get your tariff expert to find out how much pyroxylin came in. It shows that very little pyroxylin came in. On top of that, they have another classification for these articles, finished or not finished, which may mean a handle or any other article that is not finished. What is a finished article? It means a piece of celluloid in the plastic slate or cut from the sheet. So, on top of that, they put a duty on the handles of 1 cent each. Then, when we add a little bristle to it, which makes it a brush, they put on 2 cents each and 50 per cent ad valorem. I can not understand why the 2 cents, if pyroxylin, is adequately protected, as articles finished or unfinished or as a crude material and brushes are protected. What else do they want?

Senator KEYES. What do you want?

Doctor WEINBERG. Leave it as it is.

Senator KEYES. All right. That is what you advocate?

Doctor WEINBERG. Leave it as it is.

Senator KEYES. You mean the law?

Doctor WEINBERG. The Fordney-McCumber bill is sufficient to cover it.

Senator KEYES. That is satisfactory to you?

Doctor WEINBERG. Yes, sir.

PYROXYLIN, HORN, AND CELLULOID ARTICLES

[Paras. 1506, 1510, 1513, 1537, and 1554]

BRIEF OF THE PYROXYLIN PLASTIC MANUFACTURERS ASSOCIATION AND THE HORN AND CELLULOID MANUFACTURERS ASSOCIATION

[Including par. 31]

Hon. REED SMOOT,

Chairman Finance Committee, Senate of the United States.

On behalf of the Pyroxylin Plastic Manufacturers Association and the Horn and Celluloid Manufacturers Association (of Leominster, Mass.), we are directed to petition your committee with respect to the following paragraphs:

Par. 1506.—Toothbrushes.

Par. 1510.—Buttons.

Par. 1513.—Dolls and toys.

Par. 1537.—Combs.

Par. 1554.—Umbrella and cane handles.

A review of the briefs and testimony of the National Council of American Importers and Traders (celluloid group), in opposition to the recommendations made by the Pyroxylin Plastic Manufacturers Association relative to paragraph 31 of the tariff act of 1922, seems to indicate that the National Council of American Importers and Traders (celluloid group) are to a certain extent unfamiliar with the pyroxylin plastic industry, and particularly with the conditions and problems of and other obstacles confronting not only the manufacturers of raw materials but the fabricators of finished articles as

well. Their briefs and testimony obviously represent the viewpoint and interest of the importers and traders only, without taking into consideration nor weighing the necessity of the protection of a vital American industry and the capital invested therein.

The National Council of American Importers and Traders (celluloid group) are apparently not as much concerned with whether or not the pyroxylin plastic manufacturers can exist under the present tariff rate as they are with quantity distribution and incidentally the profits accruing therefrom.

As indicated in our brief filed with the Ways and Means Committee on January 8, 1929, no cost data has been submitted in support of the claims for the rates requested. This is because of the fact that the Tariff Commission has recently made an investigation of the pyroxylin plastic industry. They have been given access to the plants and records of the manufacturers, and it is understood that the results of this investigation are now available to your committee. It is believed that the results of this investigation will fully justify the rates requested.

The imports of finished articles dutiable under paragraph 31 of the 1922 tariff act consist largely of combs, toothbrushes, dolls, and toys. It is estimated that the 1927 domestic production of these articles amounted to between \$4,500,000 and \$5,000,000. It, therefore, appears improper to compare the aggregate imports of \$2,500,000 with the estimated production of all classes of articles produced in the United States in chief value of pyroxylin, amounting to approximately \$50,000,000.

When the duty of 60 per cent now imposed by law, plus an allowance for freight and other expenses, is added to the \$2,500,000 worth of imports, it will be realized that the landed price of the imports of these articles amounts to between \$4,175,000 and \$4,500,000. It is, therefore, evident that the landed price of the imports of toothbrushes, dolls, toys, and combs is equal to that of the domestic production of these articles.

Of the \$1,700,000 of imports from Japan, it is estimated that half of this amount represents imports of toothbrushes. Because of the inroads made upon the American market in dolls and toys and combs in 1928, the production of these articles in the United States fell off at least one-third.

The rates requested upon toothbrushes, toothbrush handles, combs, dolls, and toys are not prohibitive, and under the rates requested 95 per cent of the importation of these articles can still be sold in the syndicate stores for 10 cents each and still allow the retailer a reasonable profit. It is not to the interest nor the desire of the American manufacturer to in any way curtail the American market of the 10 cent article.

Sixty per cent of the combs, dolls, and toys produced in the United States are being sold at retail at 10 cents each. Over 80 per cent of the imports of these articles can still be brought in and sold for 10 cents each at retail.

The American consumer will suffer no hardship. The only burden will fall upon the importer, who has had the advantage of excessive profits.

PARAGRAPH 1506—TOOTHBRUSHES

The American manufacturers of toothbrushes are equipped to meet the domestic demand for all classes of toothbrushes, including those that retail at 10 cents each. They are also able to make toothbrushes to retail at 10 cents each which are equal in quality and service value to the foreign toothbrush.

Because of the fact that the Japanese toothbrushes can be purchased for amounts far below the cost of production in the United States, the domestic manufacturers have been able to secure only a small part of this business. A typical toothbrush sells for \$4 per gross in Japan, which after adding 60 per cent under the 1922 act and 10 per cent for handling, results in a landed price of \$6.80 per gross. The chain stores sell this brush for 10 cents each, or \$14.40 per gross. Under paragraph 1506 a duty of 2 cents each plus 50 per cent would result in a landed price of \$8.88 per gross, and allowing 10 per cent for freight and handling, would still give the chain stores a cost of \$9.28 against a selling price of \$14.40 per gross. The consumer would still be able to buy the Japanese brush at 10 cents each. The rates proposed in this paragraph will enable the American manufacturers to meet this price with a narrow margin of profit.

The imports of toothbrushes during the four months to April 30, 1929, have amounted to 621,254 dozen with a value of \$245,788. These imports are far in excess of domestic production of the comparable toothbrushes manufactured and sold to retail at 10 cents each.

PARAGRAPH 1510—BUTTONS

With the omission of the basket clause in paragraph 31 of the 1922 act the duty upon pyroxylin buttons would be reduced from 60 to 45 per cent ad valorem. The pyroxylin button industry in the United States, representing an output of at least \$750,000 per year, will be unable to meet foreign competition at this reduced rate. We therefore request that paragraph 1510 be amended so as to restore the rate of 60 per cent heretofore existing.

PARAGRAPH 1513—DOLLS AND TOYS

Dolls and toys composed wholly or in chief value of pyroxylin would carry a duty of 1 cent each plus 60 per cent if having any movable member or part, or 1 cent plus 50 per cent if without movable part. The large importations, principally from Japan, which, however, can not be segregated under the import statistics as now compiled, show clearly that the present duty is inadequate to give reasonable protection to the American industry. The bulk of these articles are also sold through the chain stores, the larger part being sold at 10 cents each. The proposed new rates will still enable the foreign articles to be sold, and in addition the American manufacturers can and will supply ample and varied assortment of these articles so that the price to the consumer will be no higher than at present upon the 10-cent article, which represents the largest volume and the greatest item of contention.

It is realized that in a negligible class of miniature doll and toy imports in which the labor cost is so great that it would be impossible for the American manufacturer to produce similar articles in competition with the foreigner, the rates requested would in certain instances amount to as much as 500 per cent. There is no desire to shut this class of articles out of the American market, and in order not to do so, no objection would be made to the addition of a provision excepting this class of dolls and toys, although this class of imports is almost negligible in amount.

In drafting this provision, it is vitally important to make certain that the provision is limited to complete toys and dolls so that it will not be possible to import parts at the lower rate and assemble the same in this country. We suggest for your consideration an additional clause to read as follows:

"Complete dolls and toys, with or without movable members, composed wholly or in chief value of any product provided for in paragraph 31, and valued at \$1.50 or less per gross, 70 per cent ad valorem."

PARAGRAPH 1537—COMBS

The following table shows the importation of pyroxylin combs during the first four months of the current year:

| Month | Quantity | Value |
|---------------|-------------|-----------|
| January..... | 607, 168 | \$22, 117 |
| February..... | 700, 326 | 23, 280 |
| March..... | 2, 119, 160 | 69, 886 |
| April..... | 2, 392, 558 | 74, 670 |
| Total..... | 5, 819, 212 | 189, 953 |

The above tabulation shows the large volume of importations coming into the United States under the 1922 act bearing a rate of duty of 60 per cent ad valorem. In the face of these large importations, representing quantities of combs in excess of domestic production of similar articles, it appears quite obvious that the rate of 60 per cent is inadequate to enable the American comb manufacturers to continue their business.

The new tariff act provides for a duty of 1 cent plus 25 per cent ad valorem on combs not exceeding \$4.50 per gross, and 2 cents plus 35 per cent ad valorem on combs above \$4.50 per gross. This duty amounts to only 57 per cent in the case of combs valued at \$4.50 per gross—a lower duty than under the existing law. Examination of the importations as above tabulated will show that the average price of all of the combs brought in during the first four months is

\$4.60 per gross, while a large part would come within the \$4.50 range. Combs with a foreign value ranging between \$3.50 and \$4.50 per gross are the most important from the standpoint of volume and need of protection, and we strongly urge that the inequality which results in a reduced rate of duty should be corrected before the present tariff bill is enacted.

The investigation conducted by the Tariff Commission will show that the rate of 1 cent each and 60 per cent ad valorem, as requested in our original brief, is needed in order to equalize competitive conditions, and we urge that this rate be established.

The question has been raised by some members of the committee, and will possibly be argued by the importers, that the proposed duty of 1 cent each plus 60 per cent would result in increasing the price to the American consumer of the 10-cent comb now sold through the chain stores. We submit that such is not the case. Under the proposed new rate of duty a comb with a foreign value of \$4.50 per gross, after paying duty of 1 cent each plus 60 per cent and allowing 5 per cent for expense of handling, would have a delivered cost of \$8.87 and could still be sold by the chain stores for 10 cents, allowing a full, legitimate mark-up to the dealer.

A similar comb would be manufactured and offered by the American manufacturers at a similar price, so that the consumer would still pay 10 cents for this useful article; the American manufacturer would be able to give employment to his workmen in producing this product, and the only difference would be that the importer would lose the advantage of the large profit he is now absorbing, as represented by the difference between the laid-down cost of foreign combs as compared with the cost of American product.

PARAGRAPH 1554—UMBRELLA AND CANE HANDLES

With the omission of the basket clause from paragraph 31, the rate of duty upon handles of umbrellas and canes will be reduced from 60 to 40 per cent. This large American industry doing a business of at least \$1,500,000 a year, which has already been meeting severe foreign competition at the existing rates, will be seriously injured, and we therefore urge that paragraph 1554 be amended so as to restore the present rate of 60 per cent ad valorem.

Respectfully submitted.

PYROXYLIN PLASTIC MANUFACTURERS ASSOCIATION,
By B. W. DOYLE, *Chairman*,
A. E. CAMERON,
For Tariff Committee.

BUTTONS

[Pars. 1509 and 1510]

STATEMENT OF F. C. VETTER, MUSCATINE, IOWA, REPRESENTING THE NATIONAL ASSOCIATION OF BUTTON MANUFACTURERS

[Pearl buttons, par. 1509]

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

Senator KEYES. You represent the Hawk-Eye Button Co.?

Mr. VETTER. That is a misprint, Mr. Chairman. I represent the Hawk-Eye Pearl Button Co. and in reality I am representing the National Fresh Water Pearl Manufacturers, representing something like 20,000 to 25,000 people.

Senator THOMAS. How many factories?

Mr. VETTER. Well, Senator, I could not just say. In finishing there is about 15 or 20. There are a lot of blank-cutting factories that cut the disks, the blank disks, and there are in that amount something like 15 of those.

Senator THOMAS. Where are they located in the main?

Mr. VETTER. All over the Mississippi Valley; in New York State, Massachusetts and all over the country.

Senator COUZENS. Are they genuine pearl buttons?

Mr. VETTER. Fresh water pearl buttons from the mussel shell.

I appear as a representative of the National Association of Button Manufacturers, which is composed of practically all manufacturers of fresh-water pearl buttons in this country.

I appear in connection with paragraph 1509 and 1510, as shown in H. R. 2667 as passed by the House. I appeared before the Ways and Means Committee of the House, giving testimony concerning the imports of agate and similar buttons, and indicating the strenuous competition which our domestic fresh-water pearl button is encountering with these imports. This testimony and brief of our association appears on pages 7245, 7255 of Volume XIV, Schedule 14, of the House hearings.

We ask for no change in the present law in regard to paragraph 1509 relating to the imports of pearl or shell buttons, this paragraph as it now stands in the present law being fairly satisfactory.

Senator KEYES. The House did not change it?

Mr. VETTER. It did not change it. In regard to paragraph 1510 in H. R. 2667 we wish at this time to call your attention to the activities of the importers in bringing into this country large quantities of agate buttons, since the tariff question was taken up in the Ways and Means Committee early in January of this year.

In the month of April, this year, which is the latest month for which we have import figures, we note that 401,082 gross of agate buttons valued at \$42,169, average price per gross 10.5 cents, were imported as against 244,112 gross of agate buttons valued at \$14,598 in the same month (April) last year.

This represents an increase in imports of these buttons of approximately 60 per cent over the corresponding month in 1928. It, therefore, appears that the importers are rushing into this country exceptionally large quantities of these agate buttons with the apparent idea of accumulating large stocks for consumption in this market, the effect of which will be very seriously felt by our industry.

We therefore urgently request that prompt action be taken upon this tariff measure and that paragraph 1510 as passed by the House and carried in H. R. 2667 be allowed to stand as written, to wit—

Senator KEYES. We have that?

Mr. VETTER. Yes, sir, you have got that. We are satisfied. The above phraseology was recommended by our industry to the Ways and Means Committee at its hearings in February and at that time this same phraseology was also recommended by three large importers in New York City, viz, Baily Green & Elger, Lidz Bros., and B. Blumenthal Co. (Inc.). This is evidenced by the brief filed by these importers with the Ways and Means Committee.

Senator WALSH of Massachusetts. What is the difference between the present duty and the duty in the House bill?

Mr. VETTER. The present duty is a specific duty of 1½ cents a line plus 25 per cent ad valorem.

Senator WALSH of Massachusetts. What is the duty in the House bill? How much does the duty there represent in ad valorem terms?

Mr. VETTER. Very considerable. That is a specific duty of 1½ cents a line. Buttons are gauged by one-fortieth of a line to the inch.

A 20-line button would be a half-inch button, which would take 20 cents and a half of 20 would make it 30 cents, plus the ad valorem duty. The specific duty would add to your increase over the present cost of the agate button, not costing much—it only costs about 8 cents on the average. If you take 15 per cent from 8 cents gross import cost you have not got any protection.

Senator WALSH of Massachusetts. Can you not give us a concrete case?

Mr. VETTER. As to the difference?

Senator WALSH of Massachusetts. Yes.

Mr. VETTER. You might take a 20-line button, under the new law it would take a duty of 32 cents a gross based on an 8-cent valuation, and the other would be 15 per cent of 8 cents, or about 1 cent.

Senator WALSH of Massachusetts. Where do the foreign buttons come from?

Mr. VETTER. Well, they come from most all countries. Our biggest competitor however, being Czechoslovakia. They also come from Germany, from France, and the Japanese are now making them and that situation concerns us very much; especially if they do like they did with pearl buttons. I appeared for the committee in 1922 and we were being forced out of the pearl-button business. We did not attack the agate button at all, because we never thought it would bother us. At that time we only asked for relief in connection with the pearl buttons.

Senator KEYES. It would mean more to me if you could express to us what the increased cost of a dozen buttons or a hundred buttons would be if a person were purchasing buttons under the proposed law and under the present law. How much of a difference does it mean?

Mr. VETTER. In order to get this clear to you I will have to take a moment of your time to explain. In making the fresh-water buttons you take the shell out of the Mississippi River and its tributaries. You put them through your machines. You may get 15 grades of buttons. Now, these agates do not bother our better grades of buttons. What they bother is what we call the halfway. There will be about 50 per cent good and 50 per cent below that mark.

The lower grade buttons that we formerly sold in the American market ranging from 15 to 25 cents a gross we now have on our shelves, due to this agate competition. Some of the very large mills in this country who used to be customers of ours have gone to agates because we can not compete. A 20-line pearl button costs 8 cents a gross to cut and they bring them in for 8 cents. We have not a chance. Therefore a specific duty is required to protect it. You take a button costing 8 cents a gross compared with a button that we would sell, we would have to get in the neighborhood of 20 cents for a 20-line button, and they sell it in the market—that is, it comes in at 8 cents. They do not sell it at 8 cents. They sell it for a price ranging from 10 to 11 or 12 cents. We can not compete with that kind of a business.

Senator WALSH of Massachusetts. Would you be able to compete with them if you had this duty?

Mr. VETTER. Yes, sir.

Senator WALSH of Massachusetts. This represents about 100 per cent increase?

Mr. VETTER. Yes, sir. That is all it may do. It may be the means of bringing into this country the agate button industry. If it is brought into this country and started here it will, however, have to come in under the American standards of wages. That is all we ask, is the American standard of wages and that they pay that wage scale. There is no pearl that can compete with it. It can not do it because it is only feldspar and clay which is poured and moulded.

Senator KEYES. Anything else?

Mr. VETTER. That is all.

**BRIEF OF THE OCEAN PEARL BUTTON MANUFACTURERS
ASSOCIATION, NEW YORK, N. Y.**

[Pearl buttons, par. 1509]

HON. HENRY W. KEYES,

*Chairman Subcommittee No. 4, Senate Finance Committee,
Washington, D. C.*

SIR: We address you with regard to paragraphs 1410 and 1411, schedule 14, of the present tariff act (pars. 1510 and 1511 of H. R. 2667). We are satisfied with the rates on our commodity and on agate buttons (a competing product) as adopted in H. R. 2667. We therefore propose not to take up the time of your honorable committee with further extended representations, but respectfully refer you to the brief submitted to the Ways and Means Committee on behalf of our industry.

In our brief to the House Ways and Means Committee relative to these paragraphs we requested that a limitation be placed on the amount of imports of ocean-pearl buttons from the Philippines admitted free of duty. This request was made because of the fact that imports of ocean-pearl buttons from the Philippines free of duty increased in quantity from 226,090 gross for the year 1921 to 922,199 gross in the year 1928, which has contributed very largely to the depression in this industry. We realize, however, that the admission of imports from the Philippines free of duty is part and parcel of a larger national policy which can hardly be affected by the requirements of this relatively small industry.

We therefore request that if your committee establishes a limit to the volume of imports of any other commodity admitted free of duty from the Philippine Islands, you extend further opportunity to the ocean-pearl button industry to place before you additional data for your consideration with respect to the urgent need of our industry for protection against low-paid Philippine labor as embodied in the pearl buttons brought in from the Philippine Islands.

Respectfully submitted.

OCEAN PEARL BUTTON MANUFACTURERS ASSOCIATION,
Per THEODORE G. ROBINSON,
Chairman Tariff Committee.

**STATEMENT OF BERNHARD NATT, REPRESENTING THE LINDEN-
HURST MANUFACTURING CO., LINDENHURST, N. Y.**

[Plastic buttons, par. 1510]

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

Mr. NATT. I represent the Lindenhurst Manufacturing Co., makers of horn buttons for the past 30 years.

Senator WALSH of Massachusetts. Where is your factory located?

Mr. NATT. Lindenhurst, N. Y.

Senator WALSH of Massachusetts. How many other like factories are there in this country?

Mr. NATT. There is but one other making the identical merchandise, because it has always been a sort of a semisecret process. During the time we have been in business it is natural to presume that we have lost some of our employees and they have carried with them the manner in which these goods have been made.

Senator WALSH of Massachusetts. How long have you been in business?

Mr. NATT. Thirty years.

Senator WALSH of Massachusetts. You come to argue in favor of a duty upon a button which is not classified in this bill but which you wish to have included in the dutiable provisions?

Mr. NATT. Not one particular button, but I do ask this in all fairness to American manufacturers of ivory buttons and also molded buttons, and I ask that there be included in paragraph 1509, which is identical with 1410 of the act of 1922, the same protection that is accorded the ivory button industry. If not, I say to you in all sincerity that the ivory button manufacturers as well as the manufacturers of other buttons or molded articles will be driven out of business, just as manufacturers of a higher grade of horn buttons were driven out, due to the fact they did not receive the protection necessary in order to manufacture their merchandise and compete with the importation of German and English made goods.

Senator KEYES. Do you desire to file a brief?

Mr. NATT. All we desire to submit at this time is the phraseology of the new paragraph:

PAR. (1410) 1509. Buttons of vegetable ivory, finished or partly finished, and buttons manufactured from plastic materials such as phenol-resins, proxylins, casein, powdered blood, ground hoof, ground horn, or any other synthetic artificial product, finished or partly finished, 1¼ cents per line per gross; button blanks, made of the foregoing materials, not drilled, dyed, or finished, three-fourths of 1 cent per line per gross; buttons of pearl or shell, finished or partly finished, 1¼ cents per line per gross; pearl or shell button blanks, not turned, faced, or drilled, 1¼ cents per line per gross; and, in addition thereto, on all the foregoing, 25 per centum ad valorem: *Provided*, That the term "line" as used in this paragraph and paragraph 1510 shall mean the line button measure of one-fortieth of 1 inch.

Senator KEYES. Very well. I think we understand that.

Senator WALSH of Massachusetts. In other words, your button is not pear or shell?

Mr. NATT. No, sir.

Senator WALSH of Massachusetts. But it is a different button and you want it to be included in the language in this paragraph so as to be with all other buttons?

Mr. NATT. Yes, sir. And may I say to you that until a few years ago we exported a great many of our manufacture to England and to Germany, but we are no longer to do so, due to the fact we can not compete with the German manufacture. And the English Government, for protection of its industry, has put a 33 per cent duty on the importation of that article so as to prevent its coming in.

Senator WALSH. Now, without this amendment which you propose your buttons would fall into one of the basket clauses?

Mr. NATT. That is right.

Senator WALSH of Massachusetts. And receive a duty—

Mr. NATT. Of 45 per cent.

Senator WALSH of Massachusetts. While if placed in 1509 you will get the same duty which other buttons are getting, which represents $1\frac{1}{4}$ cents per line per gross and a 25 per cent ad valorem?

Mr. NATT. That is correct.

(Mr. Natt submitted the following brief:)

BRIEF OF THE LINDENHURST MANUFACTURING Co., LINDENHURST, N. Y.

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

GENTLEMEN: We are manufacturers of molded hoof-horn buttons. The cattle hoofs from which we make these buttons are purchased from American packers, such as Armour, Cudahy, Swift, etc.

Buttons made from hoof horn are used principally by the manufacturers of lower-priced men's and women's clothing.

We have been in this business continuously for 30 years. We employ 150 to 200 factory workers and thereby have done much to develop this fine, solid, Long Island community.

When the tariff act of 1922, now in force, went into effect there were no buttons of any consequence manufactured from plastic materials such as bakelite (phenol-resin), galalith (casein), blood, ground horn, ground hoof, etc.

In the past five years, however, there has been in Europe a rapid development of button-manufacturing processes resulting in a large production of buttons made from plastics novel in the button industry. In the United States it has only been possible to manufacture buttons from like material within the last year or two.

Since these buttons were not a factor in the button trade in 1922, the present tariff act contains no reference to them. Now, however, since this class of merchandise is being manufactured extensively by European manufacturers who are shipping into this country, it is our opinion that the American manufacturer should receive such protection as will make it possible for him to continue in business and keep his workers and his plant employed.

This can only be done if a duty on imported buttons of plastic materials shall be at least equal to that on vegetable ivory buttons, viz, $1\frac{1}{4}$ cents per line per gross and 25 per cent ad valorem. (Par. 1410, tariff act of 1922, and par. 1509, H. R. 2667.)

At present plastic buttons are classed as "buttons not specially provided for." Under the provisions of both paragraph 1411 of the 1922 act and of paragraph 1510 of the tariff bill of 1929 (H. R. 2267), they carry a duty of 45 per cent ad valorem instead of the higher duty on vegetable ivory buttons with which they come into direct competition.

The continuance of permitting the importation of buttons made from plastic materials with a duty of 45 per cent ad valorem only will seriously cripple the vegetable ivory button industry as well as drive out of business manufacturers of buttons like those we produce.

Consequently, we urge that the new tariff law take cognizance of these new buttons and that they be specifically assessed with the same rate of duty as that pertaining to vegetable ivory buttons, and we therefore respectfully urge that the following language, or its equivalent, be incorporated in the new tariff law:

"PROPOSED CHANGE IN PARAGRAPH 1509 OF H. R. 2667"

"PAR. (1410) 1509. Buttons of vegetable ivory, finished or partly finished, and buttons manufactured from plastic materials such as phenol-resins, pyroxyllins, casein, powdered blood, ground hoof, ground horn or any other synthetic artificial product, finished or partly finished, $1\frac{1}{4}$ cents per line per gross; button blanks, made of the foregoing materials, not drilled, dyed, or finished, three-fourths of 1 cent per line per gross; buttons of pearl or shell, finished or partly finished, $1\frac{1}{4}$ cents per line per gross; pearl or shell button blanks, not turned, faced, or drilled, $1\frac{1}{4}$ cents per line per gross; and, in addition thereto, on all the foregoing, 25 per centum ad valorem: *Provided*, That the term 'line' as used in this paragraph and paragraph 1510 shall mean the line button measure of one-fortieth of 1 inch."

Respectfully submitted.

LINDENHURST MANUFACTURING Co.
BERNARD NATT.

**STATEMENT OF JOHN D. MOORE, REPRESENTING THE ERINOID
CO. OF AMERICA, NEW YORK CITY**

[Plastic buttons, par. 1510]

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

Mr. MOORE. I am sales manager of the Erinoid Co. of America.

Senator KEYES. What does this company do?

Mr. MOORE. We produce casein plastics, which are widely used, or which is widely used, in the button trade. Those are made of milk. There are four of us manufacturers in this country.

Those are samples of sheets [indicating] immediately ready for manufacture into buttons, mostly for women's wear.

Senator WALSH of Massachusetts. What do you call these buttons?

Mr. MOORE. They are known in the trade as Galiloth buttons.

Senator WALSH of Massachusetts. That is a different button than described by the last witness?

Mr. MOORE. Yes, sir.

What I want to say is that Mr. Natt desired to be easy and merciful on you. What we are trying to guard against is not only the difficulty now prevailing; but, due to the rapid advance of synthetic organic chemistry, it is becoming very much graver to us.

The importations of horn buttons are used on the finer American clothing—on fine clothing like that made by Brooks Bros., and Rogers Peet and Hickey-Freeman, of Rochester. They use horn buttons, all of which are brought from England. Well, 90 per cent are, and perhaps 10 per cent from Germany.

In Leominster, Mass., that was a thriving industry at one time, but it is now extinct. We are confronted with these synthetic compositions which are beginning to come in and are going to come in in greater volume.

The situation at the time of the passage of the Fordney-McCumber Act of 1922 was this, that these so-called plastics were unknown; they were in their infancy at that time. They are now getting stronger, and we apprehend—not without reason, because we have had ample experience—that in the very near future, unless we get the same protection given the ivory buttons, we will be very seriously handicapped.

Senator WALSH of Massachusetts. You are in the same position as the last witness?

Mr. MOORE. Yes.

Senator WALSH of Massachusetts. You are in a basket clause?

Mr. MOORE. Yes.

Senator WALSH of Massachusetts. And you will get a duty of only 45 per cent?

Mr. MOORE. 45 per cent.

Senator WALSH of Massachusetts. And you want to get into the regular button paragraph?

Mr. MOORE. Yes.

Senator WALSH of Massachusetts. Which includes all of these different kinds of buttons where you can get this higher duty, both specific and ad valorem?

Mr. MOORE. Yes, sir.

I would like to indicate the importance of these people who are in bad shape. Here is a picture of Mr. Natt's factory [indicating]. These are real industries.

Senator THOMAS. Are they about to close up?

Mr. MOORE. They are not making a dollar. I realize that I was sworn by the chairman and I am giving you the exact truth. I have been in the present business something over two years. I made an exhaustive study of it. I went to Leominster, Mass., and dug up a city directory of 1908 to look into this industry, and all of them are out of business. They made a pathetic effort to form an organization in the ivory-button trade, but the association does not function. They are in very bad shape.

Senator WALSH of Massachusetts. You are asking more for yourself than for the ivory men?

Mr. MOORE. Yes, sir.

Senator WALSH of Massachusetts. You say that button is made from casein?

Mr. MOORE. Yes.

Senator WALSH of Massachusetts. One of the highest agitated question here for increased tariff duty is casein.

Mr. MOORE. I was not aware of that.

Senator WALSH of Massachusetts. Do you know there is a tariff duty on casein?

Mr. MOORE. Yes.

Senator WALSH of Massachusetts. How much casein do you use in making those buttons?

Mr. MOORE. We use in the neighborhood, I should say, of 250 tons a year.

Senator WALSH of Massachusetts. A large amount?

Mr. MOORE. Yes.

Senator WALSH of Massachusetts. You say that they are made mostly of milk?

Mr. MOORE. Entirely so.

Senator WALSH of Massachusetts. So you are interested in keeping that duty down, I suppose?

Senator COUZENS. Do you use domestic casein or imported?

Mr. MOORE. We use domestic.

Senator WALSH of Massachusetts. Of course, that is affected by the tariff.

Mr. MOORE. Surely.

Senator KEYES. I think that concludes the hearing.

Mr. MOORE. I want to thank you for the courtesy of being permitted to appear here.

(Mr. Moore submitted the following brief:)

BRIEF OF THE ERINOID CO. OF AMERICA

SUBCOMMITTEE NO. 4, COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: The undersigned is the manufacturer of Erinoid, a noninflammable casein plastic. Most of the material we produce is used in the manufacture of buttons.

In the United States the making of casein plastics is only about 4 years old. Our factory at Bainbridge, Chenango County, N. Y., started to operate in 1925. Its establishment was the direct result of, and was made possible by, the schedule of duties provided by paragraph 33 of the tariff act of 1922. Prior to that time,

imports supplied the American market and practically no casein plastics were made in the United States. Now six factories are in operation and they compete for the American business in casein plastics. It is no secret that few if any of these factories are making a profit.

As stated above, American button manufacturers consume the great bulk of our product. The development of this button trade has been difficult and expensive. Now we and our customers as well find ourselves confronted by a very serious problem in the competition of a new type of button imported from Europe.

These new buttons are the result of the great advances made abroad, particularly in Germany, in the field of synthetic chemistry. Buttons are being made of such materials as powdered blood, ground hoof, ground horn together with the phenol-resins, such as bakelite, on which the original patents have expired. The general name for such materials is "plastics."

These buttons have been developed so recently that no provision at all was thought necessary for them in the tariff act of 1922. (Par. 1411.) And since no definite rate of duty was specified, they are classed as "not specially provided for" and carry a duty of 45 per cent ad valorem. They carry the same duty in the tariff bill of 1929. (Par. 1510.)

They compete directly not only with American-made buttons, fabricated from American plastics, but they also compete with American buttons made from vegetable ivory which carry a much higher rate of duty, the same being identical in both the tariff act of 1922 (par. 1410) and the tariff bill of 1929 (H. R. 2267), paragraph 1509.

Unless an adequate rate of duty is now provided, these European buttons will enter the United States in such volume as to affect very adversely not only American makers of plastics and plastic buttons but makers of vegetable ivory buttons as well. We therefore respectfully petition that plastic buttons be classified in the group in which they logically belong, viz, that of vegetable ivory, and to this end we request that the present language of paragraph 1509 of the pending bill be amended to read as below, in which text the words printed in *italics* show the new matter.

"PAR. (1410) 1509. Buttons of vegetable ivory, finished or partly finished, and buttons manufactured from plastic materials such as phenol-resins, pyroxylin, casein, powdered blood, ground hoof, ground horn, or any other synthetic artificial product, finished or partly finished, 1½ cents per line per gross; button blanks, made of the foregoing materials, not drilled, dyed, or finished, three fourths of 1 cent per line per gross; buttons of pearl or shell, finished or partly finished, 1¾ cents per line per gross; pearl or shell button blanks, not turned, faced, or drilled, 1½ cents per line per gross; and, in addition thereto, on all the foregoing, 25 per cent ad valorem: *Provided*, That the term "line" as used in this paragraph and paragraph 1510 shall mean the line button measure of one-fortieth of 1 inch.

Respectfully submitted.

ERINOID CO. OF AMERICA.
JOHN D. MOORE.

STATEMENT OF A. L. CLARK, NEW YORK CITY, REPRESENTING THE ROGERS MANUFACTURING CO., ROCKFALL, CONN.

[Agate buttons, par. 1510]

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

Mr. CLARK. I am sales representative of the Rogers Manufacturing Co. of Rockfall, Conn.

I am filing a brief in behalf of the bone-button industry, the purpose of which is to refute certain statements made by importers in the briefs which they filed with the Ways and Means Committee opposing increased rates of duties on agate buttons, paragraph 1411.

In the briefs filed by certain importers appear the statements that agate buttons are a commodity "not like or similar" to any buttons manufactured in the United States. That manufacturers of cheap

underwear use agate buttons purely by reason of economy, there being no other button made in the United States comparable to it from the standpoint of price and efficiency.

That an increase in the duties on agate buttons would necessitate the manufacturers using them, to advance prices to the consumer and to a class least able to stand it.

We will readily admit that agate buttons are cheap—so cheap that if we don't get an increase in rates soon the bone-button industry will no doubt cease to exist. As to the efficiency of the agate button, Mr. Brandt, an importer under cross-examination by Representative Treadway of the Ways and Means Committee admitted that agate buttons would not laundry and would break in the wringer. The statements that there is no other button similar or comparable made in the United States are not facts, for large quantities of agate buttons made for underwear are so similar in appearance to bone buttons that the average consumer does not know the difference.

I would like to show you gentlemen some samples of the American-made bone buttons. There is a button that is used very, very largely on cheap underwear in this country.

Senator COUZENS. What advantage do they have over the agate button?

Mr. CLARK. They will not break.

Senator COUZENS. What is the difference in cost?

Mr. CLARK. They are selling that button at a little under 11 cents in the 23-line, as against our price of 18½ cents on the bone buttons. I show you here, gentlemen, a garment made with imported.

Senator KEYES. Do you propose to leave these with us?

Mr. CLARK. Suppose I leave you sample cards and that will show you the same things. I will leave you sample cards. You see, this garment is altogether agate buttons. You will notice the similarity of the color, style, and shape. The average consumer can not tell the difference. My wife bought that garment and she thought they were bone buttons. That is how I came to get them.

Senator COUZENS. Does the average buyer of underwear know what kind of button there is on it?

Mr. CLARK. No, sir; the average consumer does not know the difference between those two buttons. I had to examine them pretty carefully myself.

Senator WALSH of Massachusetts. What did you say the difference in price is?

Mr. CLARK. Approximately 40 to 50 per cent under the sales price of our buttons. On the 23-line button our sales price is 18½ cents per gross and we are selling those buttons below cost.

Senator WALSH of Massachusetts. And they are selling their buttons for 50 per cent less than that?

Mr. CLARK. Yes, sir; 50 per cent under our sales price. This is all in our brief, giving the comparative prices between the imported agate and the domestic bone.

Senator THOMAS of Oklahoma. Where do the agate buttons come from?

Mr. CLARK. Czechoslovakia, Germany, France, some in Italy, and some in Japan.

Senator THOMAS. None made in America?

Mr. CLARK. None made in America.

Senator THOMAS. Why?

Mr. CLARK. We can not compete with that button.

Senator THOMAS. Why did you not make the agate button here?

Mr. CLARK. I would not be surprised if you have an agate button industry in this country.

Senator THOMAS. Why not?

Mr. CLARK. I do not know why not. They will have to come up to our prices of labor if they come here. We would welcome that competition if they came here on that basis.

For comparison, the selling price on the 22-line bone button is 18½ cents per gross as against 11 cents for agate, other sizes in proportion. Because of the lower price, large quantities of agate buttons are being used where bone buttons were formerly used, creating a most serious situation in the bone button industry.

Granting that an increase in duties did bring the selling prices of agate buttons on a par with bone buttons, it would not affect the cost price on average undergarments over ½ cent per garment. A very prominent manufacturer of children's undergarments told me only last week that such an advance could not affect the retail price as it would be absorbed, so it is ridiculous to say that the proposed advance in duties on agate buttons would create a hardship to the consumer, for if it was passed on it would only amount to 5 or 6 cents in a dozen garments in addition to which fact the bone button would probably outwear the agate button 3 to 1. In my brief I have pointed out the falling off in production of domestic made bone buttons and that agate buttons are sold from 40 to 50 per cent under the sales prices of bone buttons. I call your attention to the increasing quantities of agate buttons being imported.

Senator KEYES. Is that all in your brief?

Mr. CLARK. That is in the brief, yes.

Senator KEYES. Why repeat it? We will just have to read your testimony and then your brief.

Senator THOMAS. It has been stated before the committee frequently and almost constantly that these proposed duties if imposed will not raise the price of the product. If that is true, why all this array here trying to get the increase?

Mr. CLARK. Because our industry is suffering. Our production is decreasing.

Senator THOMAS. If it does not make any difference in the cost of the product, how will the increased tariff help you?

Mr. CLARK. They are underselling us.

Senator THOMAS. In other words, you want to prevent the importation of the competing article?

Mr. CLARK. I want to bring it on a par so that we have a chance to live. If we do not get this protection we will shut down our mill. If they get a preferential difference of 40 to 50 per cent under us on a button that is identically the same as ours, what chance have we got to live?

Senator THOMAS. Do you contend this bill will only place you on an equality with the importer?

Mr. CLARK. On the basis I have asked, it would put us on a par with them.

Senator THOMAS. You are asking for nothing in addition?

Mr. CLARK. Yes, sir; we ask for a half cent a gross in our rate before the Ways and Means Committee, which would bring them practically on a par with the price of bone buttons. We must have that protection.

Senator WALSH of Massachusetts. Are you satisfied with the House rates?

Mr. CLARK. Absolutely.

Senator WALSH of Massachusetts. You do not want any more than the House gave you?

Mr. CLARK. No, sir.

(The brief of Mr. Clark is as follows:)

BRIEF OF THE ROGERS MANUFACTURING CO. AND OTHERS

SENATE FINANCE COMMITTEE,

United States Senate, Washington, D. C.:

On February 15 last the writer appeared before the Ways and Means Committee in behalf of the bone-button industry, representing the Rogers Manufacturing Co., of Rockfall, Conn.; Hasteigh & Co., of Philadelphia, Pa.; and the Emil Wahl Manufacturing Co., of Philadelphia, Pa., the largest producers of bone buttons in the United States, filing a brief wherein we recommended that the present rates applicable to agate buttons in paragraph 1411 be increased.

In said brief we set forth the facts that the imports of agate buttons were increasing and rapidly replacing large quantities of domestic-made bone buttons for use on underwear, children's garments, etc., and at selling prices ranging from 40 to 50 per cent under the prices of domestic-made bone buttons, seriously menacing the industry.

Briefs opposing increased rates of duties on agate buttons were filed by several importers, and the purpose of this brief is to contradict certain statements made in briefs filed by these importing companies.

In order to justify our request for assistance in the way of increased rates, we again set forth facts in relation to—

A. Comparative sales prices between domestic-made bone buttons and imported agate buttons.

B. The records of increasing imports of agate buttons.

C. The records of decline in the production of domestic-made bone buttons.

Comparative sales prices

| | Domestic bone but- tons, first quality | Imported agate but- tons |
|-------------------------------|---|--------------------------------|
| <i>Sew-on buttons:</i> | <i>Per gross</i> | <i>Per gross</i> |
| 18-line..... | \$0.14½ | \$0.06¾ |
| 20-line..... | .16¾ | .08½ |
| 22-line..... | .17½ | .10 |
| <i>2-hole corset buttons:</i> | | |
| 18-line..... | .14½ | .07½ |
| 20-line..... | .16¾ | .09¾ |
| 23-line..... | .18½ | .11 |

It can readily be seen that on this basis the importers are selling agate buttons at from 40 to 50 per cent under the prices of domestic-made bone buttons.

Imports of agate buttons

[Taken from Department of Commerce reports]

| Year | Quantity | Value | Average price per gross |
|-----------|---------------------------|-----------|-------------------------------|
| 1927..... | <i>Gross</i> 2,239,147 | \$179,742 | \$0.08 |
| 1928..... | 2,566,234 | 214,498 | .083 |

INCREASED IMPORTS FOR 1928 OVER 1927—327,087 GROSS

Following are Government reports on imports for the first four months of this year in comparison with the first four months of last year:

| Month | 1928 | | 1927 | |
|---------------|-------------------------|----------|-------------------------|----------|
| | Quantity | Value | Quantity | Value |
| January..... | <i>Gross</i> 209,418 | \$15,210 | <i>Gross</i> 211,486 | \$15,527 |
| February..... | 223,417 | 14,086 | 219,196 | 22,702 |
| March..... | 249,182 | 20,865 | 234,015 | 23,992 |
| April..... | 244,112 | 14,598 | 401,082 | 42,169 |

It is interesting to note from the above figures that during the two months of March and April this year the imports of agate buttons have increased 191,803 gross, or about 38 per cent over corresponding months for last year, and that for the month of April alone the imports of agate buttons have increased 156,970 gross, or about 64 per cent increase over March of last year.

These facts are very significant as well as serious, for it is safe to assume that, pending enactment of increased rates, we will have an ever-increasing quantity of agate buttons imported, resulting in further distress to the bone-button industry.

In comparison to the increasing quantities of agate buttons being imported, we set forth herewith the decline in the production of bone buttons for the period 1919 to 1925, the statistics being supplied by the Bureau of the Census, Washington, D. C.

Decline in production of bone buttons

| Year | Gross | Value | Average sales price per gross |
|-----------|-----------|-----------|-------------------------------|
| 1919..... | 2,170,800 | \$509,165 | \$0.23 1/4 |
| 1921..... | 1,693,400 | 488,425 | .28 1/4 |
| 1923..... | 1,617,299 | 395,814 | .24 1/4 |
| 1925..... | 1,690,976 | 296,343 | .175 |

The above figures show a reduction in the production of domestic-made bone buttons of nearly one-half million gross, or about 20 per cent, from the years 1919 to 1925, and a reduction in the average sales price of 6 cents per gross, or about 25 per cent. The Bureau of Census were unable to supply data on the production of domestic-made bone buttons alone for the years 1927 and 1928, having combined the production of bone buttons with composition and other buttons for these years.

It is a fact, however, that the demand for American-made bone buttons during these two years has fallen off considerably, and recently two of our largest customers manufacturing underwear have started using agate buttons where they formerly used bone buttons, with the result that we now have a large overproduction, making competition so keen that bone buttons are sold at cost or at a loss. The Rogers Manufacturing Co., report the largest stock on hand of bone buttons for some years, particularly in the lower grades. The average price secured by the Rogers Manufacturing Co., for all grades of bone buttons in 1928 was 14 1/2 cents per gross, resulting in a big loss in the bone-button department. Manufacturing bones have advanced about 25 per cent for the year 1929, adding a still greater hardship to the industry, and with the falling off in the demand for bone buttons we are threatened with a three or four day week in our bone button department.

We quote following remarks from briefs filed by leading importers setting forth their reasons for opposing the increased rates.

Brief of Brockman Bros., importers, New York City:

"May I say at the outset, that it is my earnest hope that you may decide not to change the rate of duty on the items represented on the sample cards marked

'Exhibit A,' for the reason that these agate buttons are used by manufacturers of the cheapest kind of underwear, such as is used by the poorest class of people. The manufacturers of this cheap underwear use agate buttons purely by reason of economy and also because there is no other button made in the United States that is comparable to it, both from standpoint of price and efficiency. This fact is borne out by the attached letters from manufacturers of children's cotton union suits and waists."

Brief of Charles H. Brandt, importer, New York City:

"Agate buttons are a commodity 'not like or similar' to any buttons manufactured in the United States. While we have no definite information of any proposed request for an increase in duty on said agate buttons, it is nevertheless true that a revision upward on this particular class of merchandise would eliminate it from the American market, with no prospects of having another domestic article which may be used substantially for the same purpose to take its place. Agate buttons are a clean, well-made, but low-priced article which is used by numerous domestic manufacturers on ready-to-wear apparel, such as blouses, working shirts and underwear, house dresses, etc. Agate buttons are a commodity quite independent of anything in the United States."

Under cross-examination by Representative Treadway, of the Ways and Means Committee, Mr. Brandt stated that the agate buttons would break in the wringer and that they would not go through the laundry. Brockman Bros. and Charles H. Brandt filed in connection with their briefs copies of letters from underwear manufacturers, etc., in each of which letters appeared statements identically alike, to the effect that an advance in the rate of duty on agate buttons would be a distinct hardship, inasmuch as there was no other article they could purchase which would be comparable or suitable to take the place of these agate buttons, and that an advance in the tariff on these buttons would necessitate an increase in the price of the merchandise which would have to be paid by the consumer and by a class of people least able to stand such an advance.

In these few remarks the importers are endeavoring to justify their opposition to an increase in duties on agate buttons. To begin with, it is absurd to state that there is no other buttons made in the United States comparable with agate buttons. Foreign agate button manufacturers have copied certain styles of domestic-made bone buttons for use on cheap garments. They have imitated them in color to the extent that the average consumer does not recognize the difference between the bone and the agate from appearance. Many firms who formerly used nothing but bone buttons are now using agate buttons. The plea of hardship it would place on the poor class of consumers is grossly exaggerated, for assuming that the price of agate buttons should be advanced on a basis equal with first quality domestic-made bone buttons, the average advance would be only about 7 or 8 cents a gross, and figuring on an average of eight buttons to a garment, the additional cost would be 5½ cents on one dozen garments, or less than one-half cent a garment. This argument could further be set aside by the fact that we could supply our lower grades at a difference of about 2 cents per gross advance over the agate button, and while these buttons would not be as perfect a button in appearance as the agate button, they are actually more substantial in wearing quality, and for that reason would really give better and longer service and be more economical for the so-called "poorer class."

The writer personally interviewed last week one of the largest manufacturers of children's undergarments in relation to this matter, and he stated without any question or doubt that if such an advance became effective on agate buttons the consumer would never hear of it; that the advance would be so small that it would be absorbed by the manufacturers or distributors. It is safe to assume that such an advance would not tax the average family more than about 5 cents per year if the domestic-made bone buttons were used in place of the imported agate buttons.

As against these arguments advanced by the importers of agate buttons are the facts that there is approximately \$1,000,000 invested in this country in the bone-button industry, employing directly or indirectly over 600 people, as against possibly one dozen employed in the two above-mentioned importing houses, and as against the fact that bone buttons are made from bones from American-grown cattle raised on the farms and ranches in this country, so that by increasing imports of agate buttons we are lessening the demand for American-produced bones, reacting directly against the farmer and cattle raiser.

The situation is extremely serious, and unless relief is secured through increased duties it appears inevitable that the bone-button industry will be eliminated in this country. In view of these facts, we earnestly request that the com-

mittee recommend the enactment of the rates on agate buttons as carried in the Hawley bill.

Respectfully submitted.

ROGERS MANUFACTURING Co.,
Per A. L. CLARK,
Sales Manager, 1182 Broadway, New York City.

In behalf of Rogers Manufacturing Co., Rockfall, Conn.; Hasleigh & Co., Philadelphia, Pa.; Emil Wahl Manufacturing Co., Philadelphia, Pa.

**STATEMENT OF MILTON SHAW, NEW YORK CITY, REPRESENTING
THE AGATE BUTTON GROUP, NATIONAL COUNCIL OF IM-
PORTERS AND TRADERS (INC.)**

[Agate buttons, par. 1510]

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

Mr. SHAW. I represent the National Council of Importers and Traders, various agate button importers, and about a dozen manufacturers of cheap underwear selling in the 10 and 25 cent stores.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. SHAW. No, sir. I am very happy to be here to-day and to have heard the testimony before me. I did not think it would be as interesting as it has proven to be. If the requests of Messrs. Vetter and Clark, the preceding witnesses, are granted, they would be requesting Congress to do nothing else but enact a piece of tyranny into the tariff.

Senator THOMAS. Whom do you represent?

Mr. SHAW. The New York Merchandising Co.

Senator THOMAS. What is that made up of?

Mr. SHAW. We are jobbers, wholesalers, manufacturers and importers of all kinds of products.

Senator THOMAS. Give some of the main products.

Mr. SHAW. Buttons, toys, dolls, underwear such as this. You may say anything from toothpicks to pianos. We have 20 departments and perhaps 20,000 articles—everything that is sold in the 5, 10, and 25 cent stores.

Senator COUZENS. Do you manufacture any of those articles?

Mr. SHAW. Some of the articles we give out to contractors; that is, the raw material. They manufacture it in turn and ship it back to us.

Senator COUZENS. You do not manufacture at all, then?

Mr. SHAW. We do manufacture in that sense. We control the factory output.

Senator COUZENS. You do not own the factories in which it is produced?

Mr. SHAW. Yes.

Senator COUZENS. What do you manufacture?

Mr. SHAW. We have a mill making underwear for us. I am not qualified to say about all of that because I am not the head of that department. I am here to testify merely with regard to buttons.

Senator COUZENS. What is your position with the New York Merchandising Co.?

Mr. SHAW. Manager of the button department.

Senator COUZENS. You do not know anything about the number of plants they own or what they manufacture?

Mr. SHAW. No, sir. In reply to a question asked of Mr. Vetter by Senator Walsh if the duty would be about 100 per cent, I will say, as a matter of fact, it runs as high as 882 per cent.

Senator WALSH of Massachusetts. That is the change from the present duty?

Mr. SHAW. Yes, sir.

Senator WALSH of Massachusetts. That is, the House duty will operate toward levying a duty of several hundred per cent higher than at present on certain imports?

Mr. SHAW. Yes, sir. The minimum ad valorem rate would be about 435 per cent.

The gentleman has here, if I may use this exhibit, a 20-line button, a line being one-fortieth of an inch, 20 lines being one-half inch. The duty on this button alone would be 1½ cents as proposed in the House bill. That is 30 cents, specific rate, per gross of buttons, and a 25 per cent ad valorem rate would amount to 1 cent; that is, the compound rate would be 31 cents per gross.

Senator COUZENS. It is at the present time 1 and a fraction cents?

Mr. SHAW. The present rate is 15 per cent, less than 1 cent. It amounts to an increase of between 3,000 and 6,000 per cent duty over the prevailing rates in the Fordney-McCumber Act of 1922. In that sense I think it is the highest advance ever asked for. It is an attempt to create an embargo on this line of merchandise in order to satisfy the selfish need of one or two manufacturers.

I have with me and wish to offer in evidence certain letters from various manufacturers of cheap underwear, such as the Cluett-Peabody Co., makers of shirts; the Ballard Knitting Co.; the New Hartford Knitting Co.; and others who are using these goods, as well as pearl buttons, and in which they state definitely that there is nothing comparable to an agate button, nothing they can buy in this market to suit their purposes. I believe they are more competent to state what they want than some of these other people. I will leave that for the record.

I also have here an exhibit showing the various kinds of agate buttons, the various kinds of bone and pearl buttons.

Senator COUZENS. You dispute the statement that they break more readily in the laundry than the bone buttons?

Mr. SHAW. I agree with the preceding witnesses in that respect. They break in the laundry more readily. In that respect they are inferior, far inferior in that they can not be compared. They serve two different fields in the industry. Agate buttons have been imported for 50 or 60 years. There never has been an agate button made or produced in this country. We are always ready, able, and willing to finance anyone who will manufacture them. There is no one, however, in this country who seems to know how to make these goods. We have been looking for some one that can make them. Why they can not make them in this country I am not able to answer.

Senator WALSH of Massachusetts. If we make the duty so high that the agate buttons can not come in, will you and these other underwear concerns resort to the use of other buttons?

Mr. SHAW. I do not know what they will have to do. I am not in position to say. One manufacturer states that he uses the pearl buttons. He does not know what he could use to take the place of his agate buttons. That is a matter for the future, if we create such

an embargo. In reference to the importation of buttons I will say there are about 7 per cent of the total consumption of buttons in this country that constitutes agate. The other 93 per cent constitute pearl and bone, papier-mâché; and such like.

Senator COUZENS. What percentage of the total consumption is imported?

Mr. SHAW. About 7 per cent.

Senator COUZENS. Of all kinds?

Mr. SHAW. I do not know about the other classes. I am only speaking of the agates.

Senator COUZENS. I want to know what percentage of all the buttons used in this country are imported?

Mr. SHAW. I am afraid I do not understand the question.

Senator THOMAS of Oklahoma. All agate buttons are imported, are they not?

Mr. SHAW. The agate buttons are imported.

Senator COUZENS. Including all the buttons outside of the agate classification.

Mr. SHAW. Let me answer it in this way. There are approximately 30,000,000 gross of pearl and bone buttons manufactured in the United States and there are approximately 2,000,000 gross of agate buttons imported into the United States.

Senator COUZENS. There are no importations of the other kinds of buttons then?

Mr. SHAW. No; absolutely none. Mr. Vetter has explained that he is satisfied with the duty on pearl buttons because there are no importations of any. If I may say so, the proposed bill, whether it was rushed through or not, certainly was not drafted with due regard to the economic effect. Certainly there is no purpose in asking for a rate of duty fifty times greater than would be necessary to create an embargo. If the duty on these goods were not 800 per cent of 700 per cent, but 50 per cent, we could not bring them in to compete with pearl and bone buttons.

Senator COUZENS. The witness does not need to get alarmed about our rushing it through.

Mr. SHAW. I have here samples of bone buttons, together with the price list of one of the largest, if not the largest, bone button manufacturer, to show that in their so-called undergrades of bone buttons they undersell the agate. The 20-line bone button is sold at 7½ cents per gross, as per the price list of the Emil Wahl Manufacturing Co. of March 1, 1929. The agate button in a similar-looking pattern is sold for 9½ cents, approximately 2 cents higher in price.

With regard to the question of creating a factory to compete with foreign countries, I may state it is not a question of labor at all. I have seen the goods made in the foreign countries. It is entirely a mechanical preparation from the very moment the raw earth and products are poured into a mold until the time that they are shipped, packed, and ready to be delivered. For that matter, the Chamber of Commerce statistics show that the cost of these agate buttons, the average cost in Japan where labor is lower than anywhere in the world, is 11 cents, which is 50 per cent higher than the price of these buttons in Europe, which is about 7 cents per gross. That is from facts stated by the Pearl Button Association, as well as authenticated by the Tariff Commission.

Senator WALSH of Massachusetts. Is that due to the fact that they use a mechanical process?

Mr. SHAW. Yes, sir. The fact is that Japan does not know how to make them mechanically well enough to compete with the European machinery-made buttons.

There is a novelty-painted agate button, a recent introduction into this country, a year or two old. There is nothing like it made in the United States. It is a novelty button which if used on garments will create additional business for the pearl button manufacturers. It brings in a new design to this country for the American manufacturers to follow and to supply their trade in this country.

The pearl-button manufacturers have what they call mill sweepings, such as those which they sell to the manufacturers of these cheap garments. They also sell the undergrade cheaper than the agate grade.

I have here invoices as well as samples to show that the average price of 16, 18, and 24-line buttons is 5 cents per gross.

The average price of the agate buttons on the 16, 18, and 24 lines is 8½ cents per gross. They are 60 per cent under the other price. They request Congress to advance the rate on the agate button to equalize it with pearl when the two articles are not in any way comparable.

They also stated the value of the imported agate buttons should be taken from the pearl-button business in this country. As a matter of fact, they are not increased. The importations of agate buttons have remained upon the same plane for the past ten years, varying between 179,000 or 180,000 to 214,000.

Senator COUZENS: If they get those rates what would they do with them. Do you mean they would raise the price to take advantage of this tariff?

Mr. SHAW. I don't know what they would do, but if they get their rates I know it would be an absolute embargo, even at 50 per cent. Even at 50 per cent it would be an embargo. And they would have that additional 2,000,000 without the competition of agate buttons, which holds them in place. If there were no agate buttons they could get anything at all for their pearl buttons, because where could the manufacturer of this garment go and get a button?

Senator COUZENS. Have they any combinations or don't they have any internal competition?

Mr. SHAW. I am not in position to state. They have the so-called National Pearl Button Association.

Senator WALSH of Massachusetts. The previous witness testified there had been a great jump in importations of agate buttons for the month of April?

Mr. SHAW. Yes.

Senator WALSH of Massachusetts. He gave us the impression there has been a steady increase. You challenge that statement, do you?

Mr. SHAW. That is obvious. A child can reason that out. If Congress is going to enact a 700 per cent duty on agate buttons, every dollar's worth of agate buttons I have on my shelf in agates will be worth a few pennies more, so I will rush to get as many in as I can before the tariff becomes effective. And people will wire to the factory: "Rush all you can. Work day and night."

Senator KEYES. Are you doing that?

Mr. SHAW. Yes, sir. We may be stuck in the end, though.

Senator THOMAS. Is that speculative?

Mr. SHAW. Yes, sir.

Senator WALSH of Massachusetts. The Senate may come to your rescue.

Mr. SHAW. Either way we are stuck something. The tariff act of 1922 provided for agate buttons. The House of Representatives would commend my speculations. I hope the Senate will find I have done the wrong thing.

The tariff act of 1922 designated agate button by name as well as pearl buttons by name, showing that there was a difference between pearl and agate buttons. And agate buttons were specially provided for as such at 15 per cent ad valorem. The act of 1913 was 15 per cent ad valorem, the act of 1909, one-twelfth of 1 cent per line per gross plus 15 per cent ad valorem. The House bill asks for a specific rate of 1½ cents per line, which is eighteen times the bill of 1909.

Senator COUZENS. You think they put something over on the House, then?

Mr. SHAW. I am sure of it. If you will read the testimony in the hearings before the Ways and Means Committee, that testimony was not under oath, unfortunately.

Senator COUZENS. You are keeping in mind that you are under oath, are you?

Mr. SHAW. Yes, sir. I am happy to be here, sir.

Congressman Ramseyer, of Iowa, the pearl button State, asked Mr. Vetter various questions. And Mr. Vetter was also from Iowa. He asked him various questions leading up to the present proposed rate in the House bill.

There are just one or two other things I will talk upon, and then I will take my leave.

I have never known it to be the policy of Congress in the previous acts to attempt protection for an industry which does not exist or to create an embargo on an article not manufactured in this country, and thereby deprive millions of families of the right to buy a cheap product used on cheap underwear selling for 25 cents.

It is true 10 or 12 buttons on a garment will not make much difference in price, but when you consider that that garment is manufactured and sold for 17 cents, if you add 1 penny to that garment it may no longer be in position to be sold at the 25-cent store, the store with the price limit, and if it must be sold at 28 cents or 29 cents it must be sold for 50 cents, because there are no intervening prices between 25 cents and 50 cents in the stores where these are sold. In that respect it would work a great injustice on the consuming public.

The fresh-water pearl-button business has increased. In 1925 their production was 21,000,000 gross; in 1927 it was 22,000,000 gross, showing that they have not lost in business due to the importation of agate buttons.

Furthermore, Mr. Vetter stated here to-day that there were approximately 20,000 to 25,000 employees in the fresh-water pearl-button business.

The United States Chamber of Commerce statistics show that the total production of pearl buttons in the United States is approximately \$7,000,000 per year.

Senator COUZENS. Do you mean the Chamber of Commerce or the Department of Commerce?

Mr. SHAW. I mean the Department of Commerce statistics show that the total production of pearl buttons in the United States is approximately \$7,000,000 a year. At that rate, gentlemen, 25,000 employees producing \$7,000,000 worth of goods per year can only be paid about \$3 per week.

Senator COUZENS. You challenge Mr. Vetter, who was also under oath?

Mr. SHAW. It is also impossible to have an industry turn out \$7,000,000 worth of goods and employ 25,000 people.

Mr. Vetter also mentioned there were certain importers—and he stressed the word “importers”—who objected to the importation of agate buttons, as their brief before the Ways and Means Committee will show.

Why not? They do not import agate buttons. They are not importers of agate buttons. They import glass buttons which compete the imported agates. It would be to their advantage to object to the importation of agate buttons and agree with the pearl-button manufacturers in this instance.

Lastly, Mr. Clark, in his testimony, said there is a 50 per cent difference. If we accept that for the sake of the argument, why grant the duty of 800 per cent when there is only a 50 per cent difference in the selling price, and disregarding entirely the fact that bone buttons are vastly superior to agate buttons.

As a matter of fact, when I approach an American manufacturer of underwear who is using bone buttons, if he manufactures a better class of article he will answer: “I will not buy your agate buttons at any price. They are too inferior. I do not manufacture the cheap line of merchandise.”

Furthermore, Mr. Vetter was more naive than convincing when he said 15 per cent duty is practically nothing on 7 cents. Any amount of duty on 7 cents would be practically nothing when it comes to that. It is generally recognized that 15 per cent duty on an article that is not manufactured in this country is a substantial duty for revenue purposes, inasmuch as there is no industry to protect.

I also offer in evidence these letters to go with my brief.

Senator COUZENS. Very well.

(The brief referred to is as follows:)

BRIEF OF THE AGATE BUTTON GROUP OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS

Paragraphs of the law in which interested:

Paragraph 1411 of the present tariff act of 1922:

“PAR. 1411. Buttons commonly known as agate buttons, 15 per cent ad valorem; parts of buttons and button molds or blanks, finished or unfinished, not specially provided for, and all collar and cuff buttons and studs composed wholly of bone, mother-of-pearl, ivory, vegetable ivory, or agate, and buttons not specially provided for, 45 per cent ad valorem.”

Paragraph 1510, H. R. 2667:

“PAR. 1510. Buttons commonly known as agate buttons, and buttons made in imitation of or similar to pearl, shell, or agate buttons (except buttons commonly known as Roman pearl and fancy buttons with a fish scale or similar to fish-scale finish), 1½ cents per line per gross and 25 per cent ad valorem; parts of buttons and button molds or blanks, finished or unfinished, not specially provided for, and all collar and cuff buttons and studs composed wholly of bone, mother-of-pearl, ivory, vegetable ivory, or agate, and buttons not specially provided for, 45 per cent ad valorem.”

STATEMENT

In paragraph 1510 of H. R. 2667 the House of Representatives has increased the duty on agate buttons from 15 per cent ad valorem in paragraph 1411 of the present act to "1½ cents per line per gross and 25 per cent ad valorem."

The proposed compound rate would be equivalent to an ad valorem duty of from 435 to 882 per cent, an increase of from 3,000 to 6,000 per cent over the present rate.

If enacted into law this provision would completely terminate the use of agate buttons in the United States.

The increased duties were apparently enacted at the request of certain domestic manufacturers of pearl and bone buttons whose testimony appears in Volume XIV, Schedule 14, of the hearings before the Committee on Ways and Means of the House of Representatives, at pages 7245 to 7279.

The purpose of the present brief is to bring to the committee's attention facts which we believe will prove beyond the possibility of reasonable controversy that the proposed embargo would, if put into effect, injure established domestic manufacturers of low-priced garments, and eventually the users of such garments, without presenting even a reasonable expectation that the purely theoretical benefits claimed by the domestic pearl and bone button manufacturers could be realized.

The very magnitude of the increased rate of duty which is fifty times higher than necessary to accomplish a complete embargo, shows that the proposed enactment was improvidently drafted without any scientific basis either with respect to the rates or the economic condition of the industry effected.

Agate buttons have been used in the United States in the manufacture of cheap garments for the past 50 or 60 years. They are not made in the United States, never have been made here, and there is no indication that they ever will or could be made here.

Congress is asked to perpetrate an injustice upon the manufacturers and users of low-priced garments without a scintilla of evidence that the hardship thus imposed upon the public and an important industry would accomplish any benefit to anyone. We accordingly request your committee to reject the provision adopted by the House of Representatives and to restore the classification of the present act of 1922 for the following reasons:

I. The proposed rate of "1½ cents per line per gross and 25 per cent ad valorem," applied to agate buttons is out of all proportion to their value and would completely eliminate them from our market.

When the present question was before the Ways and Means Committee, the National Association of Button Manufacturers filed a brief with the committee in which it was stated that the average import prices of agate buttons is 0.076 cent per gross (see hearings, Vol. XIV, Schedule 14, p. 7254).

We have submitted with this brief a card to which are attached samples of agate, pearl, and bone buttons. We have also indicated on the card in the case of each size the cost, selling price, and ad valorem duty equivalent of the compound duties provided for agate buttons by the House bill.

It will be noted that the ad valorem equivalents range from 435 to 882 per cent.

We have also attached price lists and invoices of the Reissman Pearl Button Works, the Mississippi Pearl Button Co. and Emil Wahl Manufacturing Co., and a consular invoice showing the import price of agate buttons.

The attached card shows the following costs, selling prices, and equivalent ad valorem rates of the proposed duty on agate buttons:

Cost and selling price at present rate of 15 per cent duty

| Size, white | Foreign cost per gross | Landed cost, includes 15 per cent duty and 10 per cent expense | Net cost, includes one-third overhead expense | Selling price per gross |
|-------------|------------------------|--|---|-------------------------|
| 16..... | \$0.028 | \$0.035 | \$0.047 | \$0.055 |
| 18..... | .036 | .045 | .06 | .07 |
| 20..... | .045 | .056 | .075 | .085 |
| 22..... | .052 | .065 | .087 | .10 |
| 24..... | .068 | .085 | .113 | .128 |
| 26..... | .08 | .10 | .133 | .15 |
| 28..... | .096 | .12 | .16 | .18 |
| 30..... | .11 | .138 | .184 | .21 |

Effect of proposed rate of duty

| Size, white | Foreign cost per gross | Specific duty | Ad valorem duty | Total duty | Per centage of duty |
|-------------|------------------------|---------------|-----------------|------------|---------------------|
| 16..... | \$0.028 | \$0.24 | \$0.007 | \$0.247 | 882 |
| 18..... | .036 | .27 | .009 | .279 | 775 |
| 20..... | .045 | .30 | .011 | .311 | 691 |
| 22..... | .052 | .33 | .013 | .345 | 653 |
| 24..... | .058 | .36 | .017 | .377 | 555 |
| 26..... | .08 | .39 | .02 | .41 | 513 |
| 28..... | .096 | .42 | .024 | .444 | 462 |
| 30..... | .11 | .45 | .028 | .478 | 435 |

Ninety per cent of the agate button business runs between the line measurement of 16 to 22, the average size being 20 line.

Under the proposed provision the duty on a gross of agate buttons size 20 line valued at 0.045 cent per gross would be 30 cents specific duty and 0.011 cent ad valorem or a total of 0.311 cent per gross. This would be equivalent to an ad valorem duty of 691 per cent.

It requires no argument to establish the fact that a 31-cent duty on $4\frac{1}{2}$ cents worth of merchandise would be prohibitive.

In his brief before the Ways and Means Committee, Mr. Vetter, speaking on behalf of the National Association of Button Manufacturers, stated that the present duty of 15 per cent on 0.076 cent "amounts to practically nothing." (Hearings, p. 7254.)

The duty charged on 7 cents worth of any kind of merchandise does not amount to very much, irrespective of what the rate of duty may be. A tax of 15 per cent is, however, generally recognized as a substantial tax when applied to the value of property. It has always been recognized as an ample customs duty on commodities not produced in the United States. Mr. Vetter's attempt to minimize the duty by applying the 15 per cent rate to 7 cents worth of merchandise is more naive than convincing.

At any rate whether we regard the proposed provision as a 31-cent tax on $4\frac{1}{2}$ cents worth of merchandise or as a \$31,000 tax on \$4,500 worth of merchandise it is an obviously unreasonable, unjust, and uneconomic provision.

II. The proposed rate of " $1\frac{1}{2}$ cents per line per gross and 25 per cent ad valorem" is out of proportion with any rate heretofore assessed in any tariff act on agate buttons.

Paragraph 1411 of the present act of 1922 provides a duty of 15 per cent on agate buttons.

Paragraph 339 of the act of 1913 provided a duty of 15 per cent.

Paragraph 427 of the act of 1909 provided a duty of one-twelfth of 1 cent per line per gross and 15 per cent ad valorem.

Paragraph 414 of the act of 1897 provided a duty of one-twelfth of 1 cent per line per gross and 15 per cent ad valorem.

Paragraph 316 of the act of 1894 provided a duty of 25 per cent ad valorem.

Paragraph 429 of the act of 1890 provided a duty of 25 per cent ad valorem.

All the foregoing tariff acts designate agate buttons by name.

The highest rates ever provided were those contained in the acts of 1897 and 1909, wherein the rate was one-twelfth of 1 cent per line per gross and 15 per cent ad valorem.

The proposed specific rate of $1\frac{1}{2}$ cents is eighteen times the specific rate in the acts of 1897 and 1909, while the additional ad valorem rate of 25 per cent is 40 per cent higher than the corresponding ad valorem rate in the earlier acts.

III. Agate buttons are not produced in the United States and there is no evidence to indicate that they ever could be produced here.

At the hearing before the Ways and Means Committee, Mr. Vetter, speaking for the National Association of Button Manufacturers said, at page 7245:

"Mr. VETTER. The present rate on pearl buttons is fairly satisfactory, and we ask that this rate remain unchanged.

"We wish, however, to call your attention to the imports of agate buttons. So far as we know these buttons are not made in this country. We are informed that the raw material used in making these buttons is feldspar and clay, and we believe that if the rate of duty we are requesting on agate buttons, namely, $1\frac{1}{2}$ cents per line per gross, plus 25 per cent ad valorem, be granted that two

objects will have been attained: First, that the domestic pearl-button industry will regain that part of the American market now lost to the importations of agate buttons; second, the possible establishment of a domestic agate-button industry in this country."

Agate buttons were imported and used in this country before the pearl-button industry was established here. The pearl buttons supply a demand in the manufacture of better class garments which has never been met nor could it be met by the agate buttons. The agate buttons are absolutely unsuitable for use on better class garments, while the staple quality pearl and bone buttons are too expensive for use in the manufacture of the cheap garments. The two classes supply separate and distinct uses.

We shall refer to this proposition at greater length in the next point.

The second "object" given by Mr. Vetter in the above quotation is "the possible establishment of a domestic agate-button industry in this country."

Agate buttons, as stated by Mr. Vetter, are made from feldspar and clay. The process is a secret held by the foreign manufacturers. It is useless to discuss the manufacture of these buttons in the United States until the American industry discovers a process by which they can be made here. There is something obviously irrational about the idea of excluding agate buttons in order to provide an opportunity for some one to discover a process of manufacture that has remained successfully undisclosed for the past 50 years. If American industry could manufacture agate buttons, the 15 per cent duty now provided would amply protect them because very little labor is employed and the materials, feldspar and clay, exist here in abundance. It would be a question of machinery and mass production. American industry needs no protection against Europe where machinery and mass production are the predominant features of the commodity.

IV. There is not a particle of evidence that the importation of agate buttons has in any way injured or even competed with the domestic button industry.

The domestic pearl-button manufacturers make what is known as fresh-water pearl buttons and ocean-pearl buttons.

The fresh water pearl buttons are made from shells found in the Mississippi River and its tributaries.

The ocean pearl buttons are made from salt water shells. According to the testimony of Mr. Vetter before the Ways and Means Committee (p. 7246) the average price of fresh water pearl buttons for the year of 1928 was 33 cents per gross.

According to the brief filed by Mr. Robinson for the Ocean Button Manufacturers Association, the average price of ocean pearl buttons for the year of 1927 was 85 cents per gross.

Considering the above prices it must be at once obvious that the pearl button industry could never have grown to its present proportions if agate buttons selling at an average price of 8½ cents per gross was in any measure a competitive article.

According to the statistics of the Department of Commerce furnished by Mr. Vetter and Mr. Robinson before the Ways and Means Committee, 22,051,963 gross of fresh-water pearl buttons were produced in the United States in the year of 1927 as against 21,688,298 gross produced in the year of 1925. The exports of fresh-water pearl buttons during the year of 1927 amounted to 395,605 gross having a value of \$128,400.

During the year of 1927, 5,075,116 gross of ocean-pearl buttons were produced in the United States.

The total production, therefore, of pearl buttons in the United States for the year of 1927 was 27,127,079 gross.

The imports of agate buttons for the year 1927 was 2,239,000 gross.

In view of the fact that agate buttons were imported and used in this country before the pearl button industry was established and the further fact that the pearl-button industry has grown to a production of over 27,000,000 gross as against the 2,000,000 gross of agate buttons used here, there is something obviously inappropriate in Mr. Vetter's claim that under the proposed duties "the domestic pearl-button industry will regain that part of the American market now lost to the importation of agate buttons."

As a matter of fact the domestic manufacturers of pearl buttons have no competition from broad. There has been a prohibitive tariff on pearl buttons in every tariff act, with the possible exception of the act of act of 1913, since the act of 1883.

Paragraph 1410 of the present act of 1922 completely protects the domestic button industry against foreign competition.

Mr. Vetter's idea, however, is that if the agate buttons should be eliminated, the pearl-button manufacturers could sell their mill sweepings to the present users of agate buttons at prices ranging from 18 to 20 cents per gross.

His testimony on that point before the Ways and Means Committee was as follows (Vol. XIV, pp. 7247, 7248):

"Mr. RAMSEYER. Let me see whether I understand you correctly. You are appearing here under paragraph 1411.

"Mr. VETTER. Yes, sir.

"Mr. RAMSEYER. And the industry that you represent has its protection under paragraph 1410, has it not?

"Mr. VETTER. Yes, sir; that is right.

"Mr. RAMSEYER. If I understand you correctly, you are not asking for any changes in paragraph 1410?

Mr. VETTER. No, sir; we are not.

"Mr. RAMSEYER. The rates there, according to your judgment, are adequate?

"Mr. VETTER. Yes, sir.

"Mr. RAMSEYER. But you are asking for increases in the rates in paragraph 1411 on the agate button?

"Mr. VETTER. That is right.

"Mr. RAMSEYER. The button that you do not produce?

"Mr. VETTER. That we do not produce.

"Mr. RAMSEYER. And which is not produced in the United States?

"Mr. VETTER. That is right.

"Mr. RAMSEYER. In order to get your statement clearly before the committee, in view of what was just brought out, just what is your reason now for asking increased duty on the agate button which is not produced by you or anyone else in the United States.

"Mr. VETTER. Well, Mr. Congressman, the reason is that in manufacturing fresh-water pearl buttons you can not manufacture one grade. You have to take the shell the way it comes from the river, cut it and put it through your machines, and in so doing you produce all grades, from what we call firsts down to the mill sweepings, as we call it. The buttons we sell from around 18 to 20 cents a gross—the agate button has taken away our business on that grade. In other words, it has left on our shelves buttons to the amount of several million gross that are unsalable merchandise, which we used to sell before."

Naturally this proposition does not commend itself to the domestic manufacturers of garments upon which the agate buttons are used. We find, therefore, in the hearings before the Ways and Means Committee vigorous protests against the proposed enactment by the following well known and well established American manufacturers: Cluett, Peabody & Co., of Troy, N. Y.; Perkiomen Knitting Mills, of East Greenville, Pa.; McCawley & Co., of Baltimore, Md.; A. Goldstein & Co., of New York City; the Pearl Waist Co., of New York City; William H. Shelp & Co., of New York City; New Hartford Knitting Co., of Utica, N. Y.; and Nazareth Waist Co., of Nazareth, Pa.

Letters of protest from the foregoing concerns are printed on pages 7268, 7269, and 7273 of the hearings before the Ways and Means Committee.

We have also attached to this brief additional letters from the New Hartford Knitting Co. and the Nazareth Waist Co., and from the Thomas P. Taylor Co., of Bridgeport, Conn.

Obviously there can be no competition between the staple pearl or bone buttons and the agate buttons because the prices and quality are too far apart.

So far as the under grade pearl and bone buttons are concerned, the attached card shows that under the present duty of 15 per cent the agate buttons sell at higher prices, thus:

| | Cost per gross |
|--|----------------|
| Bone, 20-line corset pattern..... | 7¼ |
| Agate, 20-line corset pattern..... | 9½ |
| Bone, 22-line corset pattern..... | 11¼ |
| Agate, 22-line corset pattern..... | 12¼ |
| Pearl, 16 to 24 line plain pattern, average..... | 5 |
| Agate, 16 to 24 line plain pattern, average..... | 8½ |

The under-grade pearl and bone buttons certainly present no reason for a duty of from 435 per cent to 882 per cent on agate buttons, because under the present duty of 15 per cent the domestic articles undersell the imported agate buttons.

Mr. Vetter is not asking for protection for his industry. He admits that the pearl-button industry is amply protected in paragraph 1410 of the present law. His proposition is nothing more nor less than a request that the Congress of the

United States shall enact a piece of petty tyranny into the law. He wishes Congress to legislate agate buttons out of our markets so as to force the above manufacturers into a position where they would be compelled to use the mill sweepings of the pearl button manufacturers and pay therefor a price based upon their own misfortune rather than upon the merit of the sweepings.

If, as claimed by Mr. Vetter in the above quotation from his testimony, he has left on his shelves buttons to the amount of "several million gross that are unsalable merchandise," it seems fair to inquire into the merits of this "unsalable merchandise" or "mill sweepings" before legislating the manufacturers of garments into a position where they would have to use that or nothing.

There is not a scintilla of evidence in the hearings before the Ways and Means Committee to show that the several million gross of unsaleable pearl buttons would or could properly take the place of agate buttons.

As stated by the manufacturers of cheap garments in their protests against the proposed duty "there is no other article we could purchase which would be comparable or suitable to take the place of these buttons."

In the hearings before the Ways and Means Committee certain manufacturers of bone buttons also requested an advance in the duty on agate buttons. (Hearings, p. 7270.) Here again there is no competitive relationship.

In the brief filed by the Roger Manufacturing Co. the average selling price given for bone buttons is 0.175 per gross while the average selling price for agate buttons is given at 0.08 per gross.

The Roger Manufacturing Co. complains as follows:

"It can readily be seen that, on this basis, the importers are selling agate buttons at from 40 per cent to 50 per cent under the prices of domestic-made bone buttons * * *. The only remedy is a specific duty of at least one-half cent per ligne per gross plus 25 per cent ad valorem."

The duty requested by the bone button manufacturers would amount to about 12 cents per gross as compared to the 31 cents per gross duty requested by the pearl button manufacturers. The purpose in each instance seems to be to compel a price for agate buttons equal to the price charged for pearl buttons in one case and bone buttons in the other. The fact that both the pearl buttons and the bone buttons are far superior to the agate buttons has been given no consideration whatsoever.

There is something supremely selfish in the request that a commodity which for fifty years has served a useful purpose to the public shall be forced out of the market on the mere speculative possibility that the manufacturers of pearl and bone buttons might in some undefined way profit thereby.

Those seeking an increase in the duties on agate buttons have attempted to create the impression that agate buttons are supplanting the pearl and bone buttons and that the production of the latter has fallen off while there has been an increase in the import of agate buttons.

The statistics, however, do not bear that out. During the period between 1925 and 1927 the production of fresh-water pearl buttons increased from 21,688,298 gross to 22,051,963 gross, an increase of 363,665 gross.

During the same period the importation of agate buttons decreased from 2,286,152 gross in 1925 to 2,239,147 gross in 1927, a decrease of 47,005 gross.

In the case of the ocean-pearl buttons the statistics produced before the Ways and Means Committee by the Ocean Pearl Button Manufacturers Association shows that there was a decrease production in the ocean pearl buttons from 6,145,442 gross in 1925 to 5,075,116 gross in 1927, a decrease of 1,070,326. The importation of agate buttons, however, has nothing whatever to do with the decrease in the production of the ocean pearl button. The Ocean Pearl Button Manufacturers Association, in their brief before the Ways and Means Committee explains the reason as follows at page 7256 of the hearing:

"It will be noted that there was a drop in domestic production of ocean-pearl buttons of more than 1,000,000 gross between the years 1925 and 1927. The fact that 715,913 gross of pearl buttons, representing in 1927 over 14 per cent of the domestic production of ocean pearl buttons, entered this country from the Philippine Islands free of duty largely explains why our domestic production in 1927 showed this large recession of over 20 per cent below the production of 1925. The American producers have been forced to curtail their output because the market for a necessary part of their production has been taken from them by the imports of low-cost buttons produced in the Philippine Islands."

From the foregoing it is quite obvious that the importations of agate buttons has in no way injured nor is it likely to injure the domestic button industry.

CONCLUSION

The proposed prohibitive duty on agate buttons contained in the bill passed by the House of Representatives should not be adopted. The present rate of 15 per cent should be retained.

(The letters and exhibits above referred to are filed with the committee.)
Respectfully submitted.

NATIONAL COUNCIL OF AMERICAN IMPORTERS
AND TRADERS (AGATE BUTTON GROUP).

STATEMENT OF NELSON G. CORKHILL, REPRESENTING SHANTZ ASSOCIATES (INC.), ROCHESTER, N. Y.

[Horn buttons, par. 1510]

Mr. CORKHILL. I will ask permission to file a brief within the next two or three days. Is that satisfactory to the committee?

Senator KEYES. What has it to do with?

Mr. CORKHILL. Buffalo horn buttons, which we import from England. There does not seem to be any objection or any request for a change.

Senator KEYES. Are you satisfied?

Mr. CORKHILL. Yes, sir.

Senator KEYES. If you wish to file a brief you may do so.

Mr. CORKHILL. I haven't the brief ready, but it will be ready within two days.

Senator KEYES. Very well.

(Mr. Corkhill subsequently submitted the following brief:)

BRIEF OF NELSON G. CORKHILL, REPRESENTING SHANTZ ASSOCIATES (INC.)

This brief has to do with what is known to the clothing trade as "horn buttons" only, which, together with many other kinds of buttons are covered by paragraph 1411 of the act of 1922 and by paragraph 1510 of H. R. 2667 under the last 10 words as "buttons not specially provided for, 45 per cent ad valorem." We deal only in turned horn buttons of the larger sizes (24 to 60 lines), intended for men's clothing. Our purchases abroad of this article aggregate approximately \$95,000 per year.

Paragraph 1411 of the act of 1922 reads as follows:

"Buttons commonly known as agate buttons, 15 per cent ad valorem; parts of buttons and button molds or blanks, finished or unfinished, not specially provided for, and all collar and cuff buttons and studs composed wholly of bone, mother-of-pearl, ivory, vegetable ivory, or agate, and buttons not specially provided for, 45 per cent ad valorem."

Paragraph 1510 of H. R. 2667 reads as follows:

"Buttons commonly known as agate buttons (15 per cent ad valorem); and buttons made in imitation of or similar to pearl, shell, or agate buttons (except buttons commonly known as Roman pearl or buttons with a fish scale or similar to fish-scale finish), 1½ cents per line per gross and 25 per cent ad valorem; parts of buttons and button molds or blanks, finished or unfinished, not specially provided for, and all collar and cuff buttons and studs composed wholly of bone, mother-of-pearl, ivory, vegetable ivory, or agate, and buttons not specially provided for, 45 per cent ad valorem."

The change made in H. R. 2667 in the language of paragraph 1411 of the act of 1922 has no effect upon us and we are not interested in it.

THE PRINCIPAL PURPOSE OF THIS BRIEF

We ask that the rate on turned horn buttons remain as it is. This brief is filed in order to guard against an inadvertent and unintentional effect upon the rate of duty imposed upon turned horn buttons by the act of 1922, if the committee should, in considering other classes of buttons, determine to change the

rates upon other classes of buttons and, by the use of inappropriate language, unintentionally effect the rate upon turned horn buttons.

We understand that at a recent hearing before a subcommittee of the Senate Finance Committee, Bernard Natt advocated a change in the rate of duty upon buttons made from plastic materials. We are not familiar with the facts or the arguments either for or against any change in the rate of duty on such buttons and we are not interested in the subject, but if it should appear wise to the committee to change the rate upon buttons made from plastic materials, then it should be done in language which would clearly allow to remain unaffected the present rate on turned horn buttons and this for the reasons subsequently appearing in this brief and which were considered persuasive by the Committee on Ways and Means.

With these turned horn buttons are classified under Paragraph 1411 of the act of 1922, glass buttons, jet buttons, wooden buttons, paper buttons, celluloid buttons, composition buttons, blood buttons, casein buttons, and others. There may be reasons for raising or lowering the rates of duty on some or all of these other buttons, and some or all of them may require special treatment, but if that should appear to be desirable the rate on horn buttons should not be inadvertently and incidentally affected.

Horn buttons cut from the natural horn, and intended for men's wear are not manufactured in America except in negligible quantities and then only in inferior grades as a trivial incident to the manufacture of some other product. The reason for this has nothing to do with any difference in the cost of production in America and abroad. It is a result of a peculiar condition in the raw material market. The few "horns" manufactured in America are sold at a price which is less than the price at which the imported article is sold. The quality of the domestic button is inferior—not because of any lack of skill in manufacture, but because of the inferiority of the raw material used and the inability to obtain the better grades under existing conditions of distribution, which have nothing to do with price. So far as we know, these horn buttons of the larger sizes, intended for men's wear, are made in America by only one manufacturer of combs, toilet articles, and novelties, and his manufacture of horn buttons does not exceed \$10,000 a year, which is a negligible item in relation to his whole business, and he undersells the importer.

Buttons cut from the natural horn are used only on the highest class of garments. They possess a beauty and an attractiveness which, in the opinion of the makers of such garments, do not attach to any other button. They are expensive—costing about three times as much as the most attractive of their substitutes, such as buttons made of casein or vegetable ivory. The beauty of the horn button lies in its variety and delicacy of natural coloring, the blending and harmony of its shading, and in the peculiarities of its natural patterns. They are not dyed. In consequence they never change color or fade. Because there is an infinite variety of their natural shades, they furnish pleasing harmonies with or contrasts to the materials to which they are attached.

These turned or cut horn buttons are made principally from the horns of water buffaloes, but in some colors from similar horns. These horns originate in India, China, Asia, and Africa. They are gathered, and are sold at auction in London, England, where the market is controlled, absolutely so far as the higher grades are concerned, and practically so far as all grades are concerned. Small quantities of inferior grades of the raw material find their way to Germany, but Germany buys principally from London.

The high-grade horn button is manufactured exclusively in England because these factories are established there and are able to continue to control the highest grades of the raw material.

The English manufacturers get the best grades, and the only raw material which England exports are the inferior grades. The demand for the raw material in England is great enough to exhaust the supply of the better quality, which is limited.

Shantz Associates (Inc.) is a jobber of buttons—all kinds of buttons used by the manufacturers of men's clothing and the merchant tailoring trade. It buys the buttons demanded by its customers wherever it can get the kind of buttons demanded. It sells vegetable ivory buttons of American manufacture. It must buy its horn buttons in England.

The statistics covering horn buttons are subject to explanation. They cover the horn buttons we are talking about—buttons made from ground horn—a manufactured raw material which results in a button lacking the distinguishing characteristics of the button made from the natural horn. These statistics also

cover the smaller buttons cut from the natural horn and from composition horn and intended for use in ladies' garments. In these we are not interested. The statistics of domestic manufacture and of imports do not therefore contradict our prior statements. But even on the face of these statistics and with reference to all classes, our position that the rate should not be changed is fully justified, and the fact that it should not be changed is obvious.

Including all classes, the domestic manufacture of horn buttons in quantity and value for the years mentioned was as follows:

| Year | Gross | Value | Value per gross |
|-----------|-----------|-----------|-----------------|
| | | | <i>Cents</i> |
| 1900..... | 717,047 | \$237,874 | 33 |
| 1914..... | 537,066 | 299,487 | 55 |
| 1919..... | 2,574,822 | 1,110,957 | 43 |
| 1921..... | 1,844,360 | 966,185 | 52 |
| 1923..... | 3,636,907 | 1,688,981 | 29 |
| 1925..... | 1,921,661 | 597,816 | 31 |
| 1927..... | 1,798,573 | 537,741 | 29 |

Including all classes, the importations of horn buttons in quantity and value for the years mentioned were as follows:

| Year | Gross | Value | Value per gross |
|-----------|---------|----------|-----------------|
| 1918..... | 208,136 | \$62,468 | \$0.30 |
| 1919..... | 121,711 | 64,321 | .53 |
| 1920..... | 27,281 | 33,684 | 1.24 |
| 1921..... | 41,785 | 72,037 | 1.72 |
| 1922..... | 53,050 | 121,774 | 2.29 |
| 1923..... | 74,363 | 217,788 | 2.93 |
| 1924..... | 57,119 | 110,671 | 1.94 |
| 1925..... | 112,493 | 128,914 | 1.15 |
| 1926..... | 176,569 | 135,632 | .77 |
| 1927..... | 98,175 | 143,253 | 1.46 |
| 1928..... | 86,127 | 125,398 | 1.46 |

It will be noted that the unit value of the domestic buttons is only a fraction of the value of the imported button, and that on a basis of price or cost there could be no importations. The tariff only adds to the cost of the imported button, which, before the application of the duty, was already more expensive than the domestic button. Such is the fact, but the statistics are not to be too rigidly interpreted; the difference in value is not as great as would appear. This is due to variable elements of size, quality, and the inclusion of different kinds of so-called horn buttons in the same set of figures. The fluctuations in all of the figures is, in part, due to changing styles and the use from year to year of more or fewer buttons for decorative purposes and to variations in the sizes used.

The present duty is a reasonable one. There is no reason for increasing it. We ask for no decrease. There is no American wage level to safeguard. There are no competitive conditions to be maintained or promoted. The imported button already costs much more than the domestic button. To increase the rate would be merely to add to the price to the consumer; and by creating a higher price, Government revenues, already trivial in amount, might be actually reduced by a decrease in consumption. The imports have fluctuated from year to year, but there is no steady tendency to increase substantially over a period of years.

If, by any chance, there should appear to be a reason to change the rate on other buttons now classified with horns, then horn buttons should be specially provided for and the 45 per cent ad valorem rate maintained.

Respectfully submitted.

SHANTZ ASSOCIATES (INC.).

STATE OF NEW YORK,

County of Monroe, ss:

Nelson G. Corkhill, being duly sworn, deposes and says: I am the treasurer of Shantz Associates (Inc.), the party subscribing to the foregoing brief. The

statements contained in the foregoing brief are true to the best of my knowledge, information, and belief.

NELSON G. CORKHILL.

Sworn to before me this 10th day of July, 1929.

ROSE A. CONNOR,
Notary Public, Monroe County.

BRIEF OF BAILEY, GREEN & ELGER, LIDZ BROS., AND B. BLUMENTHAL & CO. (INC.), NEW YORK CITY

[Glass buttons, par. 1510]

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

Paragraph 1510, H. R. 2667, as passed by the House of Representatives, to supersede paragraph 1411, Schedule 14, tariff act of 1922, is, in our opinion, not clearly defined and there is possibility of the language being misinterpreted.

We are entirely in sympathy with the substance and protective measures embodied in the paragraph as proposed, but certain kinds of glass buttons in which the domestic manufacturers are not interested may possibly be affected by the wording of this paragraph, which, as stated, does not clearly define the types of buttons for which the protection is intended.

We therefore suggest that this paragraph be rewritten in the form following, which will give to the domestic manufacturers the protection desired and at the same time remove the indefiniteness we have mentioned:

"PAR. 1510. Buttons commonly known as agate, and sew-thru buttons made in imitation of or similar to pearl, shell, or agate buttons, 1½ cents per line per gross and 25 per centum ad valorem; parts of buttons and button molds or blanks, finished or unfinished, not specially provided for, and all collar and cuff buttons and studs composed wholly of bone, mother-of-pearl, ivory, vegetable ivory, or agate, and buttons not specially provided for, 45 per centum ad valorem."

Respectfully,

BAILEY, GREEN & ELGER,
LIDZ BROS.
B. BLUMENTHAL & Co. (INC.).

CORK BOARD

[Par. 1511]

STATEMENT OF THOMAS P. LITTLEPAGE, WASHINGTON, D. C., REPRESENTING SERVEL (INC.), NEW YORK CITY

Mr. LITTLEPAGE. On behalf of the Servel Co., New York, manufacturers of refrigerators, I merely want permission to file a short brief and indorse here the hearings before the Ways and Means Committee and the showing made by the Luse-Stevenson Co. and other companies, and I would like to file a brief on behalf of this company. If the committee will allow me to do that I think I can save some time of the committee.

Senator WALSH of Massachusetts. With regard to what paragraph?

Mr. LITTLEPAGE. As I said, it is simply indorsing the testimony of the Luse-Stevenson Co. before the Ways and Means Committee, with permission to file a brief.

Senator KEYES. Very well.

(Mr. Littlepage submitted the following brief:)

BRIEF OF SERVEL (INC.)

Servel (Inc.), a domestic corporation manufacturing its complete line of refrigerators exclusively in America with American labor, objects to the increased tariff proposed on cork insulation (cork board) from the present rate of 30 per

cent ad valorem, or the equivalent of 1.3 cents per board-foot, to the rate proposed in H. R. 2667, paragraph 1511 (p. 181, line 9):

"Cork insulation, wholly or in chief value of cork, cork waste, or granulated or ground cork, in blocks, slabs, boards or planks, 2¼ cents per board-foot."

The measure and justification of a tariff rate is the laying of the difference between foreign and domestic wages in order to protect American labor. In presenting to the Committee on Ways and Means of the House of Representatives the brief filed by the six domestic manufacturers of cork board who requested the increase, Mr. Bose, president of United Cork Companies, conceded in the course of his testimony that the tariff rate should represent "the exact difference in wages being paid here and in foreign countries." (Tariff readjustment hearings before Committee on Ways and Means, Vol. XIV, Schedule 14, sundries, p. 7279.)

The rate proposed means an increase of 100 per cent or more (most unusual in itself) and is sought principally by the corporation which has been prosperous since its organization in the last century, which has been inordinately prosperous since 1920, and which has attained that prosperity, in part at least, by maintaining factories in Spain to enjoy the lower labor costs of that country. The extent to which the operations of this corporation have been carried on in Spain appears from the statement of the properties of Armstrong Cork Co. which is given in Standard Corporation Records, volume 7, No. 889, section 5, issued June 12, 1929, by Standard Statistics Co. (Inc.), at page 787, where, in addition to 10 plants located in this country, Armstrong Cork Co. is reported as having "five large factories and numerous-cork receiving stations in Spain, France, Portugal, Algeria and Tunisia." The degree of prosperity is reflected in the following statement of earnings and dividends of Armstrong Cork Co. as shown by Poor's Manual of Industrials, for 1925-1928, inclusive, and Standard Corporation Records:

Net income after depreciation and Federal income Taxes

| | |
|-----------|---------------|
| 1924..... | \$2, 976, 986 |
| 1925..... | 3, 338, 097 |
| 1926..... | 4, 348, 892 |
| 1927..... | 3, 752, 553 |
| 1928..... | 3, 931, 963 |

Dividends

1920, \$9 cash, plus 100 per cent in stock.
 1921, \$6 cash.
 1922, \$6 cash.
 1923, \$9 cash.
 1924, \$7 cash, plus 50 per cent in stock.
 1925, \$6 cash.
 1926, \$6 cash, plus 5 per cent in stock.
 1927, \$6 cash, plus 5 per cent in stock.
 1928, first half, \$3 cash, plus 5 per cent in stock. Old stock was split 4 for 1 and dividends have since been paid on new at the rate of \$2 per share per annum.
 1928, second half, \$1.
 1929, first half, \$1.

It further appears in Standard Corporation Records that on March 10, 1929, earnings for the company for the current year were running 15 per cent ahead of last year, or at an annual rate of \$6 a share.

The six domestic manufacturers above-mentioned assert in their brief that the cork manufacturing industry (including crown caps) in the United States, of which they constitute 90 per cent, consists of 25 operating companies with a total invested capital of over \$30,000,000 and employing 7,500 operators at an annual payroll of approximately \$9,500,000. (Hearings, Vol. XIV, p. 7281). The figures released by the Department of Commerce, however, for the Census of Manufacturers, 1927 (the latest statistics available), are:

| | |
|--|---------------|
| Wage earners (average for the year)..... | 3, 185 |
| Wages..... | \$3, 560, 013 |

(These figures do not include the operators and wages reported by establishments engaged primarily in the manufacture of commodities other than "cork products," which contain some cork, notably crown caps.)

Some idea of the proportion of these 3,185 operators who are engaged in the manufacture of cork board may be obtained from other figures released by the Chamber of Commerce for 1927:

| | |
|--|----------------|
| Value of cork products made by the 3,185 wage earners..... | \$17, 368, 825 |
| Value of "cork insulation products"..... | 5, 774, 260 |

Considering that the term "cork insulation products" would include pipe covering as well as cork board, and that the simple nature of cork board requires a comparatively small amount of labor, it would appear that well less than 1,000 of these 3,185 wage earners are employed in the manufacture of cork board. Indeed, the brief filed by the importers of cork board in opposition to the proposed increase in tariff states that the total investment in manufacturing cork board in the United States does not exceed \$4,000,000 and the number of men employed in the manufacture of cork board in this country does not exceed 500. (Hearings, Vol. XIV, p. 7289.)

The Census of Manufactures, 1927, reported the total number of wage earners employed in the mechanical refrigerator industry as 11,285 (average for the year 1927), with a wage total of \$17,712,006. Servel (Inc.) alone employs 2,500.

Cork board is of vital importance in the construction of refrigerator boxes, whether used for electric, gas, or ice refrigeration, and constitutes one of the chief items in cost. In the refrigerator boxes manufactured by Servel (Inc.) the cost of cork board in the Electrolux type (gas operation) averages 17 per cent of the total cost of material, and in the Servel type (electric compressor operation) averages 10 per cent of the total cost of material. The cost of cork board is equal to 10 per cent of the total cost of the finished box of the Electrolux type and 6½ per cent of the total cost of the Servel type of box.

In the brief filed by the manufacturers of cork board no adequate or satisfactory reason is shown why the tariff should be increased. (Hearings, Vol. XIV, p. 7283.) It is there conceded that the only function of the tariff is to equalize labor costs here and abroad, but no attempt is made to show that the present rate is not entirely adequate for this purpose. Detailed figures are presented showing wages paid in the United States, Spain, and Portugal to four types of labor used in the cork board industry. These figures show that the average wage in the United States is approximately four times that in Spain and seven times that in Portugal. It is not stated that the wages in the United States have increased or that wages in Spain and Portugal have decreased since the passage of the act of 1922, or that the rate then set, amounting to 1.3 cents per board foot, is not now sufficient to equalize labor costs. Although the proponents of the increased tariff present detailed figures as to comparative wages here and in Spain, they present no figures showing wage cost in terms of cents per board foot for production in this country and abroad. In other words, no figures are presented to show what tariff on each board foot would be necessary to equalize the labor costs in this country with those abroad. Instead, the requested increase in the tariff is computed by entirely inconclusive methods which make no mention of labor costs either here or abroad. It is submitted that the proposed figure of 2¼ cents per board foot is without justification or foundation of any sort. It is a misapplication of the American tariff for the manufacturers of cork board in this country to request a tariff rate based not on labor costs, but on the desire to guarantee to themselves the same profits now enjoyed by foreign manufacturers.

The dangers inherent in the granting of this request that the rate of tariff be doubled are greater than the mere question of the obvious immediate injury to the men employed in the refrigerator industry. The real danger is that an increase of 100 per cent would result not only in a corresponding increase in the price of cork board, but in the complete elimination of foreign competition from the American market, so that the substantial control now enjoyed by one of the manufacturers of cork board would become an absolute monopoly. In that event, prices would be determined by no other consideration than what that manufacturer saw fit to charge.

July 15, 1929.

SERVEL (INC.),
FRANK E. SMITH, *President.*

Attest:

ASWELL TYNG,
Assistant Secretary.

STATE OF NEW YORK,
County of New York, ss:

Frank E. Smith, being duly sworn, deposes and says that he is the president of Serval (Inc.), the corporation in whose name and behalf the foregoing brief is submitted; that he has read the foregoing brief, and that the statements therein contained are true to the best of his knowledge, information, and belief.

FRANK E. SMITH.

Sworn before me this 15th of July, 1929.

HOVEY C. CLARK,
Notary Public.

**STATEMENT OF J. W. STEVENSON, REPRESENTING LUSE-
STEVENSON CO., CHICAGO, ILL.**

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

Mr. STEVENSON. I am appearing to oppose the increase in tariff on the single item of cork insulation or cork board.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. STEVENSON. No, sir.

I am appearing to oppose the increase in tariff on the single item of cork insulation or cork board as appearing in Schedule 15, paragraph 1511 of H. R. 2667.

Senator KEYES. Is cork insulation and cork board the same thing?

Mr. STEVENSON. The same thing. You call it cork insulation. In the trade we call it cork board. It is a cork insulation.

Senator WALSH of Massachusetts. What is the increase the House made over the present?

Mr. STEVENSON. One hundred per cent.

Senator WALSH of Massachusetts. What is the present duty?

Mr. STEVENSON. Thirty per cent and 60 per cent.

I represent practically all of the domestic companies whose business is importing cork board from foreign-owned factories. I want to call your attention to that because the American manufacturers have their factories over there, too, so I say "foreign-owned factories."

Senator KEYES. Then you are really an importer?

Mr. STEVENSON. Yes, sir.

Senator KEYES. To some extent, at any rate?

Mr. STEVENSON. Yes, sir; but from a foreign-owned factory.

Senator THOMAS. What would be the difference?

Mr. STEVENSON. The American manufacturers have factories of their own. You call them importers, too, but they are importing from their own factories.

Senator THOMAS. They pay a duty, do they not?

Mr. STEVENSON. That is true. I am simply differentiating to show you that the American manufacturers have their own factories but we are importing from foreign-owned factories.

Senator COUZENS. You do not own a factory abroad?

Mr. STEVENSON. No, sir; that is the point I want to bring out.

It is proposed to raise the present tariff 100 per cent. My reasons for opposing the proposed increase are as follows—

Senator THOMAS. These Americans who have foreign factories, are they asking that the tariff on their own product be increased 100 per cent?

Mr. STEVENSON. They are.

Senator THOMAS. Why?

Mr. STEVENSON. I don't know.

Senator THOMAS. It is so unreasonable there should be an answer to that question, and you experts should have some information on that.

Mr. STEVENSON. Of course, they make probably 60 per cent of this and will import 40 per cent. If the tariff is high enough they can discard their Spanish factories—I am assuming this. I don't know—and make sufficient money on their American factories. But that is the way the situation stands to-day.

Senator COUZENS. What percentage of their production is abroad? I mean what percentage of the American factories' production abroad is sold abroad?

Mr. STEVENSON. A very small portion.

Senator COUZENS. So most of their production abroad is imported into this country?

Mr. STEVENSON. It is.

Senator COUZENS. And on that they ask 100 per cent increase?

Mr. STEVENSON. Yes, sir. The present tariff is 30 per cent ad valorem. This 30 per cent ad valorem is more than sufficient to cover the difference in manufacturing costs in the United States and in Spain.

I am showing this in figures in the brief which I will present. I do not want to trouble you with a lot of figures now.

But I do want to call your attention to the fact that the Spanish manufacturing cost to-day is slightly more than the American manufacturers cost when you add the present duty. In other words, they have slightly the advantage to-day.

Senator THOMAS. You mean the American manufacturer?

Mr. STEVENSON. Yes; I mean the American manufacturer. They also have this advantage; they have skilled labor whereas over there they use very common labor. They also have modern machinery over here, which is a big help in cutting down your overhead. Over there they have antiquated machinery; that is, most of them have.

The manufacturing costs in the United States and abroad vary only in the item of labor.

Cork board is manufactured in the United States by only three firms. I am talking of cork board, the one single item. At the prevailing prices all cork-board manufacturers are making a substantial profit.

American manufacturers at the present time and under the present tariff manufacture and sell 80 per cent of the cork board used in the United States.

American manufacturers claim losses in portions of 1927 and 1928. But I want to assure you that the importers had the same losses. It was a case of the market going down very low. You might say it was a price war among the manufacturers of cork board. Cork went down from 10½ cents in the early part of 1927 to 6 cents, which was below the cost of production.

Senator COUZENS. Do we infer from that that they have now gotten together?

Mr. STEVENSON. The market to-day is 9 cents. You know, there are different thicknesses of cork. The average will be 9 cents.

As to these losses they claim the market was 6 to 6¼.

Senator COUZENS. Is the present price a profitable price?

Mr. STEVENSON. It is. The present advance in duty will increase the cork board to the consumer approximately 30 per cent.

Senator WALSH of Massachusetts. What does that represent in dollars and cents to the consumer?

Mr. STEVENSON. Approximately \$3,000,000.

Senator WALSH of Massachusetts. Total?

Mr. STEVENSON. Yes.

Senator WALSH of Massachusetts. How much for a building?

Mr. STEVENSON. A building?

Senator WALSH of Massachusetts. Take a certain number of feet and say what it represents in pieces.

Mr. STEVENSON. It represents a cent and a half a foot.

Senator WALSH of Massachusetts. Increase?

Mr. STEVENSON. Increase, yes, sir. This increase falls primarily upon the agricultural industry, as cork board is used extensively by firms and in all buildings handling food products. It is an absolute necessity for the preservation of all foods from the farm to the consumer.

You start in with your refrigerator car, and you go to your cooling rooms or your storage rooms and your cold-storage rooms, then to the retail grocer's storage rooms. They are all cold storage and they need cork board. In fact, there is no real substitute for cork board. Cork is the largest export industry in the cork-producing countries of Spain and Portugal. The proposed advance in duty will virtually ruin the cork-board manufacturers of these countries, which are now our only sources of supply. I mean by that those countries are our only sources of supply of raw material.

We ask that the duty remain as it is. We would suggest that it be put into the form of a specific duty rather than an ad valorem duty, for it is hard to determine your costs with an ad valorem duty as the market moves around pretty fast over there.

Senator WALSH of Massachusetts. What specific duty would you recommend?

Mr. STEVENSON. An equal specific duty?

Senator WALSH of Massachusetts. To the present ad valorem?

Mr. STEVENSON. Yes, sir; to the present ad valorem.

Senator WALSH of Massachusetts. What would that be?

Mr. STEVENSON. About 1.3 per board foot; about 1.3 cents per board foot.

Senator THOMAS. What thickness?

Mr. STEVENSON. Two, three, and four go together. We use 2, 3, and 4 feet as a basis.

Senator KEYES. Do you think the increase in duty is not justified in view of the fact of the large importations of cork brought into this country and the steady increase as shown in these figures from 1924 of 21,000,000 pounds to 43,000,000 pounds? Practically 60 per cent is imported, is it not?

Mr. STEVENSON. That is the reason I used the foreign-owned factories, because that increase is not from the Spanish-owned factories. It is the increase from the American factories over in Spain.

Senator KEYES. Well, is it from American factories only?

Mr. STEVENSON. The biggest increase. The foreign-owned factories showed less increase. The importations were less in 1928 than in 1926.

Senator KEYES. You think the American manufacturers are not deserving of any protection?

Mr. STEVENSON. He has an equal cost. He has the best of it now, because he not only has an equal cost but he has the advantage of skilled labor and modern machinery.

Senator KEYES. Is he making any money now?

Mr. STEVENSON. At to-day's market they are making money.

Senator KEYES. Have they been making money lately?

Mr. STEVENSON. All except during that one period, that one period when the market went down below the cost of production and we all lost just the same.

Senator THOMAS. That was in 1926?

Mr. STEVENSON. I think it was from July, 1927, to December, 1928.

Senator KEYES. The importations, as a matter of fact, exceed the domestic production, do they not?

Mr. STEVENSON. Slightly.

Senator WALSH of Massachusetts. Has the domestic production increased during these years?

Mr. STEVENSON. It has increased. Cork board is not an old business.

Senator WALSH of Massachusetts. It is becoming more and more generally used?

Mr. STEVENSON. Yes; it is becoming more and more generally used. But there has not been as big an increase from the Spanish-owned factories as there has been from the American-owned factories.

Senator COUZENS. Would this increase the cost of ice in refrigerators if this duty were increased?

Mr. STEVENSON. Yes, sir. I have a partial list here. The uses are in ice box manufactures—and that takes in the old type of ice box that goes into the small home as the iceless refrigerator—hospitals, all the meat-packing plants, dairies, cheese factories, fruit and vegetable storage houses, ice and ice cream factories, cold-storage plants, refrigerator cars, and textile industries, all of whom use it for roof insulation.

Senator WALSH of Massachusetts. Can you give us any more information about those two American concerns which have established factories abroad, how large they are and how many they employ, and what their output is?

Mr. STEVENSON. What their output is?

Senator WALSH of Massachusetts. Yes.

Mr. STEVENSON. I would not like to make that statement positively because it would be more or less guesswork. But the figures show they are importing very nearly as much cork as they manufacture in this country. There are three manufacturers in this country. One manufactures exclusively in this country and the other two about half and half between Spain and the United States.

Senator KEYES. How many men do you employ in the cork board business exclusively?

Mr. STEVENSON. We are importers.

Senator KEYES. You do not employ anybody?

Mr. STEVENSON. No, sir.

Senator KEYES. Do you know about how many the American manufacturers abroad employ?

Mr. STEVENSON. The importer has to employ about a third more men than the American manufacturer, owing to their poor education and the general make-up of the working men. They claim in Spain it takes 15 men for a large oven as against 10 men in the United States.

I would like to file this brief.

Senator KEYES. Very well.

(The brief referred to is as follows:)

BRIEF OF AMERICAN IMPORTERS OF CORK INSULATION (CORK BOARD)

This brief is filed by permission of the chairman of the subcommittee on sundries of the Finance Committee of the Senate at a hearing June 25, 1929, and relates to one single item, namely, cork insulation (cork board), contained in paragraph 1511 of the tariff bill now pending before the Senate.

The present duty on this article under the 1922 tariff act is 30 per cent ad valorem, or 1.3 cents per board foot. The bill proposed to increase this rate to 2¼ cents per board foot, or slightly in excess of 60 per cent ad valorem, more than double the present duty.

In support of the request before the House that the duty be doubled it was alleged by the domestic manufacturers of cork products that the present rate is insufficient to equalize costs of production in Spain, the principal competing foreign country, and that the increase requested is necessary to enable the domestic manufacturers of cork insulation to survive.

We agree that a specific duty as applied to cork board is preferable to an ad valorem duty, but we submit that the present rate, equivalent to 1.3 cents per board foot, is more than sufficient to equalize manufacturing costs in this country with those in Spain, and deny that any justification exists for increasing it. On the contrary, if based on an equalization of manufacturing costs, the duty on cork insulation should be substantially reduced.

Of the total amount of cork board manufactured and sold within the United States 82 per cent is manufactured in American-owned factories and but 18 per cent in foreign-owned factories abroad. At present there are but five Spanish-owned factories, whose total annual exports to the United States are less than 25,000,000 board feet, and there is but one small foreign-owned factory in Portugal, which, on account of the poor quality of material it produces can export annually to the United States less than 500,000 board feet.

Using cork board as a base, the six domestic manufacturers of cork products have urged in addition to doubling the rate of duty on cork board that the other rates of duty included in paragraph 1412 either be increased or remain the same. No facts are submitted to show the cost of production of any of these items. The determination of differences in cost of production involves trained accountancy as well as competent and unbiased interpretations. Congress has established the Tariff Commission to provide exports essential for such work. The Tariff Commission act provides for adequate hearings where opposing interests may meet and have the evidence carefully weighed. Tariff rates, based upon unsupported interested claims, ex parte statements as to financial conditions and experiences, and biased interpretations of the facts have been found to produce abuses rather than benefits.

The domestic manufacturers of cork products should have presented their arguments to the Tariff Commission for investigation before going to Congress. This has not been done.

We submit that purchasers of cork board in this country should not be subjected to increased prices for this commodity which will necessarily result from doubling the rate of duty when the domestic manufacturers have a remedy before the Tariff Commission where the comparative costs of production can be adequately determined.

PRICES OF CORK BOARD IN THE UNITED STATES HAVE NOT BEEN GOVERNED BY COSTS OF PRODUCTION OR COSTS OF MATERIAL

Going back a period of years, with the exception of the war period, cork board sold from 3¾ to 5 cents per board foot. In 1926 the market price fluctuated from 7 to 10½ cents without there being any proportionate advance in costs of

material or costs of manufacturing. In 1927, the price declined from 10½ to 6 cents. During the last three months, the price for cork board has advanced from 6¼ to 9 cents per board foot.

The indications are that the American manufacturers, who control over 80 per cent of the cork board sold in the United States set the market. Although it has been represented that an increased duty is necessary to prevent the foreign competitors from driving them out of business, it is noted that this representation is based upon heavy losses alleged to have occurred from July, 1927, to December, 1928. An investigation will show that during this period prices were depressed by a price war among the domestic manufacturers themselves, and the domestic manufacturers make no mention in their brief of the market price of 10½ cents in 1926 nor of the prevailing market price of 9 cents nor of the fact that the depression in prices from July, 1927, to December, 1928, affected the importers as well as the domestic manufacturers of cork products.

The American manufacturers have represented that cork board costs them 7 cents per board foot to manufacture, but no explanation has been offered of the fluctuations in prices without there being any proportionate fluctuations in costs of material or costs of manufacturing.

PRESENT RATE OF DUTY MORE THAN EQUALIZES DOMESTIC AND FOREIGN COSTS OF PRODUCTION

Cork board, whether manufactured at home or abroad, is made from the same basic material, waste cork, which comes in free of duty. No cork is grown in the United States. Spain and Portugal are the principal countries of origin. Waste cork comes from bottle-stopper cork factories and from low-grade virgin cork not capable of use in bottle-stopper factories. The Spanish cork-board factories do not manufacture any other cork products, but receive waste cork exclusively from outside sources in bales. The cost of baling is included in the prices they pay for waste cork. The American factories all produce other cork products, and in making cork board supplement the waste cork purchased in bales with waste cork produced in their own factories in making bottle stoppers and other cork products. Cork board is manufactured principally by machinery and the actual cost of the labor used in four-tenths of 1 cent per board foot.

According to figures submitted by American importers who have factories in Spain and Portugal, the weekly pay roll amounts to \$700 for the production of 180,000 board feet weekly. This is equal to four-tenths of 1 cent per foot for labor. If, as stated by the domestic manufacturers, the ratio of wages paid in the United States to those paid in Spain and Portugal is 4 to 1, the domestic manufacturers pay \$1.60 per board foot for labor. The difference in American labor costs as against Spain and Portugal is therefore \$1.20 per foot. As the present rate of duty amounts to \$1.30 per board foot, this duty more than equalizes the labor costs.

The American manufacturers pay freight on each 2 pounds of cork waste required to make 1 pound of cork board. However, the freight rate on waste cork is \$7.50 per ton as against \$9.80 per ton which the foreign factories pay on cork board. Furthermore, foreign factories are forced to ship cork board packed in cartons or crates, whereas the American manufacturers sell and ship 90 per cent of their cork board in bulk. The cost of the cartons and crates and labor for packing, together with the freight on increased weight, due to packing in crates or cartons, more than equalizes the freight which American manufacturers pay on waste cork.

The cost of baling waste cork, stated by the domestic manufacturers to be \$7.50 per ton, is in reality not over \$2 per ton for African cork and not over \$5 per ton for Spanish cork. The Spanish manufacturers of cork board as well as the American manufacturers pay the cost of baling, as all of the Spanish cork board manufacturers receive their waste cork in bales.

With the possible exception of the cost of labor, the Spanish manufacturer on the whole has no advantage over the manufacturer of cork board in this country. The information we have is that, labor excluded, the costs of the Spanish manufacturer are higher than those of the American manufacturer.

The following Table A, showing a comparison of transportation and packing in the United States and abroad, is informative. We do not ask you to accept these figures as determinative of the question, but submit that they call for a thorough investigation by competent experts.

DOUBLING THE RATE OF DUTY ON CORK BOARD WOULD BE PREJUDICIAL TO THE PEOPLE OF THE UNITED STATES GENERALLY

Cork board is the highest type of insulation known at the present time for refrigerated areas, cold-storage plants, creameries, and dairies, which take care of the proper handling of vegetables, fruit, milk, meats, poultry, and all perishable food products. Cork board is also the best known insulation for ice boxes, indispensable to every American family. The cost of ice boxes is now very high. Doubling the rate of duty on cork board with the "pyramiding" which would inevitably follow would force the price of refrigeration to a point where it would be prohibitive for the average family. The substitution of an inferior insulating material would follow with resulting losses to the people generally.

If the increased duty should result in eliminating imports from the few remaining foreign-owned cork board factories the three American manufacturers would enjoy a complete monopoly. With the protection afforded by the present duty one American manufacturer now controls 70 per cent of the cork board used in the United States. The domestic manufacturers lay great stress upon the fact that imports of cork board have increased in volume during the last few years. This increase, however, comes from American-owned factories abroad and not from foreign-owned factories.

In brief, the total amount of cork board manufactured in foreign-owned factories and sold in the United States during 1928 was 25,000,000 board feet or 18 per cent of the total amount of 135,000,000 board feet used during that year in the United States.

We can not estimate the added cost to the American consumer if (as is apparently desired by the three domestic manufacturers) the increased tariff should result in the closing down of the foreign-owned cork board factories, leaving the selling prices in the United States entirely to the will of American manufacturers operating their cork board factories at home, or both at home and abroad, as they might deem expedient.

DUTY ON CORK BOARD SHOULD NOT BE INCREASED WITHOUT THOROUGH INVESTIGATION OF THE PROFITS REALIZED BY AMERICAN MANUFACTURERS OVER A PERIOD OF YEARS

The total capitalization of all foreign-owned factories exporting cork board to the United States is approximately \$750,000 with a maximum capacity of 30,000,000 board feet, but actually now exporting to this country about 25,000,000 board feet of cork board annually. Against this we have the domestic manufacturers claiming the investment of \$30,000,000 capital and the manufacture and importation in this country of 75 per cent of the cork board used. Certainly, losses alleged to have been incurred during the 18 months period from July, 1927, to December, 1928, when the three American manufacturers were engaged in a price war among themselves, do not afford any sound basis for legislative action. Neither can it be seriously contended that the prices of cork board are set by foreign manufacturers when these foreign manufacturers export to this country only 18 per cent of the cork board used here.

Further, if the cost of 7.1 cents per board foot set up by the American manufacturers as being their cost in 1927 is accepted as their usual cost, the prevailing market price of 9 cents gives them a fair margin of profit, and it is reasonable to suppose that if foreign competition is eliminated by means of an increased duty the three domestic manufacturers of cork board having a complete monopoly of the business will be in a position to increase selling prices so as to increase their profits as they may see fit.

The possibility of abuses is so great, in our opinion, that no increase in the duties on cork products is justified without a complete investigation of profits of the domestic manufacturers of cork products as well as of the costs of production of cork board both in Spain and in the United States.

IMPORTS OF CORK BOARD FROM FOREIGN-OWNED CORK BOARD FACTORIES HAVE NOT INCREASED

It is represented by the domestic manufacturers of cork products that foreign competition is causing them great losses and if they do not receive relief they will be compelled to move their factories to Spain. If this representation is well founded, it would be fair to assume that the foreign-owned factories would be annually increasing their exports to this country and would be in good finan-

cial condition. Just the opposite situation exists. Out of 10 Spanish cork factories operating in 1926 not more than 5 are operating to-day, the balance having been forced out of business. Of these Spanish factories operating to-day, only one has increased its production during the last few years, the others having reduced their production by from 35 to 25 per cent. The total importations, as has been above stated, by foreign factories as a whole have been reduced since 1926 from 30 to 18 per cent of the total American cork board used in this country.

CONCLUSION

In our judgment, no increase in the existing rate of duty on cork board is justified at the present time. Such an increase could only have the result of giving three American manufacturers complete control of the industry and would work a very substantial hardship on the consumers in this country generally by compelling them to pay increased prices on the necessities of life.

We are attaching hereto a schedule showing the uses of cork board and the industries affected by the price of same (Table C).

Respectfully submitted.

WICANDER & Co. (Inc.),
L. DESSING,
New York, N. Y.
LUSE-STEVENSON Co.,
J. W. STEVENSON,
Secretary, Chicago, Ill.

TABLE A.—Comparison of transportation and packing charges in Spain and the United States

| SPAIN | | UNITED STATES | |
|--|---------|--|---------|
| (a) Baling for transportation to factory, per ton..... | \$3. 14 | (a) Baling for transportation to steamer..... | \$3. 14 |
| (b) Freight from field to plant.. | | (b) Freight from field to steamer..... | |
| (c) Freight from abroad to United States, ½-ton cork board, which equals 1 ton raw material, at \$9.80 per ton..... | 4. 90 | (c) Freight from abroad to United States, 1 ton raw material..... | 7. 50 |
| (d) Cartons, ½-ton cork board containing 1,370 B. M., at 37½ cents, including labor of packing..... | 7. 50 | (d) 90 per cent domestic cork board sold in bulk..... | . 48 |
| Less 30 per cent refund on American goods, value of 21 cents | 1. 26 | | |
| (e) Expenses for transportation United States dock to warehouse, labor warehousing the equivalent of 1 ton, 1,370 B. M., at ¼-cent each..... | 3. 42 | (e) Expenses for transportation and labor on 1 ton on raw material from scaboard to factory..... | 3. 42 |
| Total..... | 17. 70 | Total..... | 14. 54 |

Equivalents: Kg., 2.204; 2T., 1 T., B. M., 0.80 pound.

TABLE C.—Some of the uses of cork insulation

| | |
|---|---|
| <p>COLD-STORAGE ROOMS</p> <p>Apple storage. Banana storage. Battery testing. Berry storage. Butter storage. Candy storage. Cheese storage. Chocolate dipping. Commissaries. Daily ice storage. Dough, mixing and proving. Ducts, cooling. Ducts, ventilating. Egg storage. Fever (clinical). Fish freezer. Fish storage. Flower storage. Fruit precooling. Fur storage. Garment storage. Ice cream hardening. Ice stations. Fruit storage. Ice storage. Meat freezers. Meat pickling. Meat precooling. Meat storage. Paraffin. Potato storage. Poultry precooling. Poultry storage. Public auditoriums. Sausage. Serum storage. Scientific. Syrup storage. Testing. Tobacco humidior.</p> <p>BOXES AND REFRIGERATORS</p> <p>Apartment house refrigerator. Bottle box. Confectioners' refrigerator. Dairy products refrigerator. Fish box. Florists' refrigerator. Meat box. Mortuary box. Oyster box. Pie refrigerator.</p> | <p>BOXES AND REFRIGERATORS—contd.</p> <p>Residence refrigerator. Vegetable box.</p> <p>DISPLAY COUNTERS AND CASES</p> <p>Candy. Cut flower. Delicatesses. Meat. Milk, butter, and eggs.</p> <p>CARS</p> <p>Passenger railway. Refrigerator. Street railway. Tank.</p> <p>CABINETS</p> <p>Bottled goods. Chocolate cooler. Ice cream dispensing. Ice cream storage. Soda fountain.</p> <p>TANKS</p> <p>Brine storage. Gasoline storage. Ice making. Ice water. Milk cooling. Railway. Steel tempering. Water cooling.</p> <p>TRUCKS</p> <p>Fish. Ice. Ice cream. Meat. Milk.</p> <p>MISCELLANEOUS</p> <p>Bank vaults. Bee hives. Incubators. Industrial buildings. Humidifiers. Machine base. Residence insulation. Roof insulation. Sound deadening. Vibration absorption.</p> |
|---|---|

STATEMENT OF A. M. LOOMIS, WASHINGTON, D. C., REPRESENTING THE AMERICAN ASSOCIATION OF CREAMERY BUTTER MANUFACTURERS

(Mr. Loomis was duly sworn.)

Mr. LOOMIS. I am secretary of the American Dairy Federation, appearing here in place of Mr. W. F. Jensen as the business manager of the American Association of Creamery Butter Manufacturers, of which I am the Washington representative, and only very

briefly, for the purpose of emphasizing the agricultural and dairy features of this item.

It has developed since the action of the House that the dairy industry is considerably concerned with this, as it looks to us as if we would have to pay somewhere from one-half to 60 per cent of whatever increase in price there might be on this item if the tariff is increased. Therefore, we are asking the tariff be retained, or even a little bit lower than the last witness asked, at 1 cent per board foot, 2 cents a pound, for the pipe fittings.

The previous witness, whose statements I concur in—they have been investigated by our people in Chicago, and we concur completely in what he has said—has itemized to you briefly, and will more fully, the uses of this material.

I want to emphasize only one other item and that is that refrigeration is the new thing in the dairy industry, one without which we can not continue to produce products and supply the American consumers with what they need and which they must have.

This cork board is concealed and you do not see it in your electric refrigerator, but without it refrigeration processes are practically impossible. We believe that practically only one-third of this product is imported. So far as we can learn, the American producers have not suffered any inconvenience; there is no American labor being put out of employment by the situation that has existed; there is nothing which brings it into the classes which the President has asked you to take up in this tariff readjustment.

Senator THOMAS. You oppose an increase on this cork board?

Mr. LOOMIS. We oppose an increase, and ask for a slightly lower rate than the old rate.

Senator THOMAS. Are you going to ask for a reduction of the existing law?

Mr. LOOMIS. We are asking for 1 cent per foot and 2 cents a pound. As we understand, the equivalent of the specific rate of the present ad valorem is, as the previous witness said, about 1.3 per board foot. We think that 1 cent per board foot on the domestic industry is adequate protection.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. LOOMIS. No.

Senator KEYES. Would you mind telling us why you did not appear there?

Mr. LOOMIS. This is the first we have heard of this. We had no idea that anything of the sort would have crept into the bill. Our idea was that the industry was going along in a perfectly normal situation.

Senator KEYES. When did you first come into this case?

Mr. LOOMIS. About 10 days ago.

Senator THOMAS. The hearings of the Ways and Means Committee were not governed by any bill. They had no bill at that time, and they just heard anyone who wanted to complain or make a request. Then, after the hearings were completed and they had heard 1,100 witnesses, the committee proceeded to draft a bill. Is not that the way the bill was made?

Mr. LOOMIS. Yes.

Senator THOMAS. Therefore, you had no chance to know what they might take up for consideration?

Mr. LOOMIS. Yes. I am asking, on behalf of Mr Jensen, to file his brief, which was prepared and sent to me.

Senator KEYES. Very well.

Have the importers communicated with you concerning this matter?

Mr. LOOMIS. The representative of the importers who was here was sent to me by Mr. Jensen, of Chicago; and they have not communicated, but I have communicated with the representative of the importers and the witness who has just been before your committee.

Senator THOMAS. Do you know it to be a fact that American interests are manufacturing this product abroad?

Mr. LOOMIS. I do not know. That is, I have no personal knowledge of it whatever.

(The brief above referred to is as follows:)

BRIEF OF THE AMERICAN ASSOCIATION CREAMERY BUTTER MANUFACTURERS

Refrigeration as used at the present time has been a potent factor in the development of our marvelous food industries. It enables the farmer to produce, and to reach into every home throughout the country, with agricultural products and foods derived therefrom of a perishable character.

Refrigeration is developed from ice and by mechanical means. In order for it to be effective it must be confined to a certain space or room, so insulated that the refrigeration will not escape. For this purpose the material that is practically universally used, and has been found to be the best, is cork.

Cork may be used in granulated form, but it is used mostly in the shape of a board, known as corkboard. When it is used on pipes and fittings it is known as cork pipe and fitting covering.

To bring out the universal use of cork as an insulating material, let me state that it is used in refrigerated railroad cars, in the construction of milk and cream vats, ice cream freezers and other equipment, in cold-storage and freezing rooms, including cold-storage plants, packing houses, grocery stores, meat markets, assembling plants, and in the small refrigerators that are found in most American homes.

In the handling of perishables, such as dairy and poultry products, all meat products, and vegetables, refrigeration is essential and cork is indispensable as an insulating medium. Thus it will be seen that agricultural products and foods derived therefrom depend upon refrigeration and upon cork. We find that more than 95 per cent of all manufacture of cork is furnished to the dairy and poultry, meat, fruit, and vegetable industries, including the retail groceries and meat markets and the small home refrigerator.

No cork is produced in the United States; it is all imported, principally from Spain and to some extent from Portugal and northwestern Africa. Cork is the product of a species of oak tree which grows in those Mediterranean countries.

Eighty-two per cent of all cork brought into the United States enters duty free and is known as cork waste. Eighteen per cent of the cork imported enters in the shape of board, into which form it has been compressed by manufacturers in Spain and Portugal. These cork boards carry an import duty of 30 per cent ad valorem, which figures at this time approximately 1³/₁₀ cents per board foot.

Thus, it will be seen that the American manufacturer of cork insulating material (with cork waste coming in duty free) competes with foreign manufacturers only in the cost of manufacturing cork waste into the finished insulating material, not on the material itself.

For insulation purposes cork is used principally in the shape of cork board and the measure used is the board foot, i. e., 12 inches square by 1 inch thick. A board foot of cork board weighs slightly less than 1 pound. Cork also is used as covering for pipe—for cold pipes and for steam pipes.

The process of manufacturing cork waste into insulating material is a simple one. The cork waste is first granulated, then it is compressed on a mold and baked in the mold; during the baking process the cork exudes its natural resin, which flows around the granules of cork, binding them together with a natural binder. The cork, after compression and baking, is allowed to cool, removed from the mold, and the resulting product is cork board.

The average cost of manufacture, not including raw material, is reliably estimated to be 1¾ cents per board foot, of which amount slightly less than one-third is the cost of labor. Thus, it is apparent that the American manufacturer competes with European manufacturers only in the cost of manufacture, which involves the use of machinery, power, some heat, and slightly less than 33¼ per cent in labor. The American manufacturer does not compete with the European manufacturer in the cost of raw material.

We believe that the American manufacturer will be given full protection if he is given an import duty of 1 cent per board foot on cork board and 2 cents per pound on cork pipe and fitting covering—realizing that slightly more labor is used in the manufacture of pipe and fitting coverings than is required in the manufacture of cork board.

With the American manufacturing cost of 1¾ cents per board foot, it would seem that protection of 1 cent per board foot on cork board and 2 cents per pound on pipe and fitting coverings, would be ample for American industry against the lower costs in foreign countries.

In H. R. 2667, which is the proposed new tariff schedule now under consideration in the Senate, a new schedule of import duties is proposed, namely, 2¾ cents per board foot on cork board and 5 cents per pound on cork pipe and fitting coverings.

We deem these proposed rates uncalled for and unnecessary and 150 per cent higher than the American manufacturers are entitled to. We believe these proposed schedules will impose unnecessary hardships upon our agricultural industries which, in the final analysis, must carry the burden, regardless of whether plants and equipment are farmer-owned or owned by private enterprises.

The total amount of cork board used in the United States in 1928 was 135,000,000 board feet. The sales price is approximately 9 cents per board foot, or an expense bill of more than \$12,000,000. We have no statistics in reference to the cork pipe and fitting covers, but they can be estimated to be an additional \$3,000,000, or a total of \$15,000,000 may be figured as the annual cork board insulation bill in the United States.

H. R. 2667 proposes to increase the import duty on cork board 1.45 cents per board foot. This would increase the cost of cork board insulating material to the American user approximately \$2,000,000 per annum in duty alone, not taking into consideration the fact that importers of cork board in this country would be eliminated from competition and the cork board insulation business would be placed in the hands of three concerns who have instigated this proposed increase in the tariff and whose brief is on file to this effect in the Ways and Means Committee. Naturally, this would have the effect of still further increasing selling prices. There is no conceivable way for an increase in the tariff on cork board to benefit the farmers—the effect would be exactly the opposite, as described above.

The proposed increase in the duty on cork pipe and fitting coverings would easily add another \$500,000.

Thus, it will be seen that the agricultural industries (in all their ramifications of assembling, transportation, manufacturing, and distribution, wholesale and retail, and including the small refrigerator) are threatened with an additional annual cost of not less than two and one-half million dollars by reason of these proposed advances in the schedules of import duties applying to cork insulating materials.

We feel that a burden of this kind should not be added to our distributing industries. Such a burden is unnecessary and uncalled for, being merely additional weight to be carried by producers and consumers alike.

We believe, furthermore, that the present import duties on cork insulation materials are too high. We believe that if Congress will establish an import duty of 1 cent per board foot on cork board and 2 cents per pound on cork pipe and fitting coverings, ample protection will be given to American manufacturers—protection as great as that enjoyed by any other similarly situated industry.

It may be said that an item of this kind—a proposed increase in the cost of insulating material of two and one-half million dollars per annum—does not mean much to the average man, which, of course, is true. But this item is only one of a thousand other items which in recent years have increased step by step the cost of building and equipment, so that implements and equipment have nearly doubled in price; all of which, in the aggregate, is a great factor in the increased cost applied to the production, assembling, transportation, storage, manufacture, and distribution of food products, and the spread that exists between the products of the soil and the consumers of same.

Respectfully,

W. F. JENSEN, *Manager.*

STATEMENT OF EDWARD BOSE, REPRESENTING THE UNITED CORK COMPANY, LYNDHURST, N. J.

(Witness was duly sworn.)

Mr. BOSE. I am one of the manufacturers who were mentioned. There are three of them: L. Mundet & Sons, of New York City; Armstrong Cork Co., of Pittsburgh, and the United Cork Co.

The duties inserted in the House bill do not meet our requirements, but we are willing to be satisfied with them as they stand, and try to manufacture under them.

Senator THOMAS. I did not understand your first statement. Whom do you represent?

Mr. BOSE. I represent the Armstrong Cork Co., L. Mundet & Sons, and the United Cork Co., the three manufacturers of cork board in this country.

Senator THOMAS. Are you a manufacturer yourself?

Mr. BOSE. Yes; I am. I am president of the United Cork Co.

Senator THOMAS. Does your company own a factory in any foreign country?

Mr. BOSE. No, sir.

Senator THOMAS. Do any of these companies represent foreign factories?

Mr. BOSE. They do.

Senator THOMAS. Which ones?

Mr. BOSE. The Armstrong Co. and L. Mundet & Co.

Senator THOMAS. Where is the Armstrong Co.'s factory located?

Mr. BOSE. There is one located in Seville, Spain, and another in Palamos, Spain.

Senator THOMAS. How much money has the Armstrong Cork Co. invested in foreign plants?

Mr. BOSE. That I am not in position to tell, but there is one plant in Palamos, acquired very recently, within one year, and that is the largest part of the burden of our complaint, that we are driven to do that. In fact, I myself went over there, and am negotiating with some plants to start manufacturing, in case we do not get this duty. We will have to do the same.

We are practically the only company not participating in foreign plants. The other two were gradually driven to it in order to compete with the other importers, and we are obliged to do the same. In fact, in order to meet importations, we ourselves, during the last 12 months, have imported about 25 per cent of our sales, because we found it impossible to produce at our own factory here at the cost, and meet the foreign competition.

Senator THOMAS. In other words, you can buy the goods in a foreign country and ship them to America and pay the duty and get the goods here at a less cost than you can manufacture for in America?

Mr. BOSE. Yes; that is what we have been doing and are now doing in gradually increasing quantities.

Senator THOMAS. The witness a moment ago testified that these American interests who had foreign factories were supporting this increase of duty.

Mr. BOSE. Yes.

Senator THOMAS. Are you familiar with that proposal?

Mr. BOSE. Yes; I am.

Senator THOMAS. Is that a fact?

Mr. BOSE. That is a fact. Both of those companies started their plants originally in the United States, and invested large sums of money in them the same as we did, and they have merely gone over; that is my understanding, that they did it because they found it impossible to compete with the growing industry of cork manufacture on the other side.

Senator THOMAS. In other words, instead of acquiring increased tariff protection for the manufacturing companies, they have gone over to Europe to undo the protective system; all these manufacturers have gone over there, knowing that the result of their action will be the undoing of the protective system?

Mr. BOSE. The manufacturers asked for a duty in 1922, and since that time we have been before the Tariff Commission, for two years, trying to get this protection that we are asking for now. In fact, in 1926, when the importations became so large and our protection was brought down to a small point, rather than give up production here, we reduced our prices to meet the prices.

Senator THOMAS. If these rates are incorporated into the law, is it your understanding, and do you so testify, that these foreign factories will cease operation?

Mr. BOSE. That is my understanding; that is, as far as we are concerned we will discontinue our efforts to manufacture in foreign countries, and we will continue to operate in this country.

Senator THOMAS. If the rates are kept right there as in the existing law, or are reduced like the previous witness requested, the result will be that the American factories will go out of business and the American interests will go abroad and build factories and produce cork board and ship it to America?

Mr. BOSE. No; that is, at the present time there is not a cork factory installation which can make any cork board.

Senator THOMAS. That would make a cheaper cork board, would it not—that feature?

Mr. BOSE. Not necessarily. That is, at present prices the manufacturer can not sell and make money. We can not make any money. We are merely maintaining our selling price for the sake of staying in business, hoping we will get an increase in the tariff. We are at present time operating at 33½ per cent capacity. Another manufacturer had 50, and another, I think, had about the same rate. Now, if we are able to increase our output to normal capacity we thereby will be able to reduce our manufacturing costs, and it is not a necessary inference that the duty will increase the price to the consumer in this country.

SENATOR THOMAS. As I understand it, for the first time I have heard to-day evidence that means the destruction of the protective system of America by the manufacturers themselves; not by free traders; the way they are going over to Europe and establishing plants.

Mr. BOSE. That is the only alternative which they had to going out of business. Is that not the only point?

Senator WALSH of Massachusetts. Of course, some people claim that the protective system grew up on principles of greed, in the beginning.

Mr. BOSE. Yes.

Senator WALSH of Massachusetts. It is quite apparent that since manufacturers are going over to Europe to establish plants, they are doing it because they can make more money there than in America; so that it looks as if selfish interest and greed were going to undo the protective policy. American manufacturers who invest abroad in industries will soon oppose all protection.

Mr. BOSE. This is a question of our staying in business or not staying in business.

Senator KEYES. Is that all you have to say?

Mr. BOSE. I want to correct some of the statements made by Mr. Stevenson. He made the statement that the manufacturers here in this country were making money. Now, the briefs submitted before the Ways and Means Committee showed that the manufacturers were losing money. In fact, they gave the exact amount of money that was lost.

Mr. Stevenson claims that at the present time the prices have increased from 5 or 6½ to about 8 per cent, and that is true; but the cause of that is the increase in the raw material, which has increased at a still larger ratio than the cost of the product, and the importations that have been brought into this country stated by Mr. Stevenson, he distinguishes between foreign-owned factories and purely foreign factories. Now, he is wrong if he wants to apply the words "foreign-owned factories" to the schedules of importations stated in this brief, because at that time there were practically no foreign-owned factories in this country. The acquisition of large plants on the other side was only consummated about a year ago. So that his statement to that effect is incorrect.

I also want to say that the importations in 1927 represented 45 per cent. During the first four months of this year they have gone up to 53 per cent, and if you take the ratio of the last two months, March and April, they will represent 60 per cent of the entire amount of cork board consumed in this country.

There are also a few other inaccuracies in Mr. Stevenson's statement. He mentions, for instance, in this part of that, the number of employees of the cork-board manufacturers in this country as 520. Our own factory alone has at times employed that many men.

Mr. Stevenson complains that we should have taken up the question of protection with the Tariff Commission. We have been before and have been working with the Tariff Commission for years, and they have all our facts. They have been at our plants during 1928. They were in my plant for six months gathering data, and they have determined our costs, which we have not obtained officially, but which I understand are now ready.

Mr. Stevenson also makes the statement in his brief that prior to the war cork board was sold for 3½ to 5 cents. I think this is an error. I do not think he was in business at that time. Our company has never sold cork, and we have been in business and selling cork board since 1906, for less than 4½ cents, and the average price before the war was from 4½ to 8 cents, not, as he states, 3½ to 5 cents.

His statement as to costs are also subject to correction. I think a great many errors have been made, and the final conclusion that the matter should be investigated suits all of us, and we would be only too anxious to have it thoroughly gone into. That is all.

STATEMENT OF MATTHIAS REISTER, NEW YORK CITY, REPRESENTING THE SPANISH CORK MANUFACTURERS AND THE CHAMBER OF COMMERCE OF VALENCIA, SPAIN

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

Mr. REISTER. Mr. Chairman, unfortunately I was called on this thing in the last few days and I was not able to prepare a brief, but I have before me the statements as given at the hearings before the Ways and Means Committee of the House of Representatives by the manufacturers of the United States, and I will briefly go through the statement and tell you our objections and the reasons for them.

On the cork insulation we will not discuss the quantities imported or the prices.

Senator THOMAS. Do you represent interests who have factories abroad?

Mr. REISTER. I do.

Senator THOMAS. Where are those factories located?

Mr. REISTER. At Valencia, Seville, and a number of small towns in Spain.

Senator THOMAS. How long have those factories been established abroad?

Mr. REISTER. Some of them have been established for over 200 years. They were started by the great grandfathers as hand factories, and at the present time they have installed modern machinery bought here in the United States and imported over there.

Senator THOMAS. Have these factories recently been purchased by American interests?

Mr. REISTER. No; one of them has been. That is the Decorta, of Palabrouchelle. They have been bought up by the Armstrong Cork Co.

Senator THOMAS. Then do I understand you to say that you represent foreign interests?

Mr. REISTER. I do.

Senator THOMAS. And not wholly American interests?

Mr. REISTER. Not wholly American.

One of the reasons why cork insulation costs are so high is due to the fact that the raw material has increased, not on the part of the Spanish producers but on the American and other interests, and particularly the American interests. They go over there and make advances to the farmers who own the forests, maybe a year in advance, before the raw material is cut off. Then they run short of material. In order to manufacture their insulation they go out in the open market and buy up anything they can get at any price. In the last three years the cost of cork waste—we have three classes of cork waste, common waste, which three years ago was selling at \$26 a ton delivered in New York; today is selling for around about \$75 a ton. Shavings or taperings that come off from corks were selling around \$33 a ton and are around about \$75 a ton to-day.

The clean disk waste, which is the residue after they have cut out a disk which we use for our metal cork stoppers, is selling to day at \$105 a ton against three years ago around \$50 a ton. They are so short of material at the present time that they do not know what to do.

The Spanish people do not like to see the price of the raw material advance as it has been in the past two years. They do wish that it

would decrease, because it interferes with their business. Their plants have to shut down because the American manufacturer goes over there and buys the raw material by the boatload. He will bring in 3,000 tons of cork waste in one boat; maybe on another boat 5,000 tons, just for one or two factories.

Senator THOMAS. Is the demand for cork products increasing rapidly?

Mr. REISTER. Yes, sir.

Senator THOMAS. And the supply is not being increased in proportion to the demand?

Mr. REISTER. It is not.

Senator THOMAS. What will be the result in a few years if this continues?

Mr. REISTER. We will have to use other means of insulation, as they are doing at the present time. They are using a great deal of Celotex, manufactured out of sugar cane. There will be other methods devised to take care of the insulation products.

Senator THOMAS. How long does it take to produce a cork tree, a bearing cork tree?

Mr. REISTER. It takes 15 years before you can take off the first bark.

Senator THOMAS. Does that kill the tree?

Mr. REISTER. It does not.

Senator THOMAS. Does it injure the tree?

Mr. REISTER. It does not injure the tree. The cork tree is similar to our oak tree. They strip off the bark, the virgin bark, and then after eight years they take off the second layer, and they do it every eight years. The tree lasts about 130 years before it is destroyed.

Senator THOMAS. Are new cork forests or growths being planted in the cork-growing countries?

Mr. REISTER. They are, at the request of the Spanish Government, that does not want to see the industry go down.

Senator THOMAS. You are opposing the proposed increase in cork duties?

Mr. REISTER. I am.

Senator WALSH. What is the increase; from 10 to 25 per cent?

Mr. REISTER. No; an average of 1.3 per board foot. They want to make it under 2¼ cents, based on the board-foot valuation. Suppose the cork waste goes down; what is going to happen? Will the American manufacturers reduce their prices or reduce the tariff? No; they will keep them up. That is one of the greatest evils of this per board foot basis.

Senator THOMAS. If a tariff is placed on cork and it has the effect of increasing the price, that will probably decrease the demand for corks. Will that be a benefit to the cork industry?

Mr. REISTER. It would not.

Senator THOMAS. If a tariff is placed on cork and the price goes up, would not that make an increased demand or stimulate a demand for the production of cork substitutes?

Mr. REISTER. It would at the present time, yes.

Senator COUZENS. Is not that desirable?

Mr. REISTER. It is not.

Senator COUZENS. Why not?

Mr. REISTER. Because the American manufacturers, a small minor or independent group of manufacturers, are objecting to it. They are under the control of one corporation, and whatever that one corporation says we do.

Senator KEYES. What corporation is that?

Mr. REISTER. That is the Armstrong Cork Co. They are the biggest controlling factor of the cork industry to-day.

Senator KEYES. Do they dominate the cork industry?

Mr. REISTER. They do.

Senator KEYES. Do they fix the price?

Mr. REISTER. I would not say they fix the price.

Senator THOMAS. Although they dominate the industry?

Mr. REISTER. They more or less have an association and they agree on what is to be done. As an illustration of the industry in the United States there are only three or four factories that are manufacturing corks to-day. The reason for the rest of them going out of business is that they can not afford to manufacture corks at the present prices of the raw material. First-grade corkwood in 1925 was selling for about 9 cents a pound delivered. To-day the same grade of corkwood is selling for 35 cents a pound, but the price of the finished product has not increased. The tendency has been to drive out the smaller manufacturer.

Senator COUZENS. Everything you say seems to indicate the desirability of providing substitutes.

Mr. REISTER. That is what it is coming to.

Senator COUZENS. Why not, if they are satisfactory?

Mr. REISTER. There is nothing that can take the place of cork in air-tightness to prevent the evaporation.

Senator COUZENS. You are going a long way when you say nothing can take its place. We have learned a lot of things in this country.

Mr. REISTER. But so far there is nothing found that renders as good an insulation as cork. The celotex is not as good as cork and has been so demonstrated.

Senator THOMAS. Are these cork groves owned by individual owners, corporations, or the Government?

Mr. REISTER. They are owned by individuals and corporations.

Senator THOMAS. Are these individuals and corporations prosperous?

Mr. REISTER. At the present time.

Senator THOMAS. This increased price is reflected back to the owners of the cork groves, is it not?

Mr. REISTER. Yes.

Senator WALSH. What does this increase represent in ad valorem terms?

Mr. REISTER. Around about 50 per cent.

Senator KEYES. Proceed.

Mr. REISTER. On the pipe covering the factories that are manufacturing pipe covering are those that are owned by Americans. There are two pipe-covering concerns over there.

Senator WALSH. Who is asking for this increase?

Mr. REISTER. American manufacturers want it—The United Cork Co., of Lyndhurst, N. J.; L. Mundet & Son, of New York City; the Armstrong Cork Co., of Pittsburgh; the J. T. Paddock Cork Co., of Brooklyn, N. Y.; Truslow & Fulle, of Brooklyn, N. Y.; and the Crown Cork & Seal Co., of New York City.

Senator KEYES. Is it a fact that more than half of the consumption in the United States of cork board is imported?

Mr. REISTER. It is difficult to say. I have not the exact figures in front of me.

Senator KEYES. The Tariff Commission figures indicate that there is a very great increase in the last few years in importations, and my understanding is that the importations are in excess of something like 60 per cent of the consumption.

Mr. REISTER. According to the 1927 figures as given by the Department of Commerce the quantity of board feet imported was 63,000,000. In 1927 the American manufacturers produced 69,000 board feet, so I think they are a little bit off.

Senator WALSH. How many people are employed by the American manufacturers?

Mr. REISTER. All told they employ about 7,000 people. I can not see 7,000. I have not been in the States and around New York. I have not been in the States, and I can not say anything about that.

Senator WALSH. The question was just asked you about the importation of cork. Is there any cork produced in this country?

Mr. REISTER. Not a bit.

Senator WALSH. How about the raw material?

Mr. REISTER. Of the raw material over 90 per cent of the raw material used in the manufacture of insulation is imported from abroad.

Senator WALSH. Why should these manufacturers be asking for an increased duty if they have to use the imported raw material?

Mr. REISTER. To be frank with you, a lot of these manufacturers would like to go ahead and buy imported cork, because it is a little cheaper to make, and because they can make very big quantities. They do not have to contend with the overhead here if they import the stuff and would not have to worry about labor conditions, and the only objection to the import of cork is that in October, 1928, a contest was brought in the United States Customs Court requiring or asking that every cork be branded with the name of the country of origin. It is mighty hard to brand some of the corks less than a half inch in length, but the rules and regulations call for corks to be branded. That means since February, 1929, the Spanish manufacturers have not been able to ship to this country a single cork unless it is branded.

Senator COUZENS. What is the objection to branding?

Mr. REISTER. The consumers or the buyers here in general say that it gives an impression that the cork marked "Spain" will give the impression that the contents of the bottle, whatever it may be, were made in Spain. It is mighty hard in the pharmaceutical trade to convince the buyers to the contrary.

Senator THOMAS. Will you make it plain in just what form cork comes into this country?

Mr. REISTER. Cork comes in squares or blocks as we call them. That is the raw material.

Senator WALSH. There is no such thing as cork waste?

Mr. REISTER. There is. Cork waste is the residue of the manufacture of some product like cork stoppers and natural cork disks.

Senator WALSH. Does that come under the material covering waste?

Mr. REISTER. It does.

Senator WALSH. That is imported?

Mr. REISTER. Yes.

Senator WALSH. Is there a duty on that?

Mr. REISTER. Free.

Senator WALSH. This tariff is on cork board and cork bark, but the waste cork has gone through some process of manufacture?

Mr. REISTER. Yes; the insulation.

Senator WALSH. Do these American manufacturers get cork waste and yet want a duty on the bark or board?

Mr. REISTER. On the finished product of insulation.

Senator WALSH. They get the waste in free?

Mr. REISTER. They do.

Senator WALSH. Are large quantities of that imported?

Mr. REISTER. Yes.

Senator WALSH. These American manufacturers buy all that waste?

Mr. REISTER. There are only a few of them that do buy the waste out of the list I gave. There is the United Cork Co., the Armstrong Cork Co., and the Mundet Co.

Senator WALSH. Have American manufacturers started cork-board factories in Spain?

Mr. REISTER. In Spain, due to the control now of the Armstrong Co. they have a few factories there. They also have a factory in Seville.

Senator WALSH. And they have factories here?

Mr. REISTER. Yes.

Senator WALSH. Do they want this duty?

Mr. REISTER. They do. They have asked for it.

Senator WALSH. Notwithstanding they have factories in Europe?

Mr. REISTER. Yes. The same applies to the manufacture of corks.

Senator WALSH. How do you explain that state of mind?

Mr. REISTER. They are on two sides of the fence. On this side they are asking for one thing to help the industry and on the other side they are over here asking for aid. They can not be on both sides of the fence at the same time.

Senator THOMAS. You think they know what they are doing?

Mr. REISTER. I hope they do. They are very intelligent men. They are supposed to know what they are doing.

Senator THOMAS. You are in that business. Can not you enlighten us who are not in the business how it comes that they are asking a tariff on their own product?

Mr. REISTER. They have the overhead situation. There is a fight going on at a certain time between certain interests.

Senator WALSH. Between the importers and manufacturers?

Mr. REISTER. The importer and manufacturer. In other words, one interest is trying to become the dominant factor in this particular line.

Senator WALSH. One interest, that is, both the importer and manufacturer, is trying to become the dominant factor as against another interest?

Mr. REISTER. That is right.

Senator COUZENS. Who are the two interests?

Mr. REISTER. I would say the principal interest today is the Armstrong Cork Co.

Senator COUZENS. Who is the other?

Mr. REISTER. L. Mundet & Son (Inc.).

Senator KEYES. Where are they located?

Mr. REISTER. In Brooklyn, N. Y.

Senator KEYES. One interest is for and one against it?

Mr. REISTER. No; both subscribe to it, but both hate to see it go through. That is the joke part of it.

Senator KEYES. They must have had some friends in the House to have gotten this duty.

Senator COUZENS. They come from Pennsylvania and New York.

Mr. REISTER. Pennsylvania and New York are the only ones that can do anything.

Senator COUZENS. You ought to send us a brief in view of these questions we have asked you.

Mr. REISTER. I will.

Senator KEYES. Can you prepare one in a day or two?

Mr. REISTER. I will get it ready.

Senator KEYES. Send it to the committee and we will have it printed in the record.

Mr. REISTER. Yes.

Senator KEYES. For the best interests of the people of the United States what should be done on this schedule in your judgment?

Mr. REISTER. I believe that the present rate, the existing rate of the 1922 law, should remain as it is, and that the American manufacturers are honest about any increased addition to the price of their finished product in corks.

Senator KEYES. Do you think that is what these big companies want but have not said it?

Mr. REISTER. You hear rumors. I have not heard directly from any of the big companies. You can hear rumors and rumors that originate somewhere, because the industry is so small. There are only 10 or 12 that figure, small and big manufacturers. Some of the small manufacturers—I say small—are buying corks, finished corks from the big factories and are selling them at a reasonable profit.

Senator THOMAS. Do you know at whose insistence this provision was placed in the House bill?

Mr. REISTER. No, sir; I do not.

Senator WALSH. How would they feel if we put a heavy duty on waste cork.

Mr. REISTER. I think they will come down here and raise Cain with you.

Senator WALSH. It might help to bring them to their senses.

Mr. REISTER. It may. Suppose they do put an import duty on, and suppose they get this tariff they are asking for. What will Spain do? There are over 20,000 men anxiously waiting. What is going to happen to this industry? Are they going into another industry? They must have outlets for their supply. Or will the Spanish Government put its foot down on these big interests and place an export duty on export waste? That means that your linoleum and everything you use will be increased if they put \$20 a ton export duty on. If so, that leads soon to the point that the linoleum manufacturers will not go ahead but raise their prices 1 or

2 cents. We had an example of that when the war came. When the movie-picture tax was 3 cents, the moving-picture people said, "Do not make it 3 cents; make it a nickel." You pay 2 cents more. Who gets the benefit? Not Uncle Sam, and if this request was a benefit for tariff purposes it would be all right, but who is going to get the benefit? Uncle Sam will not get the benefit.

Senator WALSH. Did you say a substitute could be made from sugar stalk.

Mr. REISTER. Yes, from sugar cane. At the present time celotex is being made extensively and they are doing a tremendous business.

Senator KEYES. I think Senator Thomas asked you the question. What you thought would be to the best interest of the American people.

Mr. REISTER. To leave that duty as it is.

Senator KEYES. I understood you to say you are representing foreign interests.

Mr. REISTER. I do.

Senator WALSH. They do not have to pay so much to bring it into this country.

Mr. REISTER. While I am not an official representative of any foreign government, I can say for myself that the only way they are going to pay an increased duty on this stuff is to go abroad. Your cold-storage plants, your expenses, etc., will go up another cent or two a foot, and we will be paying 11 cents a foot against a normal of 8 or 9 cents a foot.

Senator WALSH. Did you say you had some samples?

Mr. REISTER. I have some samples here of corks which according to the law have to be branded "Spain." There is a decision rendered from the United States Customs Court as to where the brand should be marked. The decision says that it can not be sold in any other manufacture.

Senator THOMAS. Who says that?

Mr. REISTER. The Customs Court. In other words, if a man who uses that cork was to decorate the top of that cover, that when you have the word "Spain" marked on the top of that, he is liable to a fine. He is supposed to keep that free and clear. If we put it into a bottle that is dark, you can not see the word "Spain." The bottle manufacturer says, "What can I do? If I put it on the bottom, it is sealed and you can not see the word 'Spain.' What are we going to do?"

Senator WALSH. Of course there is not any demand to-day for corks for bottles. [Laughter.]

Mr. REISTER. Only the other day you read in the papers about the bootleggers, 144 indicted in and around New York. One of the men was making corks and had the nerve to stamp on the cork, "Haig & Haig," and "Johnny Walker." He can do it because it is a larger cork, but the smaller sized corks you can not do it because the law says it must be plain and distinct, and they have an awful time to find where they can put it.

Senator KEYES. That is a little beyond us.

Mr. REISTER. No; it also comes in here. It is in the tariff in sections 304 to 306.

Senator KEYES. Branding?

Mr. REISTER. Yes.

Senator WALSH. What is the provision you refer to?

Mr. REISTER. That is the marking law. It says, in the Hawley-Smoot bill, that all articles that are imported into the United States, the container and everything else, shall be marked. So how can you go ahead and do it. We are trying to find it out. Nobody has been able to explain that to us. We have been seeking the information. For instance, here is a small mark.

Senator KEYES. You think that is not practicable?

Mr. REISTER. No. How can you put the word "Spain" on a cork like that [indicating]? How can you put the word "Spain" on one like that?

Senator KEYES. Why not stamp it on the outer end with a small metal die?

Mr. REISTER. Can you do it?

Senator KEYES. The cork may not take a metal die.

Mr. REISTER. No; it has to be burnt in if you want it to be permanent, and the law says it must be permanent. If you put a label on it, it can be removed.

Senator KEYES. It could be burnt in, could it not?

Mr. REISTER. Yes; but not in the small cork so as to make it legible to read.

Senator KEYES. Not even on the larger end?

Mr. REISTER. Not even on the larger end.

Senator KEYES. You think this requirement would cause a slightly added cost to do it?

Mr. REISTER. Yes; but the cost is not so great. The manufacturers in Spain have got to observe the branding law, and the people of the United States will follow it if they can buy a machine that will brand, and they are perfectly willing to try one out, but so far we have not been able to find a machine for use in our factories, and they tell me it is impossible to get a machine at the present time.

Senator THOMAS. Does the present law require them to be branded?

Mr. REISTER. Yes.

Senator THOMAS. But the law is not being complied with?

Mr. REISTER. It can not be complied with because the manufacturers in Spain are not sending corks.

Senator THOMAS. Is the reason they are not sending corks because they can not be branded?

Mr. REISTER. That is it. They may be hand branded, but the cost will be prohibitive.

Senator THOMAS. Might that not have been placed in the bill for that specific purpose?

Mr. REISTER. I think a section could be put in there to adjust it.

Senator THOMAS. Is it not a fact that this clause requiring corks to be branded might have been placed in the bill designedly for the purpose of furnishing a practical embargo against the importation of corks?

Mr. REISTER. The law is so broad it does not specify any particular article.

Senator WALSH. It does not apply to corks alone, but to all articles, and that would include corks.

Senator THOMAS. It is an incentive. It is a fact that corks are not brought in because they can not be branded?

Mr. REISTER. Yes. Now, in my brief I will try to tell you about the perforated shell corks. It would take too much time to do it now.

CORK TILE FLOORING

[Par. 1511]

STATEMENT OF DAVID E. KENNEDY REPRESENTING DAVID E. KENNEDY (INC.), NEW YORK CITY

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

Mr. KENNEDY. I am president of David E. Kennedy (Inc.), of New York, manufacturer of cork tile flooring.

Senator COUZENS. Do you make any cork insulations for refrigerators?

Mr. KENNEDY. No, sir; only tile flooring.

Senator KEYES. Did you appear before the Ways and Means Committee of the House?

Mr. KENNEDY. No, sir.

Cork tile is a flooring material made of ground cork shavings, heavily compressed and baked. It is used in libraries, museums, large banks, expensive residences, and apartment houses.

Senator WALSH of Massachusetts. Are you satisfied with the House bill?

Mr. KENNEDY. No, sir; we are asking for a little more.

Senator WALSH of Massachusetts. A higher increase than granted by the House?

Mr. KENNEDY. Yes, sir.

Senator KEYES. Have you a brief there you want to file?

Mr. KENNEDY. I have some notes I want to read, if I may.

Senator KEYES. Very well.

Mr. KENNEDY. Our company is the pioneer in this industry and they are the largest American manufacturer, making 70 per cent of the domestic output.

This industry originated and was developed in this country largely by my company, but it is in great danger of passing to Europe.

I have to give some technical details here as to the thickness, sizes, and so forth.

1. Cork tile is sold by the square foot. In thickness it is classed in two groups, tile over three-eighths inch and tile three-eighths inch and less. The standard thicknesses are one-half inch and one-quarter inch.

The one-half inch tile runs in weight from 16 ounces to 20 ounces per foot, and the one-quarter inch runs from 8 ounces to 10 ounces per foot.

In 1927 the year the Tariff Commission made its investigation of domestic costs of cork tile our cost of manufacturing one-half inch tile was over 27 cents, and one-quarter tile 21 cents, an average of over 24 cents per square foot.

According to their declarations, the importers purchased cork tile abroad that year at an average price of less than 9 cents per square foot.

In 1929 our costs are averaging 28 cents per square foot. The importers are declaring it at an average value of 11 cents per square foot. Here is a spread of about 17 cents per square foot.

2. To offset the extra domestic cost of 15 cents per square foot in 1927 (now 17 cents), we asked the House committee for a duty of 12 cents per pound on tile over three-eighths inch thick, and of 20 cents per pound on tile three-eighths inch and less in thickness. They have set it at 6 cents per pound for the former and 10 cents per pound for the latter.

The cost of making cork tile has risen considerably since then, owing to increased cost of cork shavings; and the foreign manufacturers are making tile of less weight. Therefore the increase works out much smaller than intended. The value is going up and the weight going down, so that the old ad valorem duty is approaching the new poundage duty.

In order to receive reasonable protection, we ask that there be a further duty of 25 per cent ad valorem. This will help take care of fluctuations in cost.

The cost of cork shavings increased from \$60 per ton in 1927 to \$100 per ton in 1929.

Senator THOMAS. Where do you get your raw material?

Mr. KENNEDY. We buy about half of it from American manufacturers and import the other half.

Senator THOMAS. From what countries?

Mr. KENNEDY. Spain, Portugal, Africa, and Algeria. It is a by-product.

Senator COUZENS. Do you pay any duty on the raw material?

Mr. KENNEDY. No, sir.

Senator WALSH of Massachusetts. What is the present duty, what is the House duty, and what are you asking?

Mr. KENNEDY. Present duty, 30 per cent ad valorem. The House has fixed a duty of 6 cents per pound for tile over three-eighths, and 10 cents for tile three-eighths and under. We are asking for the House duty plus an ad valorem duty of 25 per cent.

Senator WALSH of Massachusetts. Do you know how much the House duty represents in ad valorem?

Mr. KENNEDY. In percentage?

Senator WALSH of Massachusetts. Yes.

Mr. KENNEDY. About 50 per cent of the alleged foreign costs, on the declarations.

Senator WALSH of Massachusetts. You are asking for 25 per cent more?

Mr. KENNEDY. Yes.

Senator WALSH of Massachusetts. Seventy-five?

Mr. KENNEDY. Yes.

Senator WALSH of Massachusetts. What is the present duty?

Mr. KENNEDY. Thirty per cent.

Senator WALSH of Massachusetts. Thirty per cent?

Mr. KENNEDY. Yes. And the difference in cost is 150 per cent in this country as compared with the cost abroad.

Senator COUZENS. Do you want some compensating language to compensate for the reduction in thickness?

Mr. KENNEDY. I think the language does do that, because they fixed it at 6 cents per pound on tile over three-eighths inch thick and 10 cents a pound on tile three-eighths and under, so that compensates for it. Of course, the ad valorem takes care of it itself.

Senator THOMAS. Do you represent just yourself or do you represent a number of factories?

Mr. KENNEDY. Our own factory, David E. Kennedy (Inc.).

Senator THOMAS. Where is it located?

Mr. KENNEDY. In New York. Our factory is in Brooklyn N. Y.

Senator THOMAS. How much money have you invested in your plant?

Mr. KENNEDY. About \$700,000 in our business.

Senator THOMAS. How many similar plants or businesses are there in the United States?

Mr. KENNEDY. There are three other companies manufacturing cork tile.

Senator THOMAS. Four altogether?

Mr. KENNEDY. Yes, sir. However, we make about 70 per cent of the entire output. We are the pioneers in this business.

Senator COUZENS. Does it constitute a trust under the Sherman law.

Mr. KENNEDY. I don't know, sir. There was no consolidation. Our business has grown. No other companies were ever taken in.

Senator THOMAS. Is your business prosperous at this time?

Mr. KENNEDY. No, sir; it is not, not for the last two or three years.

Senator THOMAS. Are you operating?

Mr. KENNEDY. Yes, we are. We are operating at a loss in 1928.

Senator THOMAS. What per cent of capacity are you operating now?

Mr. KENNEDY. We are making considerably less time than we did in 1928, and I think we made less in 1927 than we did in 1926, and we are making less this year.

Senator THOMAS. Is the demand for the product decreasing or increasing?

Mr. KENNEDY. It is increasing.

Senator THOMAS. And the business is going to foreign goods instead of yours?

Mr. KENNEDY. Yes, sir. The importations have grown from almost nothing five years ago to \$600,000 or \$700,000 per annum. The greatest effect upon us has been the reduction in price. We can not continue and make tile at the price they sell it.

Senator WALSH of Massachusetts. Is the financial distress of your company similar to that of the other three companies?

Mr. KENNEDY. I heard the other companies before the Ways and Means Committee and they made the same claim. We asked, however, for a higher duty than the other three companies. They were together.

In two and a half years the cost of raw material has increased steadily over 65 per cent, and the cost of the product 4 cents per foot over 1927, the year the Tariff Commission reported on it.

I have here invoices showing the cost of cork shavings in these years. There has also been an increase in the cost of labor.

Would the committee like to see the invoices?

Senator KEYES. I don't think so.

Mr. KENNEDY. There has also been an increase in the cost of labor.

In 1927 the cost of cork shavings ran from \$60 at the beginning of the year to \$77 per ton at the end.

In 1928, from \$77 to \$68 per ton.

In 1929, from \$97 to \$100 per ton.

In 1927 our factory cost of one-half inch cork tile was 27% cents per square foot, and of one-fourth inch tile 21 cents.

In 1928, 30 cents and 23 cents.

In 1929, 32 cents and 24 cents.

As against these costs imported cork tile has been offered freely for sale throughout the United States at 19 cents per square foot for one-half inch tile, and 13 cents for one-fourth inch tile.

The poundage duty for which we asked was based on the assumption that the one-half inch tile weighed 29 ounces per square foot and the one-fourth inch tile 10 ounces per square foot.

Now the foreign manufacturers are making tile that weighs 16 to 17 ounces per square foot for the $\frac{1}{2}$ -inch thickness and 8 to $8\frac{1}{2}$ ounces per square foot for the $\frac{1}{4}$ -inch thickness, which affects a material decrease in the duty per square foot.

The cork tile industry has grown more than the census reports indicate, for the production of the Kennedy Co., which was about 70 per cent of the entire domestic production, was not included in those reports.

The growth of this industry was rapid until the year 1926, our production alone increasing in that year to over 2,000,000 from 200,000 feet, in 1920. Since 1926 it has decreased, due to the importations of foreign tile and the prices at which foreign tile is being sold. The latter has caused a much greater injury to the domestic industry than the former, because the domestic manufacturers can not make and sell cork tile at these prices, and we have lost heavily since then trying to keep in business.

That the Kennedy Co. has asked for a higher duty than the other domestic manufacturers is possibly explained by the fact that two out of the other three American manufacturers own large cork factories abroad. One of these is the largest importer of cork tile into the United States. They have been driven to this recourse in order to remain in this business.

The second largest domestic manufacturer imported during the past two years from a plant it owns abroad considerably more cork tile than it made in its American factory. They found that they could bring the foreign tile in at far less cost than it can be manufactured here, with the result that their domestic production is sacrificed to their foreign production.

Senator WALSH of Massachusetts. Two of your competitors have started factories abroad?

Mr. KENNEDY. Yes, sir; they have purchased factories abroad, I understand.

We believe that this industry is entitled to consideration because it applied to the Tariff Commission for an increase in duty in 1926, the Tariff Commission made an investigation of the domestic costs and we believe would have recommended an increase of the maximum amount allowed under the flexible provision of the tariff bill.

We ask on tile over three-eighths inch in thickness a duty of at least 6 cents per pound plus 25 per cent ad valorem; and on tile three-eighths inch and less in thickness 10 cents per pound plus 25 per cent ad valorem. At the declarations and weights of foreign tile this would average about 31 per cent ad valorem on domestic costs.

Senator WALSH of Massachusetts. I can not understand why these other companies who have foreign plants—that is, the American foreign companies—asking for any increase in the tariff.

Mr. KENNEDY. I think they do it because they would rather put the production into their American plants than into the foreign plants. I know one of our competitors whose chief industry is cork insulation not cork flooring, was practically driven to buy that foreign plant. They could not continue their production of cork insulation without that foreign plant.

Senator WALSH of Massachusetts. You are practically the only simon-pure American concern engaged in cork production?

Mr. KENNEDY. No, sir; I would not say that.

Senator WALSH of Massachusetts. Your production is 70 per cent?

Mr. KENNEDY. Well, they produce probably 15 per cent of the American production, and they import more than that. It is a very good American firm.

Senator COUZENS. Isn't this a sort of luxury?

Mr. KENNEDY. It is rather a luxury; yes, sir. It is not used in cheap work; it is used in libraries and rather expensive buildings. It has great merit for that purpose. It serves a utilitarian value in the library because of its sound deadening. And it is used in court-houses and fine residences and expensive apartments.

Senator WALSH of Massachusetts. How does the domestic production and the imports compare in quality?

Mr. KENNEDY. I have each tile here. I don't think the ordinary architect who buys the foreign can tell the difference.

Senator WALSH of Massachusetts. How do they compare in price?

Mr. KENNEDY. The sales value?

Senator WALSH of Massachusetts. Yes.

Mr. KENNEDY. They are selling that half-inch tile for 19 and 20 cents.

Senator WALSH of Massachusetts. The imported?

Mr. KENNEDY. Yes, sir. And our cost to make it is 32 cents. That includes a 10 per cent factory profit.

Senator KEYES. You say that is the imported [indicating]?

Mr. KENNEDY. No, sir; that is the American.

Senator KEYES. The small one is the imported?

Mr. KENNEDY. Yes, sir; they are made in various sizes. Shall I leave the tile?

Mr. KEYES. If you wish, you may.

Have you anything else?

Mr. KENNEDY. No, sir. But may I file a brief, Mr. Chairman?

Mr. KEYES. Certainly.

(The brief referred to is as follows:)

BRIEF OF DAVID E. KENNEDY (INC.)

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

HONORABLE SIRS: 1. The cork tile flooring industry was originated by David E. Kennedy, president of this company, who, beginning in 1900, alone and unaided and without financial resources developed this industry, both in the technique of manufacture and the perfection of the material and, even more arduous and important, the introduction of this material to architects and builders of this country. Mr. Kennedy worked eight years without any remuneration establishing this business before he could enlist the aid of capital. Not until 1908, after he had spent all his own money and eight years of hard work, was he able to interest capital in this industry. From then the business developed steadily, until in 1920 it had grown to 200,000 square feet. It grew to over 2,000,000 square feet in 1925, and reached the peak of about 2,200,000 square feet in 1926, since which time it has declined alarmingly.

2. To supply the market created by the efforts of Mr. Kennedy and the Kennedy Co., in 1923 three other American cork manufacturers had taken on cork tile as a side line. About that time the industry attracted the attention of European manufacturers and they planted engineers in the factories of the Kennedy Co. and other American manufacturers under the guise of workmen, and began to manufacture cork tile abroad. In 1926 the amount of importations and the prices at which the foreign tile was sold here began to seriously affect the industry. The production of the Kennedy Co. and the other American manufacturers instead of continuing to grow, dwindled and decreased steadily in 1927, 1928, and 1929. The most serious thing to the American manufacturers is the price at which the foreign tile is sold, which is considerably below their actual cost of manufacture. The result is that since 1926 the Kennedy Co. has not only suffered a diminution of production but has lost a very large amount of money.

The foreigners did not do one thing to develop either the material or the sale thereof—they simply copied our methods of manufacture and instead of trying to broaden the market pirated the market created by the Kennedy Co. by selling tile at prices ruinous to the domestic manufacturers. The situation is far more serious to the Kennedy Co. than to the other domestic manufacturers of cork tile because we make cork tile only—no other cork products—whereas with all other domestic manufacturers cork tile is a comparatively small side line. This explains why the Kennedy Co. has found it necessary to ask for a higher duty than the other domestic manufacturers. This is further explained by the fact that two out of the other three American manufacturers own large cork factories abroad. One of these American companies is the largest importer of cork tile into the United States. The second largest domestic manufacturer imported during the past two years from its foreign plants more cork tile than it made in its American factory. They state they have been driven to this recourse in order to remain in this business. They found that they could bring the foreign tile in at far less cost than they could manufacture the tile here, with the result that the domestic production has been sacrificed to their foreign production.

3. It does not seem fair that the Kennedy Co., by whose sole efforts this industry was created and exists to-day, should be driven out of the industry by this cheap, imitative, foreign competition and we are asking for your help to prevent the overwhelming of the Kennedy Co. by foreign competition that did not spend 1 cent developing either the material or the sale of same and that is doing nothing more nor less than to monopolize an entire American industry by driving the American manufacturers out of the American market.

4. In his address before your committee on June 25 Mr. Kennedy gave the facts and figures of the industry. Suffice it to say here that it costs over 150 per cent more to manufacture cork tile in this country than it does in the European countries. This is due chiefly to the low cost of European labor and to the fact that the Kennedy Co. operates its two factories in New York State, under the humane and progressive factory laws of that State, which impose reasonable and proper restrictions for the safety, health, and well-being of the employees unknown to the European factories.

5. About 400 persons earn their livelihood in the employ of the Kennedy Co., and in addition we have about 130 agents who are supported largely by our business. We purchase large quantities of American products, fuel, power, etc. We purchase about one-half of our raw material from American factories. We have an investment of about \$700,000 in this business in plant, machinery, stock, etc.

6. Accurate figures on the amount of foreign cork tile imported are impossible to ascertain, for there has been much confusion of the terms "cork tile" and "cork board." Much foreign cork tile has been declared as cork board, a less expensive article incurring less duty. There is no doubt that the importations reached 50 per cent of the domestic output during the last three years, although the public statistics show less because of wrong classification of the importers.

7. As explained by Mr. Kennedy in his address, the specific rates in the House bill do not give the increase intended because the foreign manufacturers have decreased the weight of the article per square foot and the cost of same has very much increased even since that date, so that the old ad valorem duty is now rapidly approaching in amount the new specific duty. We ask therefore that 25 per cent ad valorem duty be imposed on this article in addition to the specific rates set by the House. At the declarations and weights of foreign tile, the specific rates imposed by the House plus the 25 per cent ad valorem duty would average about 13 per cent ad valorem on domestic costs, or about 80 per

cent on foreign costs. This is only about one-half the difference between the Kennedy companies' costs of manufacture and the foreign costs declared by the importers.

Respectfully submitted.

DAVID E. KENNEDY (INC.),
By DAVID E. KENNEDY, *President.*

DOLLS AND TOYS

[Par. 1513]

STATEMENT OF OTTO FIX, NEW YORK CITY, REPRESENTING THE TOY GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

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

Mr. FIX. I appear on paragraph 1513 and represent the importers and dealers in toys, members of the National Council of American Importers and Traders. I am an employee of the George Borgfeldt Co., importers and dealers in domestic toys and manufactures.

Senator WALSH. How many importers of toys are there?

Mr. FIX. I could not give you the exact number. I would say that in New York there are approximately 25 or 30.

Senator WALSH. Located in what cities?

Mr. FIX. I do not know how many there are outside of New York, but there are quite a number. There are a number of department stores that are importers.

Senator COUZENS. Did you appear before this committee before?

Mr. FIX. I appeared on valuation.

I have been listening with a great deal of interest to the testimony of the representative of the domestic interests, and the effect of the testimony is that the rate of duty should be fixed on the use of the article and not in accordance with the difference in cost of production, or competitive conditions.

There has not been an illustration given to this committee to show that there is any rate of duty warranted. They have just simply illustrated by an article used by a child and said that that should have the rate of duty prescribed by the act, regardless of the fact as to whether or not it has a practical purpose.

And I disagree with the witness in his statement that all these articles he illustrated with here were held to be other than toys.

Personally, I tried the skittles case in the name of George Borgfeldt & Co., and the decision was that it was a toy.

Let this gentleman who testified give you the decisions, the number of decisions, and let him send to the Customs Court for them to confirm his statements.

I will illustrate what the effect of this language of the act will be. I will illustrate that not alone by the decisions, but I will illustrate it by a comparison with the domestic article, and I will show you that the rate of duty of 70 per cent is far in excess of the needs of the industry.

Senator THOMAS. What is the rate now?

Mr. FIX. It is 70 per cent, and in certain instances, because of the language certain goods that might be used by an adult were held to be dutiable under paragraphs other than the toy paragraphs.

I am going to try to develop that by following a memorandum that I have here prepared. I will get to these questions later.

First of all, you have heard the witness on behalf of the domestic industry say that he is satisfied with the rate of 70 per cent.

What has been done in the House bill? They have added in the House bill a proviso to the effect "that none of the foregoing shall be subject to less amount of duty than would be payable without regard to this paragraph."

Senator WALSH. What paragraph is that?

Mr. FIX. That is the proviso in paragraph 1513.

Now, gentlemen, the domestic interests have asked that the duty of 70 per cent be retained, and I will start with that point.

Senator KEYES: You are opposed to that rate?

Mr. FIX. I am, and I will illustrate why.

Senator COUZENS. What do you recommend in its place?

Mr. FIX. I recommend that the proviso be stricken out.

Senator COUZENS. What rate do you recommend?

Mr. FIX. It is just that the proviso be stricken out. The rates will be increased by reason of the proviso.

Senator COUZENS. You do not object to the rates if the proviso is eliminated?

Mr. FIX. I recommend a lower rate, a rate of 50, because I think I can show you that there is ample.

Senator WALSH. You claim that the proviso includes a good many things that would not be included in it if it did not exist?

Mr. FIX. This proviso means that the rate of 70 per cent is the minimum rate, and every other paragraph of the act is open to the classification of toys, provided that the rate in other paragraphs is higher than 70 per cent, and I will show that the rate will be 114 per cent in one instance, and I have not in that taken an extreme illustration. I have just taken some samples out of our line [exhibiting samples].

The first sample I have here is classified as a toy.

Senator KEYES. Will you identify it?

Mr. FIX. That is Exhibit 1, foreign.

Senator WALSH. What is it called in the trade?

Mr. FIX. It is called a dog; the name is "Molly Dog." The article consists of a covering of wool pile fabric.

Paragraph 1110, which is in the wool schedule, provides a rate of duty of 44 cents a pound and 50 per cent ad valorem for an article made or cut from a pile fabric, in chief value wool.

The covering of this is cotton warp and cotton wool, with a pile of wool. The purpose of the 44 cents duty is solely to compensate for the duty on raw wool, and the schedule is written in accordance with that desire.

The rate of duty on that article, if you should take the rate at 44 cents, plus 50 per cent ad valorem, would be 80 per cent.

Foreign Exhibit No. 2 [exhibiting sample] is a similar article of wool pile fabric. The rate of duty on that would be 67.7 per cent and because of the minimum provision it would be 70 per cent. The rate of duty on Exhibit No. 3, foreign, would be 114 per cent.

Senator WALSH. In other words, these articles are already classified under some other paragraph than as toys?

Mr. FIX. Yes, sir.

Senator WALSH. And under this proviso they would come in under the toy paragraph and subject to a duty of 70 per cent?

Mr. FIX. Subject to duty ranging from 80 to 114 per cent.

Senator WALSH. They are toys, are they not?

Mr. FIX. They are toys and paying that rate at the present time. I have torn that covering off to show you that it is stuffed with excelsior.

Senator COUZENS. What exhibit is that?

Mr. FIX. It is the same one, Exhibit —, foreign, only I have torn the covering off to illustrate my point. It consists of a wool-pile covering with a cotton warp, stuffed with excelsior, and because of the addition of materials other than wool the weight is increased. The weight of this is 5 ounces, and the weight of the covering is but half an ounce. If you took the weight of the wool itself it would not be more than a quarter of an ounce, because it consists of cotton warp and cotton wool, and the only portion of that which is wool is the pile. So the actual weight of the covering being half an ounce and the weight of the entire article being 5 ounces, the specific rate, which is designed to compensate for the duty on raw wool, becomes \$4.40 instead of 44 cents.

Senator WALSH. I do not see how you make that out. I understand now that these articles are classified in another paragraph and pay a duty of 30, 40, or 50 per cent.

Mr. FIX. Yes, sir.

Senator WALSH. And I understand that this also provides that all such articles shall be subject to a duty of at least 70 per cent.

Mr. FIX. Yes, sir.

Senator WALSH. Do you claim when these articles come in, if this proviso stands, they will be subject to two duties, one under an earlier paragraph which relates to the component part of the toy, and also to this duty of 70 per cent?

Mr. FIX. No. The proviso states that the article shall be classified under the other paragraph of the act provided it has a higher rate.

Senator WALSH. Provided that none of the foregoing shall be subject to less duty than would be payable without regard to this paragraph.

Mr. FIX. That is the point. These goods are in paragraph 1110, are made or cut from pile fabric, and if the rate prescribed in 1110 is higher than 70 per cent it falls under paragraph 1110.

I have illustrated the fact that the duty under paragraph 1110 in the case of the first sample would be 80 per cent, and in the second would be 67.

Senator WALSH. Under what paragraph are these coming in now?

Mr. FIX. At the present time they are under the toy paragraph at 70 per cent.

Senator WALSH. What reason have you to think that they having been admitted now as toys will, after this law becomes effective be subject to duty under the toy paragraph and the other duty?

Mr. FIX. I said alternately; providing the duty in the toy paragraph is greater, it comes under the toy paragraph; otherwise, it is under the other paragraph.

Senator WALSH. How can they come under any other paragraph if they are called toys?

Mr. FIX. Because the proviso says that it falls under another paragraph.

Senator WALSH. But it never has.

Mr. FIX. It will, if that proviso is not stricken out.

Senator WALSH. Does the expert agree with this contention? Do you think that this proviso does lead to the possible results he fears?

Mr. SMITH. Yes.

Senator WALSH. I understand the other expert also agrees.

Mr. SMITH. Yes.

Mr. FIX. I have now a comparable example to Exhibit 1, and it is marked Exhibit 1, domestic. The article is manufactured by the Continental Toy & Novelty Co.

Senator COUZENS. Where?

Mr. FIX. I think they are located in New York. The foreign price of the foreign article is \$8.64. This can be verified by invoices filed at the custom house.

Senator WALSH. Will you describe that, and the material in it?

Mr. FIX. I have marked them "Exhibit 1, foreign," as compared with Exhibit 1, domestic. The price of the foreign article is \$8.64, packing charges 33 cents, and freight charges 15 cents, and with a duty of 70 per cent, the total laid-down cost, without selling expenses or profit is \$15.28.

Our selling expenses are 33½ per cent, so that makes a total of \$20.27.

The domestic comparable article sells at \$12.50. In other words, the domestic article sells at \$12.50 and the comparable foreign article, laid down cost, without selling expenses and profit, and the duty of 70 per cent, is \$15.28.

Senator COUZENS. Why do they not take advantage of that and raise the domestic price?

Mr. FIX. Because you can see that the foreign article is more natural than the domestic; that is my opinion. You can judge for yourself.

Senator COUZENS. I do not understand, if the 70 per cent rate is so excessive, as you claim, why the domestic manufacturers do not boost their prices, if they are competing with the foreign goods.

Mr. FIX. I can not answer that. I can only say that those are the facts.

Senator WALSH. You claim that the imported article is superior?

Mr. FIX. I do; I maintain that it is superior made. The material and everything else is the same. I have a sample here of the domestic article, marked "Exhibit 2, domestic." It compares, in our opinion, with Exhibit 2, foreign. The foreign article costs at the factory \$6.56 per dozen.

Senator COUZENS. What factory?

Mr. FIX. The factory in Germany, with packing charges 5 per cent, 33 cents, duty at 70 per cent, \$4.59, making the laid down cost \$11.48.

The price of the domestic article, the wholesale price, is \$9.45 per dozen pieces.

Senator WALSH. Does the laid-down cost of the foreign article include profit?

Mr. FIX. No, sir.

Senator WALSH. Or selling expenses?

Mr. Fix. Selling expenses, but not profit. So with a 70 per cent duty on the foreign article, without profit or selling expenses, it is laid down at \$11.48, while the selling price of the domestic article is \$9.45.

Senator COUZENS. What are the comparative sales of those respective articles?

Mr. Fix. I could not say that; I do not know.

These illustrations will certainly show that an increase in the rate of 70 per cent is not necessary to meet competitive conditions.

Senator COUZENS. I am inclined to agree with you on that, but I do not get your demonstration as to the desirability of reducing the ad valorem from 70 to 50 per cent.

Mr. Fix. At the present time the reason that the foreign article sells to any extent in competition with the domestic article is because possibly it is more attractive to the buyer, and he wants an attractive article, and the trade is willing to pay a higher price.

Senator COUZENS. Is that not true when you buy a Rolls Royce or any other foreign automobile?

Mr. Fix. That is possibly a true comparison.

You have seen these illustrations here, gentlemen, of rubber balls and you have heard the witness ridicule the decision of the court, and you have heard that all that needs to be done in justice is to increase the rate, but there was nothing shown you as to the reason why that rate should be increased.

Senator COUZENS. I want to point this out at this point, that the witness did not go into this matter except on the theory that they were satisfied that it was the intent of Congress in prior acts to give them adequate protection which they were not getting under the interpretation of the court.

Mr. Fix. Then let us read the language of section 1402 of the present and see what that language is. I will quote the relevant portions of that paragraph:

Paragraph 1402 reads:

"And all other balls, of whatever material composed, finished or unfinished designed for use in physical exercise or in any indoor or outdoor games or sports."

Senator COUZENS. What is the rate on that?

Mr. Fix. That is 30 per cent, and the criticism is leveled against the decision of the court in holding that rubber balls used by children are dutiable at 30 per cent. You can see that the language is that "all balls of whatever materials composed, finished or unfinished, designed for use in physical exercise in any indoor or outdoor game or sport."

In other words, these balls naturally must fall into that paragraph unless it can be shown that they are not used for physical exercise in any indoor or outdoor game or sport.

Senator COUZENS. I understand that the witness objects to them coming in under the 30 per cent, on the interpretation of the language prescribed by Congress.

Mr. Fix. That is the language, what I have quoted.

Senator COUZENS. He wants it changed so that they can come in as toys.

Mr. Fix. Yes, sir.

Senator COUZENS. If he shows that he needs more than 30 per cent.

Mr. Fix. He has not not shown the need, and I am going to show that he does not need 30 per cent.

I have here some of the illustrations that the witness used. Here are three foreign balls [indicating exhibits]. They are numbered "Exhibit 4, foreign," "Exhibit 5, foreign," and "Exhibit 6, foreign." You will note that the difference between the foreign and the domestic balls is solely in the manner of decoration.

I have here the domestic ball comparable in size, but the design is not as attractive, nor is there any lacquering on it as in the case of the foreign ball.

Understand, gentlemen, there are no inflated foreign balls imported other than these fancifully colored ones.

It is impossible to compete on any plain balls.

Let us see whether the rate of duty of 30 per cent is sufficient or not. These foreign balls are manufactured by Semperit in Austria.

The foreign price of Exhibit 4, at the seaport Hamburg, is \$8.22. That is the net per gross price for the foreign article.

The price of the domestic ball, Exhibit 4, domestic manufacturer, Miller, of Akron, Ohio, is \$8.70 per gross net. By comparison, the foreign price is \$8.22 without duty, without expenses, and without profit and the domestic is \$8.70. That is the comparison in price at the factory.

The price of Exhibit 5—that is, foreign Exhibit 5—is \$17.13 per gross, net, free at the port of Hamburg. The price of the comparable domestic ball manufactured by Weaver, of Lebanon, Pa., is \$17.50 net gross at factory. That makes the comparison, this one, the foreign product, \$17.13 per gross and this one, the domestic product, \$17.50 gross, both at the factory.

The price of foreign Exhibit 6 is \$3.56 net, free, port of Hamburg, and the price of the domestic exhibit, marked "6", domestically manufactured by Weaver, of Lebanon, Pa., is \$3 net. By comparison, the price of the foreign product is \$3.56, and that of the domestic product is \$3, both at the factory.

Senator COUZENS. Have you any statistics showing the importations of those exhibits?

Mr. FIX. I will come to that. So that you can see at once there is no need of greater protection than 30 per cent, and because the imports are limited. It is solely because of the more attractive appearance of the foreign balls that it sells at all. Is there any reason then why a proviso should be added to paragraph 1502 of the proposed bill to make these rubber balls dutiable at 70 per cent?

Senator WALSH. Are all these balls sold by the retailers for the same price?

Mr. FIX. I could not tell you that; I am not familiar with that.

Now, we have heard some testimony with regard to musical instruments. We have seen illustrations of a ukulele as compared with a violin, and the reason why the importer claims one to be dutiable as a toy and the other one as a musical instrument is because of the difference in rates.

We are not able to fix rates of duty. Those rates are first fixed by the Congress, and then the language is defined and interpreted by the courts. The decision that is being followed is a decision by Judge Fischer, T. D. No. 22765, and it goes back many, many years.

Senator COUZENS. How many years?

Mr. FIX. Possibly 15 or 20 years.

Senator COUZENS. You do not know what the date of the decision is?

Mr. FIX. We are now in the forty-three thousands, so that this decision in the twenty-two thousands goes back many years ago. I am trying to show that it was laid down long prior to the writing of the act of 1922. It was a fixed rule long before that.

This was the rule, and it was cited with approval in the decision of the Customs Court of Appeals in T. D. 41230, and the rule under which the character of the article is determined is set out in the decision of the judge in that case.

The rule is whether or not the article is cheap or expensive in construction, regardless of what are its materials. If it is capable of producing musical compositions, it is a musical instrument, and if not, it is a toy.

The testimony of the domestic manufacturers has been a criticism of the court's rulings, without any effort on their part to show the true competitive conditions.

Let us see whether the domestic interests are suffering by reason of this.

Senator COUZENS. Before you leave that point, were those samples that the previous witness showed musical instruments?

Mr. FIX. I am not a musician, and I do not know anything about these that they have given as illustrations. I do not know whether they are confirmed officially; I know nothing about them.

I can only state from my experience of 35 years in customs litigation that the courts listen to the testimony, whatever the case may be, and decide the case in accordance with the testimony, and that since the passage of the act of 1922, or within the last three years, every toy case has been set at a special date; the importers have been notified and the domestic interests have been notified, and the domestic interests have never failed to bring down a sufficient number of witnesses to overcome, at least in numbers, the witnesses on the side of the importers.

Senator COUZENS. That may be true, and that may be the fault of Congress as to the law.

Mr. FIX. The gentleman who preceded me has given illustrations to show that the rates are wrong. I have given illustrations to show that the rates are more than sufficient.

I want to show further that at the time of the Ways and Means Committee hearings we introduced at least 40 or 50 foreign samples with the comparable domestic-goods samples. We showed a laid-down cost for every single foreign article and gave the name of the manufacturer, the foreign cost, the duties, the name of the domestic manufacturer, the article, and the cost of it.

Now, gentlemen, that is in the record. If it could have been controverted it would have been controverted to-day. So we must accept these statements as true, and in every instance, I think, with the exception of one, the laid-down cost of the foreign article exceeded the selling price of the comparable domestic article.

The firms that gave this testimony are all well-known and long-established concerns, and I think that nobody can question their integrity.

Senator DENEEN. Is there any doubt in your mind as to whether that violin is a musical instrument?

Mr. FIX. I play the violin, and I can say this, that one of the things necessary in a violin is that the key in the socket must hold, because if the string loosens the tone is changed, and therefore it could not be used.

Senator DENEEN. My question is directed to the specific article exhibited here.

Mr. FIX. Certainly not. It is not even of the right size. I think that the smallest size a child can use is a half. The ukulele may have been used to drum on, like the one you see there, because the keys do not have to be so accurate.

Senator WALSH. Are these toys that are made of fabric practically the only toys that would come here under this proviso?

Mr. FIX. No.

Senator WALSH. These rubber balls are not?

Mr. FIX. No.

Senator WALSH. You are arguing that these rubber balls should remain under athletic goods?

Mr. FIX. Yes, sir. For instance, where is the justification in holding that this ball [indicating ball] because it might be used by a child in play should pay 70 per cent duty and if let in for physical exercise 30 per cent?

Senator WALSH. I think we understand your point there. What I would like to know is, how many there are, how extensively is the importation of toys to be affected by this proviso? You have spoken of toys; what else is there?

Mr. FIX. That would require an analysis of the entire tariff act. You could say artificial-silk covering, which under the proposed bill is 45 cents and 60 per cent?

Senator WALSH. Are there such toys?

Mr. FIX. Yes; and there are some similar to these, only that the covering is artificial silk.

Senator WALSH. What else is there?

Mr. FIX. I can not just say. I have not studied it sufficiently. It is too lengthy.

Senator DENEEN. Would it require any additional cost to make that large ball as attractive as the smaller ball?

Mr. FIX. I am not a manufacturer; all I know is the price of the product, and you can see that the price will be about half at retail.

Senator WALSH. When you speak about the price you mean the selling price and not the cost of production, of course?

Mr. FIX. Yes. To illustrate further, they have put a proviso in paragraphs 1543 and 1544, and that reads——

Senator THOMAS. Do you characterize this proviso as what might be called a joker?

Mr. FIX. I characterize it as hidden legislation; that is what I call it.

Senator THOMAS. And the popular term for that amongst some people at least is a joker, is it not? You have heard it so designated?

Mr. FIX. I have heard those words before.

Senator WALSH. It is not a strong enough word, evidently, in your mind.

Senator THOMAS. You have read this bill from beginning to end?

Mr. FIX. No; I have read it to the extent to which I am interested.

Senator THOMAS. From your reading of it are there other similar provisions that contain what you have designated as hidden legislation?

Mr. FIX. There is this proviso in paragraph 1513, and in 1543 and 1544, and the change of language in paragraph 1502.

I want to show that while the domestic interests feel no need for greater protection than 70 per cent, yet the House bill has given it, not alone in the form of the language of the provisos, but in the form of a real rate written into the bill. We have here the first part of the paragraph which reads—

Senator DENEEN. Which paragraph is that?

Mr. FIX. Beginning with paragraph 1513, which reads:

Dolls and doll clothing—

Senator WALSH. What is the point you are making now?

Mr. FIX. It reads:

Dolls and doll clothing, composed in any part, however small, of any of the laces, fabrics, embroideries, or other materials, or articles provided for in paragraph 1529 (a), 90 per centum ad valorem.

The rate of duty at the present time on dolls is 70 per cent. The only exception is when the article is in chief value of yarns, threads, beads, spangles, and so forth, as specified in paragraph 1529, and that is dutiable under the old bill at 75 and 90 per cent. Under this language dolls need not be in chief value of yarn, thread, or filaments.

Let us take, for instance, one of these dolls and say it has on it a little bit of a flimsy garment, just a little bit of a piece, and it would then pay a duty of 90 per cent, although under the present act it is 70 per cent.

So, as to the rate of duty on dolls, as to the dolls that have any of the materials or articles designated in paragraph 1529, the rate is changed from 70 to 90 per cent.

Now, gentlemen, let us compare the rate of duty on articles made of the self-same material that toys are made of. It is presumed that if an article is manufactured of the same material and in the same way the rate of duty equalizes the competitive conditions regardless of the use to which the article is put. Exception is made in toys in fixing the duty at 70 per cent, regardless of the material, and additional protection is now given by the provisos in the language I have referred to.

The rate of duty on articles made of paper is 35 per cent.

The witness preceding me showed you some games. Those games would be dutiable at 35 per cent if they were not held to be toys. Manufactures of pulp would be dutiable at 25 per cent. Manufactures of wood pay 33½ per cent, but when it is a toy the rate is 70 per cent. Manufactures of cotton pay 40 per cent, but when it is a toy it is 70 per cent, and so on.

Senator WALSH. Do you refer to a wooden chair?

Mr. FIX. Not a wooden chair; manufactures of wood.

Senator WALSH. Take a wooden chair imported into this country for the use of adults. The duty would be what?

Mr. FIX. I think under the old act the duty is 30 per cent as furniture.

Senator WALSH. But a wooden chair that was imported as a toy would pay 70 per cent?

Mr. Fix. Provided it is a souvenir chair, a small chair, not capable of being used as furniture; the duty would be 70 per cent. It is identically the same in every case. A toy has to pay a higher rate of duty, so parenthood comes subject to taxation.

Senator DENEEN. Does not your argument lead to ignoring the skill employed in making an attractive article?

Mr. Fix. I doubt whether it requires so much skill. I think it takes a good deal more skill to manufacture a real good chair than these little flimsy things made in the form of a souvenir.

Senator KEYES. You did not cover this in the House hearings, did you?

Mr. Fix. Mr. Schmidt appeared at the House hearings. I have taken the place of Mr. Schmidt because he had to go to Canada.

Senator WALSH. I am trying to find some reason why the toy manufacturer should urge a higher rate than the rate levied upon other toy articles made of products in other schedules.

Mr. Fix. Before the act of 1922 was enacted the duty on toys was approximately 35 per cent, and manufactures of metal or of paper or of cotton were close to 35 per cent, so there was no great difference in duty whether classified as a toy or according to the materials, so the litigation was limited.

But since the passage of the act of 1922 the amount of litigation has increased because of the great difference in the rate of duty.

I have here the Department of Commerce statistics showing the domestic production as given by that department.

Senator WALSH. You are going to put those in the record?

Mr. Fix. Yes, sir. The total (production in 1925) for dolls and other toys was \$79,670,000.

Senator WALSH. That is the domestic production?

Mr. Fix. Yes, sir. In 1927 the domestic production was \$84,207,000. It has increased about \$5,000,000 in two years.

Senator WALSH. What about the imports?

Mr. Fix. I have those. The exports for the year 1925 amounted to \$1,408,735; but I want to add that the statistics did not include certain classes now included in the classification of toys.

In 1927 the exports were \$4,469,000. The imports for the same years were as follows: In 1925, \$760,840 on dolls and \$3,296,914 for toys. In 1927 the imports of dolls amounted to \$999,412 and the toy imports amounted to \$3,598,258.

So that the imports of both dolls and toys for the year 1927, amounted to \$4,597,670 as compared to exports of \$4,469,000, and the domestic production of \$85,000,000. That is all, gentlemen.

Will you permit me to have 48 hours in which to file a brief?

Senator KEYES. Get it in as soon as you can.

Mr. Fix. Yes, sir; I will do that.

(The brief referred to is as follows:)

BRIEF OF THE TOY GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS

IN OPPOSITION TO THE PHRASEOLOGY OF PARAGRAPHS 1513, 1502, 1541, AND 1542 AND RATE OF DUTY IN PARAGRAPH 1513 OF H. R. 2667

We are importers and dealers in articles classified under the above paragraphs and form a group of the National Council of American Importers and Traders. We oppose the phraseology in the above paragraphs, because—

(1) The proviso to paragraph 1513 increases the rate of 70 per cent to over 100 per cent.

(2) The change in language in paragraph 1502 from that of paragraph 1402, act of 1922, increases rate of duty on certain rubber balls from 30 to 70 per cent.

(3) The proviso to paragraphs 1541 and 1542 excludes certain articles now classified as musical instruments or phonographs and increases rate of duty to 70 per cent.

We are opposed to these changes for the reasons hereinafter stated, and recommend that the phraseology of the paragraphs above mentioned remains as in the act of 1922.

The domestic production has increased while imports have declined since 1922. See Appendix Table 1, Statistics of Imports, exports and American production.

It will be noted that the imports of toys, which in the year 1922 amounted to \$5,915,553, had declined in the year 1928 to \$3,287,749.

Imports of dolls in 1922 amounted to \$1,638,406, but declined in 1928 to \$970,332.

Exports in the year 1928 of domestic toys amounted to \$3,445,352 and dolls to \$224,006. The domestic production of toys and dolls in the year 1927 amounted to \$84,207,204.

The statistics show that the imports are but a small percentage of the domestic production, and that the exports nearly equal the imports of toys. These statistics show that the American industry has no disastrous foreign competition.

Paragraph 1513 increases rates of duty on certain toys from 70 per cent to over 100 per cent.

We quote from the statement of Mr. Alfred C. Gilbert, of New York City, representing the domestic toy and doll manufactures, reported in volume 14, Schedule 14, sundries, hearing before the Committee on Ways and Means, page 7298:

"The first request we make is that the rate of duty granted in 1922 be retained."

Similar request was made also by Mr. Coleman for the domestic toy and doll industry to subcommittee No. 4 of the Senate Finance Committee. Proviso to paragraph 1513 reads that—

"None of the foregoing shall be subject to a less amount of duty than would be dutiable without regard to this paragraph, except that any of the foregoing composed wholly or in chief value of china, porcelain, parian, bisque, earthenware or stoneware, shall be classified under this paragraph."

In effect, this proviso makes the rates written in paragraph 1513 minimum rates and opens up all the dutiable paragraphs of the tariff act for the classification of toys and dolls.

We will show that the duty of certain classes of merchandise will be over 100 per cent, and that the present rate of duty of 70 per cent more than equalizes competitive conditions.

Among the various classes of toys are stuffed animals. These toy animals have a covering of pile fabric in chief value of wool or coverings of many of the textiles provided for in the various schedules.

Exhibits I, II, and III, foreign, are stuffed animals in the form of dogs with covering of pile fabric in chief value of wool.

Paragraph 1110 provides that "pile fabrics, whether or not the pile covers the entire surface wholly or in chief value of wool, and all articles finished or unfinished, made or cut from such pile fabrics: If the pile is wholly cut or wholly uncut, 44 cents per pound and 50 per cent ad valorem."

Exhibit I, foreign; weighs 8 ounces: If the rate of duty in paragraph 1110 exceeds the 70 per cent rate of duty in paragraph 1513, the higher rate is applicable. Specific duty at 44 cents a pound, \$2.64 per dozen; ad valorem duty of 50 per cent of foreign value, \$8.64 per dozen equals \$4.32, or a total of \$6.96, equivalent to 80 per cent.

Exhibit II, foreign; weighs 3½ ounces each, or 2¾ pounds the dozen, at 44 cents per pound, specific duty is \$1.16. The foreign cost is \$6.56 per dozen, which, at 50 per cent ad valorem rate, is \$3.28, or a total duty of \$4.44 per dozen, equivalent to 67.7 per cent ad valorem. Inasmuch as the proviso is only invoked where the rate of duty in any of the paragraphs of the act is in excess of 70 per cent, the minimum rate in paragraph 1513 becomes applicable, and the goods pay duty at 70 per cent.

Exhibit III, foreign; weighs 5 ounces and costs \$2.56 per dozen in the foreign market. Specific duty, 44 cents a pound for 3¾ pounds, is \$1.65; ad valorem duty (50 per cent × \$2.56) is \$1.28, or a total duty of \$2.93 per dozen, equivalent to 114 per cent ad valorem.

May we here point out that the specific rate of duty provided for in the wool schedule and therefore in paragraph 1110, under which certain toys may be classified, is solely for the purpose of compensating for the duty levied on raw wool; but in the case of articles composed in part of other materials, these specific rates more than compensate for the duty paid on the raw wool. In the case of Exhibit III, foreign, although the weight of the article on which the specific duty is levied is 5 ounces, the weight of the fabric that contains the wool is but one-half of 1 ounce. It will therefore be noted that the specific rate in this case becomes, in fact, ten times as much as is necessary to compensate for the duty on the raw wool, because included in the weight are materials other than wool, such as excelsior, wood, and iron wire.

Paragraph 1513 provides that dolls and dolls' clothing composed in any part however small, of any of the laces, fabrics, embroideries, or other material provided for in paragraph 1529 (a), shall be dutiable at 90 per cent.

This provision again singles out toys or dolls for the highest possible rate without any justification. Every article dutiable under paragraph 1529, wherein the rate of 90 per cent appears, must be in chief value of yarns, threads, filaments, beads, spangles, or bugles. Why the exception for dolls? Under the act of 1922 dolls, when in chief value of yarns, threads, or filaments, beads, spangles, or bugles, and in part of lace or any of the materials provided for in paragraph 1430, were dutiable at either 75 or 90 per cent, dependent on the same conditions as applied to any other imported article, and this should be continued in the new law.

It will be further noted by your committee that paragraph 1514 has a special provision for celluloid toys. The specific rate of 1 cent each will increase the price to the consumer. Many items in this class retail from 1 to 5 cents, and the foreign cost is about one-third of such price, so that the specific rate of 1 cent is equal to 300 per cent on the cheapest celluloid toy. We think the special provision for celluloid toys should be stricken out.

The above illustrations show that paragraph 1513 as now written increases the rate of duty on toys from 70 to over 100 per cent.

PRICE COMPARISONS

The question naturally arises, Does the present rate of 70 per cent as valorem equalize competitive conditions? For purpose of illustration we will take Exhibits I and II:

Exhibit I, foreign, comparable to Exhibit I, domestic

| | |
|--|--|
| Manufactured by Steiff & Co., Germany: | Manufactured by Continental Toy & Novelty Co.: |
| Foreign cost, per dozen..... \$8. 64 | |
| Packing, per dozen..... . 33 | |
| Freight..... . 15 | |
| Duty, 70 per cent..... 6. 29 | Selling price per dozen |
| | net..... \$12. 50 |
| Cost New York, per dozen | |
| net..... 15. 28 | |

Exhibit II, foreign, comparable to Exhibit II, domestic

| | |
|--|--|
| Manufactured by Steiff & Co., Germany: | Manufactured by Knickerbocker Toy Co., New York: |
| Foreign cost, per dozen..... \$6. 56 | |
| Packing, per dozen..... . 18 | |
| Freight..... . 15 | |
| Duty, 70 per cent..... 4. 59 | Selling price, per dozen |
| | net..... \$9. 45 |
| Cost New York, per dozen | |
| pieces..... 11. 48 | |

It will be noted in the above comparisons that the laid-down cost of the foreign article figured on a basis of the present rate of 70 per cent duty is in excess of the selling price of the domestic comparable article. In a brief filed with the Ways and Means Committee we gave numerous illustrations showing that the selling price of the domestic article is in most instances lower than the laid-down cost

of the foreign article figured at a rate of duty of 70 per cent. In these illustrations we gave the names of the purchasers, all well-known houses. We also gave the name of the foreign manufacturer, the price, the laid-down cost, the name of the manufacturer of the comparable domestic article, and the price at which sold. For the information of the committee we again give these comparisons of price between foreign and domestic comparable articles.

PRICE COMPARISONS

Statements of F. W. Woolworth Co., B. Illfelder & Co., Louis Wolf & Co. (Inc.), and J. W. Spear & Sons (Inc.) are presented together with samples covering various items of these classes. These statements set forth the foreign and landed prices of the imported articles and the selling prices of the comparable domestic articles, showing that the foreign articles can not be imported in competition with the similar domestic articles at the present duty rate of 70 per cent. These illustrations are not exaggerated or unusual, and the list could be considerably lengthened.

The purpose of these price comparisons is to draw to the particular attention of the committee the fact that the present 70 per cent rate written into the act of 1922 to meet the depreciated currency condition very much more than measures the difference between foreign and domestic costs to-day.

The F. W. Woolworth Co. statement is as follows:

"Sample marked 'W1' consists of nine wooden blocks in pasteboard box made by Robert Hartwig, Sonneberg Germany, whose price is \$6.30 per gross plus case and packing. At a duty of 70 per cent this item lands in New York at \$12.99 per gross. During 1928 we purchased but 72 dozen of same.

"Comparable sample marked 'W1A' consists of nine wooden blocks in pasteboard box made by Halsam Products Co., 3114 Ravenswood Avenue, Chicago, Ill., at \$8.25 per gross net. We have been purchasing this item since January 11, 1928, and during the year 1928 took 5,568 dozen.

"Sample W2 is a transparent slate made by Robert Hartwig, Sonneberg, Germany, costing \$4.50 per gross plus case and packing, and with a 70 per cent duty lands at New York at \$9.28 per gross. During 1928 we used 600 dozen of same.

"Comparable sample W2A is a transparent slate made by the National School Slate Co., of Slatington, Pa., at \$9.18 per gross net. We have purchased this slate during the entire year of 1928 and in that period used 2,940 dozen.

"Sample W4, tool set, supplied by C. R. Ebert, Thuringia, Germany, at \$4.25 per gross plus case and packing lands in New York with a duty of 70 per cent at \$9.95 per gross. During 1928 we purchased 2,664 dozen of this item.

"Comparable sample W4A, tool set, supplied by Kelmet Corporation, 200 Fifth Avenue, New York, with factory at New Haven, Conn., and costs \$9 per gross net. We have been buying this item all during 1928 and in that period used 15,120 dozen.

"Sample W5 is a doll submitted by our Sonneberg (Germany) office, which costs marks 28.30 plus 5 per cent commission plus case and packing and with a duty of 70 per cent would land at \$14.02 in New York. We have not purchased this item, as the domestic doll is superior.

"Comparable sample W5A, doll, is furnished by the Allied Grand Doll Manufacturing Co., of 66 Greenpoint Avenue, Brooklyn, N. Y., at \$12 per gross net. During 1928 we used 39,600 dozen.

"Sample W6, puzzle, supplied by N. Walther, Nuremberg, Germany, at marks 31.98 net per gross plus 5 per cent commission plus case and packing. With a 70 per cent duty this item would land in New York at \$15.95 per gross. We have not purchased same.

"Comparable sample W6A, puzzle, supplied by Barr Zim Toy Manufacturing Co., 113 Forth Avenue, New York, N. Y., at \$8.10 per gross net. During 1928 we used over 30,000 dozen of same.

"Sample W7, toy wrist watch, made by Gebr. Thiel, Thuringia, Germany, at \$6.75 per gross less 5 per cent plus packing and with a duty of 70 per cent lands in New York at \$11.92 per gross. We have used 120 dozen during 1928.

"Comparable samples W7A and W7B are supplied by Winchester & Woods, 1212 West Saratoga Street, Baltimore, Md. Item W7A at \$8.25 per gross, and during 1928 we used 18,324 dozen of same. Item W7B at \$8.60 per gross, and during 1928 we used 44,040 dozen.

"Sample W8, tin dumping auto, supplied by George Fischer, Nuremberg, Germany, at marks 19.80 per gross plus 5 per cent commission plus case and

packing lands at 70 per cent duty in New York at \$9.68 per gross. We used 2,400 dozen of this item in 1928.

"Comparable sample W8A, a much superior item, is furnished by J. Cheim & Co., Newark, N. J., at \$10.50 per gross net. During 1928 we used 39,552 dozen of this item.

"Sample W9, loop-the-loop and auto, from Valentin Liebel, Nuremberg, Germany, at marks 26.68 per gross plus 5 per cent commission plus case and packing with a duty of 70 per cent lands in New York at \$15.01 per gross. During 1928 we purchased 492 dozen.

"Comparable sample W9A supplied by Louis Marks & Co., 200 Fifth Avenue, New York, N. Y., at \$10.20 per gross. During 1928 we used 6,816 dozen of this item.

"Sample W10, metal bedstead, from J. Wirth & Son, Fuerth, Germany, costs marks 26.39 plus 5 per cent commission plus packing with a duty of 70 per cent lands in New York at \$14.91. During 1928 we purchased, 2,496 dozen of this item.

"Comparable sample W10A, metal bed, made by J. Cheim & Co., Passaic and Reynolds Avenues, Newark, N. J., at \$9.60 per gross net. During 1928 we used 20,592 dozen of this item.

"Sample W11 represents a living room which was offered to our Fuerth (Germany) office at a price that would land the item in this country with a 70 per cent duty at 17 cents each. From the sample submitted there are three pieces missing, as indicated by the slot in the floor.

"This sample was turned over to an American manufacturer, Louis Marx & Co., 200 Fifth Avenue, New York, N. Y., who produced a set of six rooms, namely, parlor, W11A; library, W11B; dining room, W11C; kitchen, W11D; bed room, W11E; bath room, W11F; at \$10.20 per gross net, and during 1928 we used over 96,000 dozen of these sets.

"Attention is called to the fact that the domestic items are in practically all cases superior in workmanship to the imported item and are better suited to the American market, as their general appearance is better fitted for the American people. This is very noticeable in the newly-wed sets W11A-F, where the furniture is distinctly American rather than European, and also in the puzzle W6A, which has utilized the achievements of three prominent Americans.

"The question may arise as to why we continue to import items at prices higher than comparable goods can be purchased in this country.

"There are two reasons: First, we desire to retain connections, some of which have lasted for as long as 40 years, and, second, we bring in these items so as to form a basis of comparison with merchandise made in the States."

B. Illfelder & Co.'s statement is as follows:

"No. 100, a miniature railway, costs laid down, including duty, \$5.11 per dozen and is sold to the trade at \$6.75 per dozen. The comparable domestic circular railroad No. 100D sells at the factory at \$4 per dozen and has been sold, we understand, as low as \$3.60 per dozen.

"No. 101, a German butterfly, costs laid down, including duty, \$2.70 per dozen and sold for \$3.25 per dozen. No. 101D, the domestic comparable article, has been sold at \$2.25 per dozen.

"We find in the sale of our entire line of imported toys constantly increasing difficulties in meeting domestic competition. The above samples are fair illustrations of price differences in favor of domestic toys."

Louis Wolf & Co. present with their samples the following statement:

"No. 200A, domestic doll, costs \$18 per gross less 2 per cent.

"No. 200B, domestic doll, costs \$19 per gross less 2 per cent.

"Comparable imported doll No. 200, foreign, cost, \$1.10 per dozen; approximate landed cost, \$2.20 per dozen.

"No. 201, domestic doll, costs \$3 per dozen, less 10 per cent trade discount, less 2 per cent cash discount.

"No. 201A, comparable imported doll, foreign cost, \$1.85 per dozen; approximate landed cost, \$3.70 per dozen.

"No. 201B, comparable imported doll, foreign cost, \$3.40 per dozen; approximate landed cost, \$6.80 per dozen.

"No. 202, domestic doll, costs \$8.25 per dozen, less 10 per cent trade discount, less 2 per cent cash discount.

"Comparable imported doll, No. 202A, foreign cost, \$6 per dozen; approximate landed cost, \$12, per dozen."

Geo. Borgfeldt & Co. submit the following prices of comparable foreign and domestic toy games, together with samples:

Games

| No. | Description | Estimated laid-down cost at New York | Net selling price to wholesaler | Retails for-- |
|-----|---------------------------------------|--------------------------------------|---------------------------------|---------------|
| | | <i>Dozen</i> | | |
| 1 | Imported tiddledywinks..... | \$1.24 | \$1.90 | \$0.35 |
| 2 | Imported fishpond..... | 1.28 | 1.57 | .25 |
| 3 | Imported animal sewing cards..... | 1.24 | 1.44 | .25 |
| 4 | Imported drawing stencil..... | 1.24 | 1.44 | .25 |
| 5 | Imported trains, picture puzzles..... | 4.80 | 5.95 | 1.00 |

Similar domestic article

| No. | Factory | Description | Retails for-- |
|-----|---|---------------------------------------|---------------|
| 1 | Milton Bradley Co., Springfield, Mass..... | Domestic tiddledywinks..... | \$0.10 |
| 2 | do..... | Domestic fishpond..... | .10 |
| 3 | Standard Solophone Manufacturing Co., New York..... | Domestic animal sewing cards..... | .10 |
| 4 | Whitman Publishing Co., Racine, Wis..... | Domestic drawing stencils..... | .10 |
| 5 | Milton Bradley Co., Springfield, Mass..... | Domestic trains, picture puzzles..... | 1.00 |

The comparison then made became part of a public document and afforded the domestic industry an opportunity to offer proof of inaccuracy in any of the particulars of comparison between domestic and foreign articles, price or calculation.

These statements to the Ways and Means Committee remain unchallenged by the domestic toy and doll industry, and therefore must be accepted as true.

We particularly stress the fact that in almost every comparison the cost of the foreign article with the addition of freight, and duty at the rate of 70 per cent only, is higher than the selling price of a comparable domestic article.

We respectfully contend if the rate of duty is to be determined from the actual competitive conditions of price, the rate of duty of 70 per cent as now provided in paragraph 1513 should be reduced.

DOMESTIC MANUFACTURERS REQUEST CLARIFICATION OF THE LANGUAGE OF THE LAW

The House bill changes the language of paragraph 1402, act of 1922, in paragraph 1502, and adds provision (d) to paragraph 1541 and provision (1) to paragraph 1542, the effect of which is to increase the rate of duty. Mr. Gilbert, as reported in page 7305, volume 14, sundries, hearing the Committee of Ways and Means, testified:

"No; we are asking for no change in rates, only a clarification of the law."

Mr. Gilbert, before the Ways and Means Committee, and Mr. Coleman, at the hearing before a subcommittee of the Finance Committee representing the domestic manufacturers, stress the need of clarification in language to insure the classification of toys at the rate fixed by Congress.

The question therefore arises as to what class of merchandise fell within the tariff designation "toys" at the time of the writing of the tariff act of 1922.

The Illfelder case (1 Cust. Ct. Appls. 109; T. D. 31115), decided November 30, 1910, laid down the definition of toys, and we quote from the court's decision (p. 111):

"In common speech, and as popularly understood, a toy is essentially a plaything, something which is intended and designed for the amusement of children only, and which by its very nature and character is reasonably fitted for no other purpose. Although an article may be chiefly used for the amusement of children, if its nature and character are such that it is also reasonably fitted for the amusement of adults, or if it is reasonably capable of use for some practical purpose other than the amusement of children, it can not be classified as a toy

unless it is affirmatively shown by the importer that it is so known and designated by the trade generally."

The leading case under the tariff act of 1922 was *U. S. v. Strauss & Co.* (Cust. Ct. Appls., T. D. 41025) We quote from this decision:

"The new provisions in paragraph 1414, tariff act of 1922, were not intended to modify the definition of toys in *Illfelder v. U. S.* (1 Cust. Ct. Appls. 109), made under paragraph 418 of the act of 1897, legislative approval of which is presumed by reenactment in substantially the same language in successive tariff acts since.

The definition laid down in the *Illfelder* case in the year 1910 has been followed during the life of the tariff acts of 1909, 1913, and 1922, except where Congress in those acts made special provision for certain articles previously classified as toys. Congress, in reenacting in substantially the same language, in paragraph 1414 (toy paragraph), act of 1922, the phraseology of paragraph 418, act of 1897, gave congressional sanction to the judicial interpretations of the term "toys." The claim of the domestic manufacturers that the courts did not follow the intention of Congress must therefore be set aside.

The brief filed by the domestic manufacturers requests that a provision be added to such paragraphs of the tariff act to exclude from their dutiable provisions certain articles now classified thereunder. Further, that certain other classes of merchandise, such as favors, souvenirs, novelties, etc., be included by name in paragraph 1513. We hold that the real purpose of the request of the domestic manufacturers for clarification of language in the proposed tariff act is to make dutiable at a rate of duty of 70 per cent or more certain imported articles now dutiable at lower rates of duty, and obtain this result without submitting evidence to substantiate a request for higher rates of duty.

We respectfully contend that the domestic manufacturers can not give any facts or figures that will show that any rate of duty in the tariff act of 1922 affecting the articles they manufacture is not already more than sufficiently protected.

Notwithstanding the absence of any proof for the need of a higher rate of duty, the House bill has added a provision to paragraph 1541 (d) and to paragraph 1542 (1) and changed the language of paragraph 1502, the effect of which will be to increase the rate of duty over that imposed by the act of 1922.

Paragraph 1402 of the act of 1922 provides for * * * and other balls of whatever materials composed, finished or unfinished, designed for use in physical exercise or in any indoor or outdoor game or sport, 30 per cent ad valorem.

Paragraph 1502 changes the language by omitting "or in any indoor or outdoor game or sport" and inserting the word "primarily" before "designed for use in physical exercise."

The effect of this will be to make certain rubber balls dutiable under the act of 1922 at 30 per cent dutiable at 70 per cent in the proposed bill. The only basis for change from 30 per cent to 70 per cent that we know of is the statement by Mr. Gilbert before the Ways and Means Committee, that the decision of the Court of Customs Appeals. (T. D. 43136), holding certain rubber balls fancifully colored to be dutiable under the provisions of paragraph 1402 at 30 per cent is wrong. We maintain that the decision is in accordance with the intention of Congress as indicated when they wrote the provision for rubber balls in paragraph 1402, *supra*. We give below a table showing the prices of foreign and domestic balls we consider comparable:

Exhibit IV, foreign, comparable to Exhibit IV, domestic, 3-inch ball

| | |
|---|---|
| Manufacturer, Semperit, Austria: Price per gross, \$8.22 net at Hamburg, Germany. | Manufacturer, Miller, Akron, Ohio: Price per gross, \$8.70 net at New York. |
|---|---|

Exhibit V, foreign, comparable to Exhibit V, domestic, 4-inch ball

| | |
|--|---|
| Manufacturer, Semperit, Austria: Price per gross, \$17.13 net at Hamburg, Germany. | Manufacturer, Weaver, Lebanon, Pa.: Price per gross, \$17.50 net at New York. |
|--|---|

Exhibit VI, foreign, comparable to Exhibit VI, domestic, 6-inch ball

| | |
|---|--|
| Manufacturer, Semperit, Austria: Price per dozen, \$3.56 net at Hamburg, Germany. | Manufacturer, Weaver, Lebanon, Pa.: Price per dozen, \$3 net at New York. |
|---|--|

A comparison of the foreign and domestic selling prices of these balls will show that without the addition of freight, duty, and selling expenses the price of the foreign ball in the foreign market is but slightly different from the price of the domestic ball in the domestic market. It must be noted that with the addition of transportation expenses and a duty of 30 per cent, without selling expense and profit being added, the laid-down cost at New York of the foreign ball exceeds the selling price of the comparable domestic ball. The duty of 30 per cent fixed by Congress in paragraph 1402 and maintained by court decision (T. D. 43136) more than equalizes the difference in price between the foreign and domestic ball.

Regardless of this fact the domestic manufacturers, who have at present a monopoly of the domestic market for air-inflated rubber balls, except for the limited quantity imported of fancifully colored rubber balls, as represented by sample, Exhibits IV, V, and VI, ask and have succeeded in obtaining an increase in the rate of from 30 to 70 per cent through the change of language now incorporated in paragraph 1502 from that in paragraph 1402 of the tariff act of 1922. There has been added to paragraph 1541 the following provision:

"There shall not be classified under this paragraph (1) any article chiefly used for the amusement of children, or to any part of any such article."

The rule as to what constitutes a musical instrument is stated in a decision by the Court of Customs Appeals in *U. S. v. Bernard, Judea & Co. et al*, No. 2505 (T. D. 41230). The Court of Customs Appeals cites with approval the decision of the court below (T. D. 22765):

"If an article is capable of being played upon as a musical instrument by a person who has learned to play such an instrument, whether that person be a child or an adult, it can not be said to be chiefly designed and suitable for use as a plaything for children, and is not a toy. If it is so capable of being played upon as a musical instrument, it is immaterial what may be its size, the quality of tone, its price, or the cheapness of its construction."

The rule laid down as to what constitutes a musical instrument as stated in T. D. 22765 was decided January 29, 1901, and followed ever since in the classification of imported articles. This rule must therefore be applied to determine whether the ukelele or the violin, of which samples were submitted to your committee by Mr. Coleman, is or is not a musical instrument. It is well known to your committee that a musical instrument may sell at retail from a small amount to a considerable amount. Price, construction, nor use can not be a criterion as to whether or not an article is a musical instrument. The test must be whether the imported article is capable of producing a musical composition. If so, it is a musical instrument. We can see no justification in exempting from the rates of duty provided in paragraphs 1541 and 1542 any article therein provided solely because of use by children. It can hardly be claimed that use should change a rate of duty. The rate of duty is, as we understand it, determined by the competitive conditions, and Mr. Gilbert has not shown in his testimony nor his brief that a higher rate on musical instruments, whether used by children or adults, is necessary.

We desire to call your attention to the fact that phonographs and similar articles, constructed to carry only a small record, would, under the provision referred to, pay a duty of 70 per cent in paragraph 1513, whereas a phonograph constructed to carry a large record, would be dutiable at 30 per cent under paragraph 1542. Your committee was not petitioned by manufacturers of phonographs, gramophones, graphophones, or similar articles to increase the rate of duty beyond the present rate of 30 per cent. Apparently by reason of the request of the domestic manufacturers of toys for clarification of language, articles that are not produced by domestic toy manufacturers are increased in duty from 30 to 70 per cent.

We respectfully recommend that paragraph 1513 be amended and the language be made to conform with the phrasology of paragraph 1414 of the act of 1922, and that the rate of duty of 70 per cent be stricken out and 50 per cent substituted, and that the paragraph read as follows:

"Dolls and parts of dolls, doll heads, toy marbles, or whatever materials composed, air rifles, toy balloons, toy books without reading matter other than letters, numerals, or descriptive words, bound or unbound, and parts thereof, garlands,

festooning and Christmas tree decorations made wholly or in chief value of tinsel wire, lame or lahn, bullions or metal threads, and all other toys, and parts of toys, and not specially provided for, 50 per cent ad valorem."

That paragraph 1541 be amended by striking out:

"(d) There shall not be classified under this paragraph: (1) Any article chiefly used for the amusement of children, or (2) any part of any such article."

That paragraph 1542 be amended by striking out:

"There shall not be classified under this paragraph: (1) Any article chiefly used for the amusement of children, or (2) any part of any such article."

That paragraph 1502 be amended by striking out the word "primarily," line 3, page 176, and striking out, in line 4, "whether or not such exercise involves the element of sport," and adding after the word "exercise" "or in any indoor or outdoor game or sport," and the amended paragraph to read as follows:

"Boxing gloves, baseballs, footballs, tennis balls, golf balls, and all other balls, of whatever material composed, finished or unfinished, designed for use in physical exercise or in any indoor or outdoor game or sport, and all clubs, rackets, bats, or other equipment, such as is ordinarily used in conjunction therewith in exercise or play, all the foregoing not specially provided for, _____ per cent ad valorem; ice and roller skates, and parts thereof, _____ per cent ad valorem."

Respectfully submitted.

NATIONAL COUNCIL AMERICAN IMPORTERS AND TRADERS,
M. B. SCHMIDT, *Chairman, Toy Group.*

APPENDIX I

STATISTICAL INFORMATION AND COMPARISONS

Following are statistics of imports and American production, secured from the Department of Commerce:

| | | IMPORTS |
|-----------------------------|-------------|---------------|
| Dolls, Table A: | | |
| 1922..... | | \$1, 638, 406 |
| 1923..... | | 1, 955, 772 |
| 1924..... | | 798, 995 |
| 1925..... | | 760, 840 |
| 1926..... | | 785, 934 |
| 1927..... | | 999, 412 |
| 1928..... | | 970, 332 |
| Toys, Table B: | | |
| 1922..... | | 5, 915, 553 |
| 1923..... | | 6, 406, 665 |
| 1924..... | | 4, 448, 954 |
| 1925..... | | 3, 296, 914 |
| 1926..... | | 3, 610, 506 |
| 1927..... | | 3, 598, 258 |
| 1928..... | | 3, 287, 749 |
| | | EXPORTS |
| Dolls and parts, Table C: | | |
| 1922..... | | 227, 031 |
| 1923..... | | 228, 426 |
| 1924..... | | 212, 531 |
| 1925..... | | 197, 342 |
| 1926..... | | 162, 869 |
| 1927..... | | 190, 061 |
| 1928..... | | 224, 006 |
| Toys, Table D: | | |
| 1922, including rubber..... | | 84, 006 |
| 1923, including rubber..... | | 144, 330 |
| 1924—Rubber toys..... | \$980, 578 | |
| Mechanical toys..... | 135, 630 | |
| | <hr/> | 1, 116, 208 |
| 1925—Rubber toys..... | 1, 289, 229 | |
| Mechanical toys..... | 119, 506 | |
| | <hr/> | 1, 408, 735 |

Toys, Table D—Continued.

| | | |
|-----------------------|-------------|-------------|
| 1926—Rubber toys..... | \$846, 072 | |
| Mechanical toys..... | 123, 707 | \$969, 779 |
| 1927—Rubber toys..... | 2, 935, 244 | |
| All other toys..... | 1, 343, 745 | 4, 278, 989 |
| 1928—Rubber toys..... | 954, 254 | |
| All other toys..... | 2, 491, 598 | 3, 445, 852 |

It is not possible to secure full exports of toys for the above years, for the reason that the years 1924, 1925, and 1926 include toys other than rubber and mechanical in the combined figures of athletic and sporting goods.

DOMESTIC PRODUCTION

TABLE E.—*American production of dolls and toys (last manufacturing census years)*

| | 1925 | 1927 |
|-------------------------------------|----------------|----------------|
| All toys (except rubber)..... | \$66, 057, 013 | \$68, 753, 636 |
| Dolls, doll parts, and clothes..... | 13, 613, 134 | 15, 453, 568 |
| Total..... | 79, 670, 147 | 84, 207, 204 |

STATEMENT OF F. H. HAYWARD, REPRESENTING LANGFELDER, HOMMA & HAYWARD (INC.), AND THE NEW YORK MERCHANDISE CO., NEW YORK CITY

(Celluloid dolls and toys)

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

Mr. HAYWARD. I represent myself and New York merchandisers and have authority to represent various distributors whom we sell to and jobbers. We import from Japan. We handle Japanese merchandise of various kinds, including celluloid dolls and toys. We are interested in the paragraph 1513 with reference to celluloid dolls and toys only; nothing else in that paragraph.

Senator WALSH. Are you satisfied with the duty levied by the House?

Mr. HAYWARD. We are not.

Senator WALSH. What do you want done?

Mr. HAYWARD. We want the duty to remain as it has been and is at the present time, 60 per cent on chief value of articles of celluloid.

Senator WALSH. What is the proposed duty?

Mr. HAYWARD. The proposed duty is 50 per cent and 1 cent each where an article has no joints or movable parts, 60 per cent and 1 cent each where it has a movable part. In other words, the item with movable parts.

Senator WALSH. Can you translate that rate into the ad valorem rate?

Mr. HAYWARD. Yes. I have the various illustrations here that will show it very well. Here is an item here which we sell to American manufacturers. It is a whistle inside and celluloid outside, and this one [indicating] is sold to a manufacturer at Stamford, Conn., who puts it inside a rubber mouse to make a noise. The ad valorem equivalent on this particular item is 790 per cent. On an item like

this here [indicating], dolls with joints, which would pay 60 per cent and 1 cent each, the ad valorem equivalent would be 636 per cent.

Senator KEYES. What do those articles sell for?

Mr. HAYWARD. Those articles retail for a cent apiece.

Senator KEYES. One cent?

Mr. HAYWARD. One cent. These illustrations I am showing you here, all small merchandise, none of them have been made in this country. None of them are made in this country at this time. I doubt very much if they ever will be, because they are very small and inexpensive, and if the American manufacturer tried to make that merchandise with the efficient methods here, he would produce in one month enough to supply the demand for a whole year.

Senator KEYES. What is the extent of importations of this article?

Mr. HAYWARD. Of this line of celluloid dolls and toys, the importations were shown, before the House Ways and Means Committee to be a little over two and a half million dollars of all celluloid products, celluloid dolls and toys, composed in chief value of celluloid, and articles of that kind. This included the brushes, combs, fountain pens, etc. We estimate that dolls and toys coming here from Japan are something less than \$1,000,000 some of these items are manufactured in this country.

Senator WALSH. Some of these articles you state were sold to manufacturers who use them in connection with other commodities they make?

Mr. HAYWARD. Yes.

Senator WALSH. Others are sold directly to the trade here?

Mr. HAYWARD. We sell the wholesaler instead of the consumer throughout the country and these articles go into department stores, drug stores, stationery stores, and candy stores for Christmas stock. People make up Christmas stockings and put this small stuff in also. It is also used by the candy trade in making up these candy Christmas novelties. I do not think the Ways and Means Committee had this placed before them in making a change, because the importers did not anticipate any increase in this class of merchandise and therefore did not appear before that Committee.

Senator WALSH. Will you give us some other illustrations of how the rate will work out in ad valorem terms on some of the higher priced articles?

Mr. HAYWARD. Here is another illustration. Here is an article, a soldier set, two horses, figures that are not movable, and here is another, four soldiers with movable arms. How would you apply the rate at 50 per cent and one cent each? The 50 per cent and one cent each would cover those two items where it is not movable; the 60 per cent and one cent each on movable parts would cover those here. Where would you come out with your appraisal?

Senator WALSH. Suppose they appraise on the basis of movable?

Mr. HAYWARD. On the basis of movable, it would be 180 per cent.

Senator WALSH. What is the price of that article?

Mr. HAYWARD. That article retails at 25 cents.

Senator WALSH. Imported price?

Mr. HAYWARD. The import price in Japan is \$7.15 a gross set, and the duty of 60 per cent, \$4.29, and \$2.86 expense makes \$14.36.

Senator WALSH. What is the total rate for each apiece?

Mr. HAYWARD. Each piece in the box?

Senator KEYES. You said it sold for 25 cents?

Mr. HAYWARD. Twenty-five cents a set.

Senator KEYES. What does it cost delivered here?

Mr. HAYWARD. After adding on any overhead?

Senator WALSH. Yes.

Mr. HAYWARD. It cost \$14.13 a gross box.

Senator COUZENS. How much apiece?

Mr. HAYWARD. Ten cents apiece.

Senator THOMAS. It costs 5 cents in Japan?

Mr. HAYWARD. Yes.

Senator WALSH. The duty is how much now?

Mr. HAYWARD. Sixty per cent.

Senator COUZENS. Who asked for this raise?

Mr. HAYWARD. That is very uncertain. The toy manufacturers of America, the Toy and Doll Association of America, made no recommendation for an increase in the rate on celluloid dolls and toys. We presume it was made by the domestic manufacturers of celluloid raw material and also some of the manufacturers who do make some celluloid merchandise in this country.

Senator COUZENS. I thought you said none of these articles are produced here?

Mr. HAYWARD. They are not in these small lines. The things produced in this country are favors, rattles, pinwheels, and articles of larger sizes.

Senator THOMAS. Are these goods you are now exhibiting of American production?

Mr. HAYWARD. No; these are all Japanese.

Senator WALSH. Coming back to that exhibit article, I understood you to say that the cost to the importer in this country, adding duty, is about 10 cents and it sells for about 25 cents?

Mr. HAYWARD. Yes.

Senator WALSH. When you put on the duty that is levied in the House bill, how much will it cost to the producer?

Mr. HAYWARD. It will cost, figured on the same basis, \$22.94, but will not be 25 cents an article.

Senator WALSH. How much is that per article?

Mr. HAYWARD. A little over 15 cents, an increase of about 50 per cent.

Senator THOMAS. What class of people patronize this class of goods? In other words, where is the market for this class of goods you are now exhibiting to the committee?

Mr. HAYWARD. You mean to the distributor?

Senator THOMAS. I mean the ultimate market, the ultimate consumer?

Mr. HAYWARD. It is used for a great many purposes. It goes into Christmas stockings.

Senator WALSH. The 5 and 10 cent stores?

Mr. HAYWARD. Yes. We sell toys and dolls to the 5 and 10 cent stores.

Senator THOMAS. They would be only of interest to children of real tender age?

Mr. HAYWARD. Yes. The specific duty increases the cost of the cheap article but does not increase it so much on the larger stuff. The 10-inch dolls sell at \$1 a dozen and the specific duty does not make so much difference on that class of goods.

Senator THOMAS. Can you tell the committee how much of that class of merchandise is distributed each year?

Mr. HAYWARD. We have between two and three hundred items which are not made in this country.

Senator THOMAS. How many of the items do you import?

Mr. HAYWARD. Some of the imports run as high as 12 or 15 or 20,000 gross and others may run as low as 25 to 50 gross. It depends on the desirability of the article. There is another point about this that seems to me might be pertinent.

Senator WALSH. Have you supplied all the importations of this commodity, or do other concerns also buy them from Japan?

Mr. HAYWARD. There are about 10 importers who handle this line of merchandise in New York City. There are also importers at San Francisco and other points with which I am not familiar.

We also want to make a statement regarding celluloid dolls. Under the paragraph in the present bill, chief value of the article being celluloid, they come in under this paragraph.

Senator THOMAS. Have you a sample?

Mr. HAYWARD. Yes, one of these dolls here would illustrate it. We contend that if a doll or toy is largely of paper, or composition or china, no matter what its make-up, ever since we have imported dolls into this country they have always come in under the doll paragraph at 70 per cent. These dolls that come in under the doll paragraph when the article is not of celluloid pay a higher duty than an article of celluloid. This paragraph 1513 refers back to paragraph 31 in this connection. It is the value of the article that is going to determine if it does come in under the doll paragraph, and we believe it is a matter of logic that if it carries this rate in one instance it should in another instance.

Senator WALSH. There is a distinction if a doll is made of celluloid, in the law.

Mr. HAYWARD. Yes. I would like to show you that the people who are making celluloid merchandise in this country do not need any extra protection. As a matter of fact, we believe that in a year or two if they keep on at the rate they are going we will be down here asking you for it. Here is a celluloid pinwheel made by the Goodman Co., in this country, in Philadelphia. It has eight points. Here is the nearest Japanese article that has only four. I do not know the cost of the American article, because no costs were submitted before the House Ways and Means Committee on the American manufactured article, but this item sells for \$6.50 per gross.

Senator WALSH. Which item?

Mr. HAYWARD. The American item, and our item we sell at \$7.20 a gross. We do not compete on that. Here is an article, a celluloid rattle made by Louis Sametz of New York. This [indicating] is the Japanese article. Both of these articles sell at \$18 a gross or retail for 25 cents, in other words, cost 12½ cents each. We are not able to sell or compete on that because these Americans are far superior in design and in packing generally.

Here is a line of merchandise that we formerly brought in. It includes Easter goods, the Christmas goods, and Hallowe'en. I have not the latter item because I could not bring too many articles here. This is an American article, a rabbit made in America presumably by the Du Pont people, Du Pont Viscoloid Co., of Leominster, Mass.

They sell that for 80 cents per dozen. Here is the Japanese article that sells at \$7.20 per gross or 60 cents a dozen.

These two articles, American [indicating] sell also at 80 cents a dozen, the Japanese article at 60 cents. A Santa Claus—this one is 77 cents, the American one 77 cents a dozen, and the Japanese 60 cents a dozen, but we were not able to sell a single piece of that merchandise in the last two years. They are buying the American produced article at 80 cents per dozen because the American producer packs it in display boxes, beautiful boxes, all lithographed, one reason is that this article sits up in raised partitions in this display box while the Jap article is packed in a common cheap cardboard box, one dozen per box.

Senator WALSH. Do not the Japanese take American samples made in this country and reproduce them?

Mr. HAYWARD. No. They have been noted for being copyists, and they are to an extent. They copy mostly from picture books and designs and not from made up articles. Not only that, but they can buy from the American manufacturer as large or small a quantity as they want and at any time they want it, and as I say, it is a better article. In Japan they must buy in lots of 10 gross, or case lots, 10 gross in a case and it takes 6 months to get the merchandise. But in these importations of merchandise that I referred to they are able to beat us right here now.

Senator WALSH. It comes down to this, that on articles of the same type the American manufacturer can undersell you, but when it comes to some new novelty that the American manufacturer does not make, that has some striking characteristic of its own, the importer can sell it on the American market?

Mr. HAYWARD. Yes; and also this very small stuff. They have not tried to manufacture here and probably never will. I do not think they intend to make a class of merchandise like this. This stuff is too small. But the increase in duty hurts that the worst.

Senator THOMAS. Then it is your contention that American manufacturers do not make these real small articles, the very cheap articles, and if a duty is placed on that that will materially increase the price, it will result in practically an embargo on the American market and the American customer will be deprived of that class of merchandise?

Mr. HAYWARD. Yes; or he must pay double the price. If we bring them in we will have to raise the price according to the new duties, and that means that the children of the country, when they want these little pinwheels which we sell a lot of, will run into a store and instead of buying candy will buy a pinwheel at double the price.

Senator THOMAS. What do they retail at?

Mr. HAYWARD. They retail for 5 cents.

Senator WALSH. Is that a trade name? The experts have asked me to have identified these articles.

Mr. HAYWARD. It is a celluloid article that retails at 5 cents.

Senator KEYES. Are you intending to leave these exhibits?

Mr. HAYWARD. I can leave these if you wish.

Senator COUZENS. Is there any difference in the rate in the Hawley bill between small articles and large articles?

Mr. HAYWARD. No. The duty applies on these little articles the same as on the big ones, 1 cent each even on these big 10 or 12 inch dolls.

Senator WALSH. There is a change over the present law in the Hawley bill?

Senator COUZENS. I am talking about that.

Mr. HAYWARD. I have a brief that I will file.

Senator KEYES. Yes.

(The brief referred to is as follows:)

BRIEF OF LANGFELDER, HOMMA & HAYWARD, NEW YORK MERCHANDISE CO.

Senator KEYES,
Chairman Subcommittee on Finance,
Washington, D. C.

HONORABLE SIR: The undersigned, representing importers of celluloid dolls and toys, submit the following brief recommending a change in paragraph 1513.

We suggest the following change on page 181, line 23:

"Dolls and doll clothing, composed in any part, however small, in any of the laces, fabrics, embroideries, or any other materials or articles provided for in paragraph 1529 (a), 90 per cent ad valorem; dolls and toys, parts of dolls, doll heads, of whatever material composed, air rifles, toy balloons, toy books with reading matter (not counting as reading matter any printing or removable pages) other than letters, numerals, or descriptive words, bound or unbound, and parts thereof, garlands, festooning, and Christmas-tree decorations made wholly or in chief value of tinsel wire, lame or lahn bullions or metal threads, and all other toys and parts of toys not specially provided for, 70 per cent ad valorem."

You will notice that we have taken out of paragraph 1513 the words "dolls and toys composed wholly or in chief value of any product provided for in paragraph 31, having any movable member or part, 1 cent each and 60 per cent; not having any movable member or part, 1 cent each and 50 per cent ad valorem; parts of dolls or toys composed wholly or in chief value of any product provided for in paragraph 31, 1 cent each and 50 per cent ad valorem."

We explain this to your honorable committee by saying that a doll or toy is no less a doll or toy if it is made of celluloid. Dolls or toys regardless of their composition should be classified as dolls or toys.

There is no occasion for specific rates on these articles in addition to ad valorem rates. Does the wording "1 cent each and 50 per cent" and "1 cent each and 60 per cent" sound less alarming than 130 per cent to 790 per cent? Possibly this accounts for the careful avoiding of straight ad valorem rates.

The tremendous duty asked for dolls or toys if made of celluloid is absolutely unjustified. Celluloid is manufactured in this country by about four concerns. According to the report of the Tariff Commission 28 per cent of their own production of celluloid was used by themselves for the manufacture of finished articles valued at about \$9,000,000. The remaining 72 per cent was sold to various independent manufacturers for the manufacture of various celluloid articles valued at about \$59,000,000.

Mr. Doyle, who appeared for the domestic interests, testified that the present duty of 40 cents a pound on raw material such as sheets, rods, tubes, etc., has practically eliminated foreign importations of raw material. (Mr. Doyle's testimony, pp. 386, 387, unrevised committee print.)

Independent domestic manufacturers find themselves in a very unfavorable position, being forced to buy their raw material from their own competitors, who are protected from foreign competition by a prohibitive duty.

Paragraph 31, section B (2), reads, "Made into finished or partly finished articles of which any of the foregoing is the component material of chief value, not specially provided for, 60 per cent."

It is obvious that the domestic interests have conceded that with the competitive raw material eliminated a duty of 60 per cent is adequate protection for finished or partly finished articles. Why, therefore, discriminate against celluloid dolls or toys, articles which are primarily designed for the enjoyment of infants and children of the masses, who are able to purchase these articles for popular prices, as they are chiefly distributed through the medium of so-called 5-and-10-cent stores throughout the country.

The only reason given by Mr. Doyle for advancing the rates is contained in following statement in his brief:

"Certain changes in the schedule relative to fabricated articles are requested because of the rapid increase in importations in certain lines which are threatening the existence of American manufacturers engaged in these special lines."

What special lines does Mr. Doyle refer to? On page 10 of their brief they specifically state that in the case of celluloid dolls practically none are being manufactured in this country. Why, therefore, this tremendous duty on a practically nonexistent industry?

The domestic interests have also stated in their brief that the manufacture of celluloid dolls and toys in Japan is largely done by home workers, who work at a much lower wage than is paid factory workers. Nothing could be farther from the truth, as, so far as we know, and our experience is based on actual facts, personal observation, knowledge of factories, etc., practically all celluloid dolls and toys are manufactured in the factories of Japan at factory wages.

In the supplemental brief submitted by the toy manufacturers of the United States of America on page 7316 (tariff readjustment, Schedule 14, sundries) they recommend changes in the paragraph but do not recommend any change in the ad valorem rate. It is significant, however, that they recommend the exclusion of celluloid dolls and toys under the same classification.

If the imports of all finished articles composed in chief value of celluloid, including dolls and toys, for 1927, were about \$2,500,000, and American production for the same period was \$84,000,000 (tariff readjustment, Schedule 14, sundries, page 7319), why, in the face of these figures, which prove that the domestic industry is flourishing and is amply protected, should a rate be advocated for celluloid dolls and toys that would not only mean a prohibitive tariff but would actually create an embargo against American manufacturers who use various imported celluloid items or novelties in conjunction with or in combination with various articles made in this country and also those dolls and toys that are retailed up to 10 cents.

We are submitting various samples that are not made in this country that show increases in ad valorem rates from the present rate of 60 per cent to proposed rates of 130 to 790 per cent. A number of these articles are used by various American manufacturers for various uses. Thus, article No. 100, celluloid whistle, is used by a toy manufacturer in Stamford, Conn. In conjunction with a domestic article, No. 105 is used by another in Brooklyn, N. Y., who dresses them up with paper skirts or hats. Other items are used by various other people for trimming candy boxes, pin cushions, etc.

We do not believe that it is the intention of your honorable committee to propose a schedule that will eliminate these various manufacturers from the opportunity to continue the manufacture of these types of articles.

Thus, it is easy to understand that the proposed duty shuts out the very cheap articles but does not materially affect the higher priced merchandise.

We do not believe it is the intention of your honorable committee to advocate a rate that would tend to penalize the bulk of our people by forcing them to pay higher prices for articles designed for infants and childrens' enjoyment.

We do not believe that the committee will consider these articles except as they should be considered, viz, a doll is a doll, a toy is a toy.

We are also submitting various samples marked "105A," "106A," "107A." made by the Dupont Viscoloid Co., of Leominster, Mass. The selling prices to the trade of the domestic articles are as follows:

- Number 105A, 80 cents per dozen less 2 per cent discount.
- Number 106A, 80 cents per dozen less 2 per cent discount.
- Number 107A, 77 cents per dozen less 2 per cent discount.

The samples marked "105J," "106J," and "107J" are the nearest imported samples we have, but are close enough to illustrate the comparison. The selling price to the trade on import is as follows:

- Number 105J, 60 cents per dozen less 2 per cent discount.
- Number 106J, 60 cents per dozen less 2 per cent discount.
- Number 107J, 60 cents per dozen less 2 per cent discount.

Note that the price of the imported article is cheaper, but due to factors such as better packing and display, the ability to be able to order any quantity, however small, the idea of immediate delivery, it is impossible for the importer to secure any business on import. The reasons for that are that import business is sold in case lots only, the merchandise is packed in cheap brown paper boxes and the customer has to wait five to six months for his merchandise.

We therefore hope that this proves to your honorable committee that the fact of imported articles being somewhat cheaper does not mean that domestic manufacturers can not compete.

We are also submitting samples marked "108A," rattle, made by Louis Samets, New York City, sold by them to the trade for \$18 per gross, less 2 per cent discount. Also, rattle No. 701/640C, imported article which is offered to the trade on import at \$18 per gross, less 2 per cent. It is impossible to sell the imported article on account of poorer put-up and packing, the fact it must be bought in case lots, and also because there must be a wait of five to six months for delivery.

We are also submitting samples of pinwheel No. 109A, made by A. Goodman, of Philadelphia, Pa., sold at \$6.50 per gross, less 2 per cent discount, and import sample marked "109J," which we offer to the trade at \$7.20 per gross, less 2 per cent discount. The same reasons applying to the other celluloid articles made by domestic makers apply here also, with the added fact that we call to your attention that the domestic article is put up six on a card. The imported are loose in a box; the domestic articles is 8 pointed; the imported is only 4 pointed.

We also call the attention of your committee to how impractical and confusing the proposed schedule is. We call to your notice article No. 12, celluloid doll in celluloid bathtub. How would the appraiser apply the proposed rate? Would the article be called an entirety? Or would the doll be dutiable at 1 cent each and 60 per cent, and the bathtub at 1 cent each and 50 per cent? Then again, would the bathtub be classified as a finished article in celluloid dutiable at 60 per cent under paragraph 31, section B (2)?

We refer to article 15, soldier set composed of six pieces. Four of the pieces are soldiers with movable arms, dutiable under the proposed schedule at 1 cent each and 60 per cent, while the two mounted soldiers have no movable parts, dutiable under the proposed schedule at 1 cent each and 50 per cent. How would the costs be properly allocated to properly distribute the proposed duties?

We refer to article No. 13, fish pond set, consisting of six small celluloid articles and a small net. How would the appraiser allocate the costs of the net? Would he call it a toy at 70 per cent? Would he make the article dutiable at 90 per cent, as a piece of netting provided for in paragraph 1514 as an article provided for in paragraph 1530 (a)?

We therefore feel that the schedule as we propose would not only place these various articles in their proper classification, but would eliminate both for the importer and appraiser a tremendous amount of labor arising from this confusion.

With all these facts before your honorable committee, we hope that the schedule will be changed as we have suggested.

Respectfully submitted.

LANGFELDER, HOMMA & HAYWARD, NEW YORK MERCHANDISE CO.,
By F. H. HAYWARD.

**STATEMENT OF A. Q. SMITH, NEW YORK CITY, REPRESENTING
THE CELLULOID GROUP, NATIONAL COUNCIL OF AMERICAN
IMPORTERS AND TRADERS (INC.)**

[Celluloid dolls and toys; also including celluloid toothbrushes, par. 1506]

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

Mr. SMITH. I represent the celluloid group of the National Council of American Importers and Traders.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. SMITH. No, sir; I did not, but a member of my group did.

Senator KEYES. Have you something to add to the brief to be filed on your particular item? A brief was filed with the House committee, I assume?

Mr. SMITH. One was. I also represent a celluloid group of chain stores and department stores.

Senator WALSH. By whom are you employed?

Mr. SMITH. I am connected with the F. W. Woolworth Co.

Senator WALSH. In what capacity?

Mr. SMITH. I am manager of the foreign department. All of my argument in the brief I will file with you, is directed to our principal request, and that is that the specific rate of 1 cent each on celluloid

toys and dolls be eliminated for the reason that the greater portion of the imports are of cheap items, such as those [indicating] on which the specific rate of duty will equal an ad valorem rate up to as high as 570 per cent.

Senator KEYES. Do you mean to say that if a specific duty of 1 cent was placed on articles of that sort, that you could not sell them at a profit?

Mr. SMITH. Yes, we could not sell them at the present price. Take an article of that kind.

Senator THOMAS. Describe it for the record.

Mr. SMITH. Item No. 561. I have all of this in the brief, by items, number, and cost, showing the ad valorem equivalent of the specific duty.

Senator THOMAS. What do you sell that for?

Mr. SMITH. One cent.

Senator WALSH. What will you sell it for if this duty becomes operative?

Mr. SMITH. Two for 5.

Senator WALSH. Present several of these articles and illustrate the cost. Some of us are interested not in the importer or manufacturer, but what the ultimate consumer is going to pay.

Mr. SMITH. That is how we feel about this rate because we sell this merchandise to the great American public which has to pay the bill.

Senator WALSH. Tell us how the rates will work out to the ultimate consumer.

Mr. SMITH. They will be paying duties on these articles that will range from 250 to 570 per cent. Each of these items is separately treated in the brief, showing the ad valorem equivalent.

Senator WALSH. And the possible increased price?

Mr. SMITH. Yes; I have not shown that, but the prices will be obtainable.

Senator COUZENS. What percentage of the whole amount of goods sold by chain stores is imported?

Mr. SMITH. For my company, less than 5 per cent.

Senator COUZENS. Less than 5 per cent of the goods is imported now?

Mr. SMITH. My company imports less than 5 per cent of the goods it sells, and we find that other chain stores import less than 6 per cent of their total purchases.

Senator WALSH. That is the supplies to your stores, or your department?

Mr. SMITH. Less than 5 per cent to the stores.

Senator WALSH. Is it your judgment that if the rate in the bill should be made higher that this class of goods which you are now importing will be deprived of the privilege of coming to America, or will they keep on coming and the price be doubled to the consuming public?

Mr. SMITH. As long as the consuming public demands these articles we will supply them, but they will have to pay the increased cost. We are merchants. We will sell the public what they want if they will pay for it.

Senator KEYES. Would the price double on articles that sell for 10 cents? I can see how it would double on an article costing 1 cent if there is a 1-cent specific duty, but how about an article costing 10 cents?

Mr. SMITH. We could not double that because the prices charged by our companies are limited. That is, on small stuff or novelty stuff such as dolls of this kind. This is an imported doll [indicating]. We would have to cut down the size of the doll or give a poorer article. We have that limited price and that is the way with every chain store.

Senator KEYES. What does that doll cost?

Senator DENEEN. Identify it.

Mr. SMITH. Doll No. 2474. That lands at \$10.36 in New York. Here is the comparable domestic doll at \$9.20.

Senator KEYES. What do they sell for?

Mr. SMITH. Ten cents each. This imported doll is a little higher. It is a lighter material, but they both sell at 10 cents each.

Senator WALSH. Which is the better or more durable?

Mr. SMITH. The domestic doll is more durable as it is made of heavier celluloid.

Senator WALSH. Will you illustrate how this tariff would work out on that particular item, that toy bird cage.

Mr. SMITH. It would not affect that very much because that is an imported article sold by S. H. Kress Co. in their stores at a higher price than 5 and 10 cents. The price they pay now from Foster Grant Co., of Leominster, Mass., is \$1.87½ per dozen. Here is item 2815 imported from Japan and comparable, which lands at \$1.78 per dozen in New York.

Senator WALSH. What effect would the duty have on that?

Mr. SMITH. It will increase the price to \$1.90 a dozen. It will not affect this higher priced stuff, but the specific duty will affect principally the lower merchandise in the lower brackets of prices because the lower the price of the article naturally the higher the equivalent ad valorem, and the great portion of the imports from Japan, and most of this stuff does come from Japan, are in these lower bracket classes of merchandise because when they get in the higher brackets there is no reason for importing, because you can get the merchandise in this country.

Senator WALSH. The Japanese are inclined to make miniature articles?

Mr. SMITH. Small items, and they are very good on small stuff.

Senator THOMAS. How many firms in America are producing the class of merchandise you are exhibiting to us?

Mr. SMITH. I do not know how many firms there are making the finished article, but the value of the finished product, the total finished product in the United States is about \$59,000,000, according to the Tariff Commission's figures.

Senator THOMAS. Who controls that business? Who makes the importations?

Mr. SMITH. We will have to go back further than that. The Tariff Commission states that four firms practically control the production of rods, sheets, and tubes, and the articles made of pyroxylin or celluloid are made by four firms in the United States. In a hearing before the Ways and Means Committee the representative of these firms admitted that the present rate of duty was sufficient to restrict

importation. And there were no importations to compete with this raw material, so that they have a monopoly of the raw material.

Senator THOMAS. Who has a monopoly of the raw material?

Mr. SMITH. The four firms making these sheets, rods, and tubes.

Senator THOMAS. Name them.

Mr. SMITH. I do not know the names, but the Tariff Commission has that in its report.

Senator WALSH. Do you know any of them?

Mr. SMITH. The Du Pont Co. is one, and I would not be certain of the other names.

Senator WALSH. What percentage of the business does the Du Pont Co. do?

Mr. SMITH. That I am unable to say, but I will say this, that the total imports, according to the figures of the Tarriff Commission, were \$2,500,000 in 1928 and with the duty and other charges added these imports would be a little over four million dollars, or 7 per cent of the domestic production.

Senator WALSH. Does Woolworth own any factories abroad?

Mr. SMITH. No sir, not one.

Senator WALSH. Are they interested in any one of these concerns?

Mr. SMITH. No, sir.

Senator WALSH. Financially?

Mr. SMITH. No, sir, not one. We do nothing but sell.

Senator THOMAS. Do these large chain stores like Kresge, Woolworth, and others manufacture any of their output?

Mr. SMITH. I can not answer for any of the other companies, but as far as Woolworth is concerned we do not.

Senator THOMAS. Do you not contract with manufacturing concerns to take their output?

Mr. SMITH. Their entire output, no. What we do is if they have an item that they submit to us we will say we will take a certain quantity, and then we will ask our stores for orders, and if the orders are in excess of the quantity the manufacturer fills the orders. If the orders from the stores are less than the quantity, we take the quantity anyway, put it into the stores and sell it.

Senator WALSH. Do you not require in your contract exclusive control?

Mr. SMITH. We do not contract. We give a man an order for goods and depend on his honor to complete it for us.

Senator WALSH. Do you not say to the factory, restrict the shipments of that particular article, do not sell to others, but make it for us alone?

Mr. SMITH. Very seldom, although if it is a novelty which we bring out we feel in giving our orders that we are entitled to the first shipments.

Senator THOMAS. Where is Woolworth located? I mean their headquarters?

Mr. SMITH. New York.

Senator THOMAS. How many have you got all together?

Mr. SMITH. 1,750.

Senator THOMAS. Any located outside of continental United States?

Mr. SMITH. Yes.

Senator THOMAS. What places?

Mr. SMITH. Canada, Cuba, the British Isles, and Germany.

Senator THOMAS. How many stores located outside of the continental United States?

Mr. SMITH. Slightly over 500.

Senator THOMAS. How much money is invested in the chain stores controlled by your company, approximately?

Mr. SMITH. Approximately, the capital of the company at the present time is \$100,000,000, and we have a surplus of approximately, roughly speaking, \$40,000,000.

Senator THOMAS. The stock of your company, the stock of these companies, especially Woolworth is listed on the New York Stock Exchange?

Mr. SMITH. Yes.

Senator THOMAS. And the record of the stock shows that the institution is in a prosperous condition?

Mr. SMITH. Yes.

Senator THOMAS. Is your company appearing before the several committees of Congress asking for increased duties on any particular commodity.

Mr. SMITH. No, sir.

Senator THOMAS. You are only appearing to protest against the raising of the rates?

Mr. SMITH. We are appearing to protest against specific rates on these specific items. I was going to say that we suggest that the rates on these celluloid toys and dolls be increased from the present rate of 60 per cent to a general rate of 70 per cent along with all other toys. That rate of 70 per cent has been satisfactory to American toy manufacturers because under that rate they have been able to control practically the toy industry of the United States and are able to export.

Senator THOMAS. Is that the only paragraph of the Hawley bill that Woolworth is protesting?

Mr. SMITH. Woolworth is not protesting as a company. I am representing a group of importers of celluloid articles.

Senator WALSH. There is nothing objectionable in protesting duties when the public interest is affected.

Mr. SMITH. That is true, and I believe in this particular instance we appear for the public.

Senator THOMAS. How long have you been connected with the Woolworth Co.

Mr. SMITH. Over 20 years.

Senator THOMAS. You have had a chance to have your attention called to the particular changes in prices caused by various tariff bills in the past?

Mr. SMITH. Changes in prices? Do you mean that caused us to change our selling prices?

Senator THOMAS. In 1922 Congress passed the present law and in 1913 there was a tariff law, and you were connected with the Woolworth Co. in those years or immediately thereafter?

Mr. SMITH. I was.

Senator THOMAS. Did you find that the rates in either of those laws caused any fluctuation or change in the prices of commodities sold by the Woolworth Co.?

Mr. SMITH. They did. In 1922 it caused a general raising of cost to us.

Senator THOMAS. Did you absorb those raises or did you pass them on to the consumer?

Mr. SMITH. We could not pass them on to the consumer because our price is limited.

Senator THOMAS. Do you mean to tell the committee that the F. W. Woolworth Co. absorbed those raises? Do you mean to say that the Fordney-McCumber bill that passed in 1922 with rates that caused an increase in the cost of your merchandise still permitted your company to absorb this increased cost, and that you continued to sell your products at the same price?

Mr. SMITH. No; we cheapened the quality of the article or reduced it in size or quantity.

Senator THOMAS. How about the effect of the bill that passed in 1913. What effect upon merchandise prices did that have, if any?

Mr. SMITH. It had very little effect because with the opening of hostilities in Europe shortly afterwards and the activities in this country following prices were kept on a fairly stable basis.

Senator THOMAS. It is your observation and judgment that when Congress places a duty on any imported article, the increased duty is immediately reflected in an increased selling price of the article?

Mr. SMITH. I would not say immediately, but afterward it is.

Senator THOMAS. Is it not a fact that sometimes they anticipate the change?

Mr. SMITH. That is true. It depends on the amount of stock that happens to be in the market.

Senator THOMAS. Is it not a fact at this time with the prospect of changes in the tariff rates, that it has already been reflected in increased prices in many commodities now on the market?

Mr. SMITH. That I am not in position to state. It might be on certain items presented to our buyers, but I have not any personal knowledge of that.

Senator KEYES. Is that all?

Mr. SMITH. Just one word further. This particular group is also interested in the importation of celluloid toothbrushes, and in regard to that paragraph I will just present a few suggestions. My statements are in the brief, but I will call the attention of the committee to an item of this kind. Here is a toothbrush with a doll attached that cost approximately \$4 abroad. With the specific duties applied on that it will result in a specific duty of \$4.32, and on that particular item the ad valorem duty would be over 150 per cent.

Senator KEYES. That is 328, children's toothbrushes.

Senator THOMAS. What does it sell for?

Mr. SMITH. It sells for 10 cents.

Senator THOMAS. They cost less than that abroad?

Mr. SMITH. The foreign cost to which must be added the charges of forwarding freight and the sales expense. There is a big difference between a foreign price and the price landed here ready for sale, at the port of entry.

Senator WALSH. What will be the new duty on that?

Mr. SMITH. The new duty will be about \$4.60 or a little more than that.

Senator WALSH. How much will you have to increase your price?

Mr. SMITH. We could not increase the price beyond what our limit is.

Senator WALSH. If you did not have a limited price, what would other concerns have to increase their price in order to make the usual profit?

Mr. SMITH. They would have to sell it for not less than 15 cents, and probably 20 or 25 cents.

Senator WALSH. There would have to be an increase of 50 to 150 per cent in the price in that item?

Mr. SMITH. There would be for this reason, when that article is taken out of the chain stores, it will be sold by department stores and drug stores, who, with a smaller volume of sales and a higher overhead, have to get a higher price than the syndicate stores. If you eliminate that 10-cent item from the chain stores it means that it would be a 20-cent article in the department stores and drug stores.

Senator THOMAS. In your testimony you have referred to the fact that your company could or could not do certain things. Do we understand that you have an arbitrary limit of profit that you can make on your commodities?

Mr. SMITH. No; we have an arbitrary selling price of 10 cents. We do not sell at more than 10 cents.

Senator WALSH. You do not handle articles that do not give to your company a particular profit?

Mr. SMITH. Yes; we do; plenty of them. We have just concluded a sale in the month of May, and in that sale we sold at 10 cents or \$1.20 a dozen items that cost as much as 30 cents or \$3.60 per dozen.

Senator WALSH. That is what our Republican friends say, that although you are making 5 cents on that toothbrush, when they put the increased tariff duty on it will cost you 8 cents, but you will be content to sell it for 10 cents, therefore the public will not suffer.

Mr. SMITH. That theory is possible, but you can not make anything under that theory.

Senator WALSH. You admit you do not get a limited price on all articles?

Mr. SMITH. Yes; we have special articles.

Senator THOMAS. How do you explain your activity in holding this sale where you are selling stuff below cost? Is that paying merchandising?

Mr. SMITH. No; it is not; but we get the benefit that comes from the advertising.

Senator THOMAS. Was not the loss charged to advertising account?

Mr. SMITH. Yes.

Senator THOMAS. Then it was not a loss, was it, if you got the benefit in an advertising way and arrived at the difference in what you sold other goods for?

Mr. SMITH. From that point of view, but from the actual cost and our price we received it was a loss.

Senator THOMAS. Is there any other particular class of toothbrush you desire to call the committee's attention to besides that toothbrush?

Mr. SMITH. We have here domestic toothbrushes costing from \$7.50 to \$9 a gross and comparable import items. I illustrate that in the brief that I am filing.

Senator THOMAS. What do they retail for?

Mr. SMITH. Ten cents.

Senator WALSH. Will the tariff duty affect that article that is selling for 10 cents?

Mr. SMITH. Honestly, I do not believe it will, but what will happen is that we will probably have a brush to offer to the public, a cheaper brush, a brush that will not stand up like this brush. We pride ourselves on the toothbrushes we furnish the public.

Senator THOMAS. The net result will be that the public will get an inferior quality for the same price or pay a higher price for the same quality?

Mr. SMITH. Exactly. For the committee's information I do not know whether you noticed this blank [indicating]. That particular blank is used in the manufacture of toothbrushes. The brushes are made from that. This is [indicating] a blank and the particular brush made from it. That [indicating] is a blank imported from Japan. I understand that was under consideration yesterday. We do buy a lot of brushes in the United States that are made in this country from blanks of this kind brought in, and that is the toothbrush blank with the stamping and everything else done here.

(Mr. Smith submitted the following brief:)

BRIEF OF THE CELLULOID GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS

Ad valorem equivalents of as much as 570 per cent will result if proposed rates are adopted.

Paragraph 31 of the present tariff provides a duty of 40 cents per pound on pyroxylin blocks, sheets, rods, tubes, and other forms not made into finished or partly finished articles.

The House bill makes no change in this rate.

In the above forms the commodity is the raw material for the manufacture of celluloid toys, dolls, toothbrushes, combs, fountain pens, safety glass, etc. The testimony of Mr. B. W. Doyle representing the Pyroxylin Plastic Manufacturers Association and other interests before the Ways and Means Committee stated (p. 491, Tariff Readjustment, 1929) the present rate of 40 cents per pound was sufficient to prevent the importation of any of this material.

The Tariff Commission in its report (Summary of Tariff Information, 1929, p. 156) states that imports constitute but a small part of our consumption of this material.

The domestic producers therefore, have a monopoly on the raw material used for the fabrication of celluloid toys, dolls, toothbrushes, combs, fountain pens, safety glass, etc.

The Tariff Commission in its report (p. 158) states the domestic producers of pyroxylin articles from the raw materials produce approximately \$59,000,000 worth of finished articles per year, whereas the imports of manufactured or partly manufactured articles of pyroxylin in 1928 amounted to \$2,582,723. With duty and other charges added these imports would be valued at slightly more than \$4,000,000, or approximately 7 per cent of the total production in the United States.

The Tariff Commission states (p. 156) that four firms practically control the production of rods, sheets, and tubes. These firms also produce finished articles and sell raw material to independent establishments for the manufacture of finished articles, thereby competing with their customers. It is easy to understand why the manufacturers buying this material are unable to compete in the market.

FINISHED ARTICLES

In his testimony before the Ways and Means Committee, and in brief filed by him, Mr. Doyle does not give any figures tending to justify increased duties on finished products, but makes the general statement that the cost of labor abroad is much lower than the cost of labor in domestic plants. Mr. Doyle, however, does not present figures showing the output per hour of labor, for as is well known

in the industry, articles manufactured abroad are made by hand, whereas, the greater part of the domestic production is by machine.

Mr. Doyle, in his testimony before the Ways and Means Committee (p. 491), admitted the industry for the past six years had not been in a healthy condition, due partly to domestic competition. No increase in the duty will tend to correct this evil, rather an increase in the duty will tend to stimulate production, with the result that the overproduction would intensify competition.

CELLULOID DOLLS AND TOYS

RECOMMENDATIONS

References are to H. R. 2667 as introduced in the Senate May 16, ordered printed and referred to the Committee on Finance.

Suggested changes to paragraph 1513:

SCHEDULE 15

The following changes in this paragraph are suggested.

Page 182, line 1, strike out, beginning with "Com-," strike out all of lines 2, 3, 4, 5, 6, 7, and line 8, ending with "all other dolls."

REASONS

Paragraph 1513 contains a proviso favoring dolls and toys composed wholly or in chief value of any product provided for in paragraph 31, by imposing various compound duties on such items. This paragraph provides that all other toys, dolls, and parts of dolls of whatever materials composed be dutiable at 70 per cent ad valorem.

There is no justifiable reason why dolls and toys composed of celluloid or pyroxylin should be singled out for such special bounty, for as stated before, the total imports of celluloid items in 1928 were valued at slightly more than \$4,000,000, of which less than half were celluloid dolls and toys, so that imported dolls and toys average \$2,000,000 per year landed cost.

The Tariff Commission furnishes no figures covering imports of toys other than celluloid for 1928, but for 1927 state same amounted to \$4,611,393, which with duty and shipping expenses added would cost in this country approximately \$9,000,000, therefore, celluloid toys represent less than 25 per cent of the total toy imports.

In the year 1928 the United States exported over \$3,500,000 worth of toys to foreign countries (Summary of Tariff Information, p. 1953).

American manufacturers of dolls and toys find they have sufficient protection under the 70 per cent rate, and are able to control not only the market of the United States, but export to foreign countries, as the report of the Tariff Commission plainly shows.

The imports of celluloid dolls and toys consists chiefly of items sold in the chain stores at 5, 10, and 15 cents each and by department stores at the same price. There are many items which are sold at less than 5 cents each, some as low as 1 cent each.

These celluloid dolls and toys are sold principally to children of the great mass of the American public which is unable to buy for its children the high-priced dolls and toys sold in department stores.

The figures of the Department of Commerce indicate the average wage of the American farmer is approximately \$750 per year, and the average wage of the American laborer is approximately \$1,450 per year. There is, therefore, a great mass of the public whose remuneration is below these figures and it must be remembered that these families are trying to raise children and supply them with the necessities and pleasures of life on a salary of from \$15 to \$30 per week. Anyone who has endeavored to raise a family on a basis of this kind will appreciate the fact that to them it is vital they be in a position to purchase many items for their children at prices the family income will permit.

It is to this great mass of the public that the chain stores offer their toys, and the imposition of a specific or compound duty will prevent the offering of these celluloid dolls or toys to the public, with the result that many children will be denied the pleasure these articles have given them.

We recommend the proviso for compound rates for dolls and toys composed of celluloid or pyroxylin be eliminated so that all dolls and toys be dutiable at 70 per cent ad valorem.

At this rate the domestic manufacturer will receive greater protection than under the present tariff, which provides for a rate of 60 per cent on such items.

SAMPLES IN SUPPORT OF RECOMMENDATION

A large proportion of the imported celluloid dolls and toys consist of small novelty items which American manufacturers do not make and by their own admission have no intention of making. On such items duty will run as high as 574 per cent, as illustrated herewith.

We submit eight samples of items imported by Langfelder, Homma & Hayward (Inc.), of 915 Broadway, New York, on which the ad valorem equivalent will run from 238 per cent to 574 per cent. We present herewith a table showing the cost of each item in Japan packed ready for shipment, the foreign cost converted to United States currency, the landed cost at United States seaport under the present duty of 60 per cent, the assessment of the duty in cents under the present tariff, the same under the proposed rates, the ad valorem equivalent of the proposed rate.

| Item and description | Cost in yen | Converted to United States currency at \$0.47 $\frac{1}{4}$ | Landed cost in United States | Duty | | Ad valorem equivalent |
|----------------------------------|-------------|---|------------------------------|---------|----------|-----------------------|
| | | | | Present | Proposed | |
| | | | | | | <i>Per cent</i> |
| 701/851, duck..... | 1.429 | \$0.679 | \$0.794 | \$0.366 | \$1.745 | 255 |
| 701/799, 2 parrots on swing..... | 1.911 | .90 | 1.004 | .492 | 1.932 | 235 |
| 701/1, doll..... | .88 | .418 | .446 | .21 | 1.65 | 471 |
| 701/350, dolls..... | .709 | .337 | .373 | .184 | 1.624 | 531 |
| 701/742, dolls..... | .777 | .369 | .406 | .201 | 1.641 | 490 |
| 701/561, animals..... | .638 | .304 | .322 | .168 | 1.608 | 574 |
| 701/563, animals..... | 1.659 | .883 | .998 | .481 | 1.921 | 240 |
| 701/251, dolls..... | 1.89 | .896 | 1.033 | .486 | 1.926 | 238 |

That domestic producers are able to compete in the higher priced field is illustrated by samples submitted by S. H. Kress & Co., of 114 Fifth Avenue, New York.

Item 880, bird in cage, is purchased by this firm from Foster Grant Co. of Leominster, Mass., at \$1.87 $\frac{1}{2}$ per dozen net.

Item 2815 is purchased from Nakamura Trading Co. (Ltd.), Yokohama, Japan, and lands at New York at \$1.78 per dozen.

The domestic item costs slightly more, but as will readily be seen is far superior in size and value to the imported item.

Submitted by F. W. Woolworth Co., 233 Broadway, New York, item 685, purchased from Du Pont Viscoloid Co., Leominster, Mass., at \$9.25 per gross; in comparison, item 2474, purchased from Miyabe & Suyetaka, Yokohama, Japan, landing in New York at \$10.36 per gross. The imported item is slightly larger in size but lighter in weight, and the difference in size and quality is represented by the difference in price.

CELLULOID HANDLE TOOTHBRUSHES

RECOMMENDATIONS

References are to H. R. 2667 as introduced in the Senate May 16, ordered printed, and referred to the Committee on Finance.

Suggested changes in paragraph 1506:

SCHEDULE 15

The following changes in this paragraph are requested:

Page 178, line 22, strike out, beginning with "and other"; strike out all of lines 23, 24, and 25.

Page 179, strike out all of lines 1, 2, and line 3 ending with "ad valorem."

Paragraph 1506 as proposed places a duty of 2 cents each and 50 per cent ad valorem on toothbrushes and toilet brushes, the handles or backs of which are composed wholly or in chief value of any product provided for in paragraph 31, and a duty of 1 cent each and 50 per cent ad valorem on handles and backs for such tooth or toilet brushes.

This paragraph provides a general rate of 50 per cent ad valorem for all other toothbrushes and toilet brushes and any other brushes not specially provided for.

No good reason has been shown why brushes with handles or backs of celluloid should be penalized an additional 2 cents each nor why handles or backs used in the manufacture of such brushes should be penalized 1 cent each. The specific rate of 2 cents each will particularly affect toothbrushes purchased by the chain stores for sale at 5, 10, and 15 cents each to people of moderate means. Celluloid toothbrushes are favored especially by large families, as the variety of colors in which same can be offered affords an easy method of distinguishing the brushes for each member of the family.

The sale of toothbrushes by the chain stores for sale at 5, 10, and 15 cents each has greatly multiplied in the last 10 years due to bringing such brushes within the reach of the families mentioned, and enabling them to obtain brushes for all of the family without a burden upon the family budget.

The assessment of 2 cents each on these toothbrushes will make it impossible for the chain stores to handle such brushes profitably, with the result that the public will be forced to purchase them in department stores and drug stores, who with a limited selling outlet will find it necessary to increase the price to the public to at least 25 cents each. This will in many cases be beyond the reach of American families.

Attention is called to the fact that the Public Health Service, the health departments of all of the States in the Union, and all of the large cities in the United States have, through the public schools, hospitals, clinics, insurance companies, and other organizations, stressed the value of clean teeth and mouths, and their campaign is now beginning to bear fruit. One of the most important factors in making this campaign a success has been the chain store which has brought the necessary brushes and tooth paste within the reach of the average public. To take away these brushes would destroy the work of years and increase the possibility of ill health.

It is recommended the proviso of 2 cents each on toothbrushes and toilet brushes with celluloid handles or backs and of 1 cent each on celluloid handles and backs be eliminated, and that all toothbrushes and toilet brushes be dutiable at 50 per cent. At this rate the American manufacturer will receive an increase of 5 per cent over the present rate.

SAMPLES IN SUPPORT OF RECOMMENDATIONS

We submit herewith samples of celluloid-handle toothbrushes No. 10, supplied by Du Pont Viscoloid Works, Leominster, Mass., to F. W. Woolworth Co., 233 Broadway, New York, at \$9 per gross less 2 per cent discount equals \$8.82 per gross. Comparative sample No. 428, purchased by the same company from Miyabe & Suyetaka, Kobe, Japan, lands in New York at \$8.89 per gross net.

We submit sample No. 110, supplied by the Du Pont Viscoloid Works, Leominster, Mass., to F. W. Woolworth Co. at \$9.35 per gross less 2 per cent equals \$9.17 per gross. Also comparative sample No. 434 purchased by the same firm from Miyabe & Suyetaka, Kobe, Japan, which costs landed in New York \$9.41 per gross. The imported item has three more tufts of bristles than the brush supplied by Du Pont Viscoloid.

We submit samples Nos. 135 and 140, purchased by S. S. Kresge Co., Detroit, Mich., from Pacific Novelty Co., New York, a division of Du Pont Viscoloid, at \$9 per gross less 2 per cent equals \$8.82. Comparative sample No. 347, purchased by F. W. Woolworth Co., from Gibson Thomsen Co., Osaka, Japan, lands in New York at \$9.24 per gross. There is a difference in the quality of the bristles which accounts for the difference in price.

We submit sample No. 253, purchased by F. W. Woolworth Co. as a child's toothbrush, which lands at \$7.14 per gross and often sold at 5 cents each or \$7.20 per gross. This item is not made by American manufacturers and the assessment of \$2.88 additional duty would result in a duty of 120 per cent and make it necessary to charge 10 cents for this item.

We further submit sample No. 328, consisting of a child's toothbrush with celluloid doll attached by a silk cord. This item is sold in large quantities by the Woolworth stores and many a mother has found the task of teaching her child to use a tooth brush aided by the novel idea of having a celluloid doll attached which attracts the child's attention.

With the proposed compound duties on celluloid dolls and on celluloid-handle toothbrushes the ad valorem equivalent of the proposed duties would be 150 per cent on this item. This complete item consist of a toothbrush and doll and is

sold at 10 cents each and at the present time costs about \$7.50 in New York. The compound duty would impose an additional tax of \$4.32 per gross.

We submit sample No. 900, supplied by the Rubberset Co., Newark, N. J., to F. W. Woolworth Co., at \$9 per gross less 2 per cent equals \$8.82 per gross. Also comparative sample No. 434, purchased by the same firm from Miyabe & Suyetaka, Kobe, Japan, which costs landed in New York \$9.41 per gross. The imported brush has three more tufts and a better bristle than the brush purchased from the Rubberset Co. The brush sample No. 900 from the Rubberset Co. competes with brush sample 110 supplied by Du Pont Viscoloid Works mentioned above.

We submit sample No. 252, offered by the Owens Staple-Tied Brush Co., 901 Buckingham Street, Toledo, Ohio, to F. W. Woolworth Co., at \$7.75 per gross net. Also comparative sample No. 384, supplied by Miyabe & Suyetaka, Kobe, Japan, to the same firm which cost landed in New York \$7.89.

We submit sample of celluloid handle for toothbrush as imported by I. Sekine Co., 114 East Sixteenth Street, New York, cost landed \$5 per gross. This blank handle is manufactured in the United States into a finished toothbrush and a sample of the finished toothbrush (sample No. 12) is also submitted. The cost of the bristles and of the manufacture into a finished toothbrush is approximately \$4 to \$5 per gross, and under the circumstances no additional duty on the unfinished blank is justified.

Respectfully submitted.

CELLULOID GROUP OF NATIONAL COUNCIL OF
AMERICAN IMPORTERS AND TRADERS,
By A. Q. SMITH.

STATEMENT OF W. OGDEN COLEMAN, CHICAGO, ILL., REPRESENTING THE TOY MANUFACTURERS OF THE UNITED STATES (INC.) AND THE AMERICAN DOLL MANUFACTURERS' ASSOCIATION

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

Mr. COLEMAN. I am president of the American Flyer Manufacturing Co., Chicago. I am also this year president of the Toy Manufacturers' Association of the United States of America. I live in Chicago. The toy association headquarters are in New York.

In appearing before your committee, Mr. Chairman and gentlemen, I represent the two organizations mentioned and also the American Doll Manufacturers' Association.

This gives us practically a representation of the toy industry.

Senator WALSH. How many manufacturers are there in your industry?

Mr. COLEMAN. The record of the Department of Commerce shows that there are, I believe, 397.

Senator WALSH. They are all in your association?

Mr. COLEMAN. No, sir; they are not.

Senator WALSH. How many?

Mr. COLEMAN. Our association—that is, the Toy Manufacturers' Association of the United States of America—has approximately 131 members. The Doll Manufacturers' Association has approximately 30.

I might state, at first, that there are a number of smaller manufacturers who do not belong to our association, because the financial dues are a factor.

Senator THOMAS. Where are these factories located in the main?

Mr. COLEMAN. They are all over the country. In New York there is a large number. There is a large number in Massachusetts and in Illinois. Illinois is the third largest producer of toys. There are a hundred factories located in Illinois.

Senator WALSH. How many people are employed in this industry?

Mr. COLEMAN. Fourteen thousand. These figures are the Department of Commerce figures.

Senator THOMAS. Are these employees busy all the year round, or is it a seasonal employment?

Mr. COLEMAN. Of course, there are a certain number who are employed all the year round. Part of it is seasonal.

I could give here a little idea of how this works out. The average number of people employed is 14,700.

The material which I would like to present to the committee, and also additional material we would like to submit in brief form, is entirely new material that has come up since our committee appeared before the Committee on Ways and Means.

This material is primarily new material that has been brought about by decisions of the Customs Court. There have been 109 decisions since the hearings before the Committee on Ways and Means.

Some of these decisions affected our industry very seriously, because they strike at the very root of the protection which the Congress has afforded us. By that I mean they strike at the root of our protection because of the definition of what a toy is.

We are not asking for any increase in rates. The rate of duty which was afforded our industry in 1922 is the same rate it has now in effect, and which is in the proposed bill.

What we are asking is to have a clarification of the language in certain paragraphs so that these paragraphs will make it possible for our industry to receive the protection which we feel confident Congress intended to give to us.

The wording which we would like to have changed is in the following paragraphs. In the paragraph on optical instruments, page 47, following line 19, we would like to have inserted the following:

(c) There shall not be classified under this paragraph (1) any article commonly used for the amusement of children, or (2) any part of any such article.

The second paragraph we would like to have modified is that affecting sporting goods, which is found on page 176, following line 9, where we would like to have inserted the following:

(a) There shall not be classified under this paragraph (1) any article commonly used for the amusement of children, or (2) any part of any such article.

The toy paragraph, which will be found on page 182, line 16, we would like to have amended by inserting after the word "toys," and before the comma, the following:

including games, toy container, toy favors, toy souvenirs—

and a definition of toys which the attorneys for the Government can draft better than we could because of their long experience in defending toy cases before the Customs Court.

The examples which we will present to you to-day are typical examples of thousands of cases we could bring. I believe that they illustrate the fact that the decisions of the court are not really carrying out the intent of Congress so far as protection is concerned.

The first example we have are these games [showing games]. Here, for instance, is a game, the title of which is "Coasting." This game [showing game], is called "Up and down" and is a new ladder game, and this one [showing game] is called "Ring toss."

Senator WALSH. The Customs Court recently decided that these games were not toys; am I right about that?

Mr. COLEMAN. Correct.

Senator WALSH. And the toy duty is 70 per cent?

Mr. COLEMAN. Yes, sir.

Senator WALSH. What is the duty on games?

Mr. COLEMAN. There is no specific duty on games, the way that this provision has been interpreted.

Games, prior to 1922, always had been considered as toys.

Senator WALSH. But what duty benefit did the litigant get by that decision or ruling of the Customs Court that games were not toys?

Mr. COLEMAN. That puts these different games under the material of the chief component part, and therefore it goes into raw materials.

Senator WALSH. What rate is that?

Mr. Coleman. It would be dependent upon the material of the chief component part.

Senator WALSH. But much less than 70 cent?

Mr. COLEMAN. Yes, sir.

Senator WALSH. What you want is to have games used by children classified as toys?

Mr. COLEMAN. Correct.

Senator THOMAS. Those goods were manufactured in America?

Mr. COLEMAN. No, sir; these are imported. These are typical samples. These are typical samples that were before the court in the case of the *United States v. Louis Wolf & Co.*, and incidentally, here is a bit of advertising of the foreign manufacturers supplying the material, indicating the type of consumers they were appealing to.

Senator WALSH. The substance of that decision was that whenever a game of that kind was shown to be played by adults it is not a toy?

Mr. COLEMAN. That is correct.

Senator WALSH. My view is that your position is well taken.

Mr. COLEMAN. The second case is that involving rubber balls, which came out of the case of the *United States v. Woolworth & Co.* [showing samples].

Senator WALSH. These have been classified as athletic goods?

Mr. COLEMAN. Yes, sir; these have been classified under athletic goods.

Senator WALSH. Instead of toys; therefore they receive a cheaper rate?

Mr. COLEMAN. That is correct.

The testimony of one of the store managers for Woolworth & Co. was approximately this, that he had seen adults playing with these rubber balls in the street, so therefore they were sporting goods.

It might interest you just to follow for a moment the reasoning of the court in this case, and, frankly, I can see how there is a possibility for them having classified them as sporting goods.

This is what the court said in this case:

It will be seen that balls are not specifically mentioned in the toy paragraph; they are mentioned in paragraph 1402. It seems to us from reading the paragraph that almost every conceivable form of ball, excepting such as may be played with by a baby in its cradle or baby carriage, is covered by paragraph 1402. It seems impossible that any ball, except such as played with by a baby, could be designed for any other use than indoor or outdoor games or sport.

Therefore the court decided that those were sporting goods. You will note the court mentioned a ball being played with by a small child.

Here is a ball which bears a similarity to this in another case. That is a large ball, approximately 7 inches in diameter. It is a 7 $\frac{1}{4}$ -inch ball.

Senator THOMAS. Is that a hollow rubber ball?

Mr. COLEMAN. It is an enamel-covered ball.

Senator WALSH. And highly colored with pictures of children on it.

Mr. COLEMAN. Yes, sir; and the same thing applies to these balls, with these different pictures on them.

This ball [indicating sample] was declared not to come under the toy schedule, because a dancer had been seen to use it in an æsthetic dance, tossing balls back and forth on the stage.

Senator THOMAS. How was that made to come in or stay out, or both?

Mr. COLEMAN. I will leave that to your judgment.

Senator COUZENS. The testimony you refer to was in connection with the Woolworth Co?

Mr. COLEMAN. Yes, sir.

Senator COUZENS. And the Woolworth Co. were asking to have that increased duty?

Mr. COLEMAN. Yes, sir.

Senator COUZENS. It seems to me that company had not much right to come in and ask for that if they put in evidence of that sort.

Senator WALSH. So that you feel the language ought to be changed, and I will say that personally I think you are developing a strong case, but we also ought to know why this duty ought to be 70 per cent on these balls. Should the duty be less on these articles? What do you say on that point?

Mr. COLEMAN. I am not sufficiently informed as to the exact cost of the rubber balls to state, but I think it was the intent—

Senator WALSH. In other words, there is involved two questions, that of classification and that of duty.

Mr. COLEMAN. Yes, sir. I believe when the sporting goods paragraph, which was originally taken up under the 1922 law, was enacted, it was enacted to cover sporting goods for adults, or what we understand to be real sporting goods and not something of this type of merchandise.

Gentlemen, I said that when this ball case came up the manager for Woolworth testified that in his opinion it was sporting goods because he had seen adults playing with it.

The selling department, however, did not seem to agree with the buying department; that is, the selling department and the buying department did not seem in accord in their opinion as to the use of these balls, as may be seen by looking at this attractive booklet, which the Woolworth Co. got out at the time of their fiftieth anniversary.

Senator WALSH. I do not think that the witness needs to go any further in reference to that matter.

Mr. COLEMAN. Here in this booklet is what they say in their selling department.

Senator COUZENS. What do they say in that department?

Mr. COLEMAN. The selling department in this booklet say that they provide these rubber balls for all children up to 10 years old in the United States.

Senator WALSH. Do you know what they sell for?

Mr. COLEMAN. No, sir, I do not; but it must be 10 cents or less.

Senator THOMAS. Is it not a fact that every importer and every manufacturer are interested in having the tariff law construed to their own advantage, to their own personal and private interests? Is that not true?

Mr. COLEMAN. Naturally; that is a selfish point of view. We are all human.

Senator THOMAS. And the Woolworth Co. is not the only offender that is trying to have the law construed to their benefit?

Mr. COLEMAN. No, sir.

Senator THOMAS. Other cases have been filed and other cases are pending?

Mr. COLEMAN. There are many cases of that kind. I shall file a list of similar cases. It has gone as high as 750 cases per month, which the importers are protesting.

Senator THOMAS. Every provision of existing law will be taken advantage of by those interested to their own benefit, if they can do it; is that not true?

Mr. COLEMAN. That is human nature; yes, sir.

Carrying the same line of reasoning about balls being properly classified under sporting goods, we have the next example [showing sample].

This is a game or toy of 10 pins, which was classified by the court as sporting goods because it had three wooden balls in it, and the sporting goods paragraph specifically mentions balls in that paragraph, and the toy paragraph says nothing about them. This was classified as sporting goods.

Senator THOMAS. Would you not concede that to be true, that for certain classes of our population, youngsters, that would be a sporting pastime, in operating with that class of merchandise.

Mr. COLEMAN. May I answer your question by asking, Is not anything a child does in the way of play and sport an amusement to the adult?

Senator THOMAS. I think so.

Mr. COLEMAN. It is play.

Senator THOMAS. That is the only way a youngster could engage in that sort of activity, with the device you have just exhibited.

Mr. COLEMAN. Yes, sir.

Senator THOMAS. And for which it appears to be as much a sporting activity as for regular play, and using a regular tenpin alley, or some other device.

Mr. COLEMAN. If that line of reasoning were followed I believe that every toy could be classified as sporting goods.

Senator THOMAS. In that case, would not that be true?

Mr. COLEMAN. Possibly it would be, but it would necessitate a complete reversal of what I believe the general opinion of a toy is Senator THOMAS. It would be toy sport, in other words?

Mr. COLEMAN. Yes, sir.

Senator WALSH. Custom and practice have classified them largely as toys?

Mr. COLEMAN. Yes, sir.

Carrying this same principle of balls being classified as sporting goods to what I may say is the ultimate question, or the logical conclusion, we have this item [indicating samples] called "Skittles," which the court classified as sporting goods. The reason was that these two little wooden pieces were placed close to the other figure.

Senator WALSH. That must have been because it is emblematic of a Democrat. [Laughter.]

Senator THOMAS. What is that device that you are showing to us?

Mr. COLEMAN. The trade name of it is "Skittles." The quantity imported is small. I merely show it as an example of where that reasoning can carry us.

These little animals can be taken out and the balls can be rolled so that they will knock them over.

Senator THOMAS. Was the court limited by the language of the law to that sort of decision, or was the decision, in your judgment arbitrarily made, in spite of the law, classifying these devices as sporting goods?

Mr. COLEMAN. In the absence of any other information to the contrary, I would say that the court was sincere in classifying all these items as sporting goods, because it relied on the paragraph which specifically mentioned balls, and they were not mentioned in the toy paragraph.

Senator THOMAS. That device, in which there would be enjoyment, if it be enjoyment, would consist in having those imitation animals set up on a table or upon the floor, and to have some one who would roll the balls or operate the device in trying to knock them over?

Mr. COLEMAN. That is correct.

Senator THOMAS. You contend that that is not a sporting event?

Mr. COLEMAN. Not in the definition of sporting goods, as we commonly understand it.

Senator THOMAS. You are asking for a clear definition, setting up a distinction between toys and sporting goods?

Mr. COLEMAN. Yes, sir.

Senator THOMAS. I think I would agree with you that it ought to be clarified.

Mr. COLEMAN. I thank you, sir.

Here is another example [indicating sample] which comes under the same heading. It is a so-called tennis racket, which was classified as sporting goods because the importer testified he had seen a child play a game of tennis with a tennis racket similar to this.

Senator THOMAS. If you were to go to certain parts of the country you would find that that is not limited to children. Abroad at this particular time in various places, at various times of the day you will find great numbers of people with tennis rackets of that kind knocking little paper balls or cotton balls, back and forth, and apparently having much fun out of it.

Mr. COLEMAN. I am glad that you mentioned that, Senator, because that brings up another question, and that is whether adults in playing that kind of game are not doing it in the spirit of children.

Senator THOMAS. Then it would be necessary to have a definition to define when a child ceases to be a child.

Mr. COLEMAN. Or, putting it in another way, that when adults use articles particularly designed for children, they are doing so in the manner of a child.

Senator THOMAS. I think personally that point is well taken.

Mr. COLEMAN. The second type of cases that are causing us trouble are those that are being brought in and classified as containers.

Here we have two balls, and these little rabbits mentioned [showing sample]. One of these is a ball and the other is a container. I might explain why that is.

This is the container [indicating sample] because it has a little basket on the back of the rabbit, and two or three pieces of candy can be put into this, and therefore it is a candy container, and would come in under the duty covering the component part. It was so decided by the court.

By a very slight manipulation, this one, which was a ball, can now be made into a candy container.

Senator COUZENS. For how much less rate can that be brought in by hanging it on there?

Mr. COLEMAN. For less than half. That may seem ridiculous, but under the decisions following along this line there is being opened up a big, broad road so that almost anything can be brought in under that classification.

Here we have two little toys [indicating samples], one of which is a solid piece and the other is this little wheelbarrow, or whatever you may call it.

Senator WALSH. Is that numbered in any way?

Mr. COLEMAN. No, sir.

Senator KEYES. Suppose that you give it a number.

Mr. COLEMAN. No. 1 is the solid one and No. 2 is the one with the wheelbarrow. No. 1 comes in as a toy and No. 2, because it is possible to put candy in there would come in as a candy container; it would be a container.

Under the law it would be covered by the provision in regard to the material of chief value, which in this case would be wood.

Senator THOMAS. The duty would be approximately one-half on the container as in the case of the toy?

Mr. COLEMAN. It depends on the raw material. In this case [indicating] it would be felt, and in this other case it would be wood, and that would be covered by the raw materials schedules.

I understand that a case has been recently decided where the item, for all practical purposes, would be similar. This has a hole drilled in it about the size of a match, and these were entered as candy containers. You all know what a lolly pop is. Those were entered as candy containers because it was conceived the lolly pop would stick in this hole, in the toy, and therefore it would be sold as a candy container.

Senator THOMAS. Has the court made sufficient rulings to fairly clarify and stabilize the duty on the various classes of goods you are exhibiting to us?

Mr. COLEMAN. There are a great many decisions coming down, and unfortunately the majority of the decisions, as I said before, are opening the door wider through which these things can be brought in, because when you start with one line of reasoning and have case after case, it is only a short step each time, but in the aggregate it is a great big step.

Senator WALSH. Have there been many cases under the toy schedule?

Mr. COLEMAN. Yes, sir. And it is inevitable that the toy automobile, or anything susceptible of having merchandise put into it would be classified as a container.

One thing we have been troubled with is the question of what was a toy and what was a musical instrument. We presented to the Ways and Means Committee two samples of what we considered as toys. Here are two items [showing samples], one of which is a toy ukelele and the other is a toy violin. Articles similar to those were brought in and the importers classified one as a toy and the other as a musical instrument. It may be readily determined which is the toy and which is the musical instrument. This one [indicating sample] is the musical instrument.

Senator THOMAS. Can you tell by the tune?

Mr. COLEMAN. No, sir; you can not.

The reason this is a musical instrument is because under the law of 1922 musical instruments took a lower duty than toys.

However, when we come to the case of the toy violin there is a similar conflict, because under the musical instrument paragraph there was a specific duty of \$1 on violins, so obviously, this could not be a musical instrument, and it had to be a toy.

The Committee on Ways and Means, in the musical instrument paragraph now in the proposed law, have taken care of this provision in much the same way in which we have asked you gentlemen to take care of the optical instruments and sporting goods, and the wording we would like to add to those paragraphs is what we have given you before—

(1) Any article commonly used for the amusement of children, or (2) any part of any such article.

Senator WALSH. Including games and toy containers, and so forth?

Mr. COLEMAN. That is correct; thank you for mentioning that.

The question of toy souvenirs and toy favors is an important one for this reason, that in the case of these items, if the words "toy containers" were the only ones added to the toy paragraph they could easily be classified as souvenirs or favors because some one had seen them used at a child's party as souvenirs. Therefore we ask that that language be included, "including games, toy containers, toy favors, and toy souvenirs."

Senator THOMAS. Is this class of goods practically all imported?

Mr. COLEMAN. No, sir; there is a great deal of merchandise similar and comparable to this made in this country.

These items that we have asked to have included will help us in clarifying the law so it will be easy for the court to carry out the intention of the Congress.

(Mr. Coleman submitted the following brief:)

**BRIEF OF THE TOY MANUFACTURERS OF THE UNITED STATES (INC.) AND
THE AMERICAN DOLL MANUFACTURERS ASSOCIATION**

COMMITTEE OF FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: The brief of the American toy industry is submitted by a committee which represents the Toy Manufacturers of the United States (Inc.), the American Doll Manufacturers Association, and nonmember manufacturers from all branches of the toy industry who have joined with us in this presentation.

RETAIN PRESENT RATE

We do not ask for a change in the present rate. Data justifying this rate was presented to the Committee on Ways and Means. The committee reported favorably and the House retained the rate.

CLARIFICATION OF WORDING

We asked the Committee on Ways and Means that the wording of the law be clarified. Certain changes were made, but we believe additional changes in wording are required. We ask that the wording of the bill be so clarified as to make effective the protection which Congress intended to give us in 1922. To accomplish this it seems necessary to retain the present wording and to make the following changes in H. R. 2667:

Paragraph 228, page 47, following line 19, insert:

"(c) There shall not be classified under this paragraph: (1) Any article commonly used for the amusement of children, or (2) any part of any such article."

Paragraph 1502, page 176, following line 9, insert:

"(a) There shall not be classified under this paragraph: (1) Any article commonly used for the amusement of children, or (2) any part of any such article."

Paragraph 1513, page 182, line 16, after the word "toys" and before the comma, insert: "including games, toy containers, toy favors, toy souvenirs," and a definition of toys which the attorneys for the Government are better equipped to draft than we are because of their long experience in defending toy cases before the Customs Court.

Paragraph 1541, page 204, line 2, strike out "chiefly" and insert "commonly."

Paragraph 1542, page 204, line 10, strike out "chiefly" and insert "commonly."

LARGE NUMBER OF TOY CASES IN CUSTOMS COURT

Since the brief for the toy industry was presented to the Committee on Ways and Means 109 opinions have been rendered by the Customs Court and reported in Treasury Decisions.

AN IMPORTANT NEW CASE

Among these is a case which is of first importance to the toy industry. It illustrates some of the difficulties which are encountered in securing through the courts the proper classification for toy imports. We refer to the case of *Louis Wolf & Co. (Inc.) v. United States*, reported in Abstract 7920, involving board games, throwing games, and puzzles.

This case was presented by the importer without the introduction of samples. The Government supplied this omission and duplicates of these samples have been presented to the Committee on Finance at its hearings.

In the opinion in the above case Judge Sullivan wrote as follows:

"Amusement or interest may be derived from these articles (ring toss, etc.), but it is not solely children's amusement. The 'amusement of children only' referred to in the *Illfelder* case, supra, is that which a child obtains from playing with some trifling article, which will give him pleasure without necessitating the exercise of ability or skill to obtain amusement therefrom.

"These articles would also amuse the mature mind. They do not fall, either in fact or in law, within the classification of toys, as that term has been defined by the courts."

Our industry does not agree with this opinion and we do not believe that your committee can concur in it even if limited by the definition to which his honor refers as covering toy cases—*Illfelder v. United States* (1 Ct. Cust. Appl. 109), in which the court said:

"In common speech and as popularly understood, a toy is essentially a plaything, something which is intended and designed for the amusement of children only, and which by its very nature and character is reasonably fitted for no other purpose. Although an article may be chiefly used for the amusement of children, if its nature and character are such that it is also reasonably fitted for the amusement of adults, or if it is reasonably capable of use for some practical purpose other than the amusement of children, it can not be classed as a toy unless it is affirmatively shown by the importer that it is so known and designated by the trade generally."

We believe an examination of the exhibits presented to your committee will render unnecessary an extended argument to convince your committee that the

conclusion reached by the Customs Court that these games are not toys, is not in keeping with the intent of Congress. This decision is also contrary to the long-continued practice of the Treasury Department in classifying games as toys. (T. D. 3357 and T. D. 9170.) The games involved in this particular case have been on the market for generations and are typical of games which have been made since games were first introduced.

Among the toys which we showed your committee were the following items which were before the court: "Ring my nose" and "Up and down," the new ladder game.

Every member of the committee will recall that as a child he played with these games and his children used them, and their grand children, if there are any, will be found playing with them to-day. In any of the three generations just indicated if an adult played with such games he or she played them with a child for the child's amusement.

In our oral presentation we reviewed at some length a number of cases in which a controlling factor in the decision reached by the Customs Court was the fact that balls were involved in the case. We selected these cases not so much to lay emphasis on the balls in question but because they were excellent examples of the need for clarification of the law. They are typical of the cases in which the Customs Court has placed in the sporting goods paragraph merchandise which had always previously been classed as toys. In fact, if the line of reasoning followed in these cases were followed in all toy cases, we can see how the importers by adding one or two small balls in many toys in which they are not now used could evade the very clear intent of Congress.

DEFINITION OF TOYS NECESSARY

We did not elaborate at the opening of our brief as one of the points on which we ask for action by your committee the need for writing a definition of a toy into the law. We have not receded from the position which we took before the Committee on Ways and Means that a definition is required. We believe that it is vital to our industry so to revise the wording of the law that we will be given in daily practice the protection Congress intended. Further clarification would produce annually hundreds of thousands of dollars of additional revenue for the Government.

EFFECT OF RATE ON CLASSIFICATION

Prior to the act of 1922 it was to the advantage of the importer to prove hundreds of articles to be toys because of lower rates on toys. Under one of these acts the Illfelder case arose. To-day it is equally to the importer's advantage to prove them not to be toys.

It is evident from a study of the court cases that the importer determines his classification of a toy by the rate he hopes to secure. This has led to the rather confused situation in which we find the decisions to-day.

We recognize that there are difficulties in the administration of the customs law in deciding in which of several paragraphs an article belongs, particularly if samples are not before the Customs Court. As an illustration of such difficulties we cite three cases which have been decided in 1929: *O. Maire (Inc.) v. United States*, *Nadel & Shimmel v. United States*, *Ely-Walker Dry Goods Co. v. United States*, reported in Abstracts 7937, 8343, and 8609. Toy jewelry was the subject of each protest. In the first case "kiddie sets (beaded necklaces and bracelets)" assessed as jewelry (80 per cent) were placed by the court in paragraph 1403 (60 per cent); in the second, "children's bracelets," composed of beads assessed as toys (70 per cent) were placed in the same paragraph (1403) as the above; but in the third, merchandise made of beads invoiced as "kiddie sets" and classified by the examiner as jewelry (80 per cent) in spite of the request of the importer that they be classified under paragraph 1414 as toys or under paragraph 1403, were placed by the court in the paragraph for jewelry. In these three cases the descriptions were as nearly identical as it is possible for descriptions from different invoices to three different firms to be, but note the different decisions.

Another decision which has come down since our industry appeared before the Committee on Ways and Means is the case on toy motion-pictures machines combined with a magic lantern and reported in Abstract 8568. This is an article which has been made for years. The illumination in the sample which was before the court was supplied by a small oil lamp about 2 inches high with a chimney about 4 inches high. Tests in a laboratory showed that a machine like this can not project a clear picture more than 5 or 6 feet. The material furnished with

this toy was not a motion-picture film but a set of glass slides with comic pictures identical with slides used in the magic lanterns with which every member of this committee is undoubtedly familiar.

MORE TOYS EXPORTED FROM GERMANY TO UNITED STATES THAN WERE RECEIVED HERE

Most of the articles classified under various paragraphs other than the provision for toys were known and invoiced as toys.

The German official figures of toys exported from that country to the United States further confirms this point. The German reports show that the total exports of toys to America in the year 1925 were \$5,629,245; 1926, \$6,019,157; and 1927, \$6,318,319. Whereas the imports of toys into this country from Germany as enumerated under the classifications now prevailing under decisions by our Customs Court handed down since 1922 are: 1925, \$3,156,971; 1926, \$3,301,079; and 1927, \$3,489,880.

To recapitulate:

| | Official figures of German exports to the United States | Our Federal statistics of imports from Germany under classifications fixed by the Customs Court since 1922 |
|-----------|---|--|
| 1925..... | \$5,629,245 | \$3,157,249 |
| 1926..... | 6,019,157 | 3,301,079 |
| 1927..... | 6,318,319 | 3,489,880 |

THE GOVERNMENT LOSES REVENUE

The classification sought by the importers under various acts of the same article is governed by the rate which Congress places on the various articles. Your committee can obviate this by adding to the changes that have already been incorporated in H. R. 2667 the changes we have recommended at the opening of our brief. Such changes will not only afford us the protection we need but as can easily be seen from the table above will add greatly to the revenue collected on toys. Undoubtedly much of this merchandise paid some duty, but the additional revenue, at 70 per cent on the difference in volume of toys imports as shown by German export figures and those compiled under classifications imposed by our court decisions would have been:

| | Additional revenue |
|-----------|--------------------|
| 1925..... | \$1,730,397 |
| 1926..... | 1,902,854 |
| 1927..... | 1,979,917 |

We will not review the recent decisions covering toys claimed by the importers to be musical instruments, because the Committee on Ways and Means intended to correct that situation by inserting in paragraphs 1541 and 1542 a clause which should exclude toys from those paragraphs. We have grave doubts as to how the Customs Court would interpret the language of the change and we therefore recommend that instead of the word "chiefly," "commonly" be used.

This may appeal to your committee to be an unnecessarily fine distinction, but our fears are substantiated by the distinctions often found necessary by the court in passing on classification cases. In the opinion in the game case quoted above the judge found that childish games ("Hallowe'en Ring Toss" "Up and Down," etc.) would produce amusement for a mature mind on the ground that "it would require the skill of an adult mind to play therewith intelligently. In so playing, of course, these articles amuse, but being 'reasonably fitted for the amusement of adults' indicates that they were not 'intended and designed for the amusement of children only.'"

THERE ARE NEW TOYS BUT THEY REMAIN TOYS

The toy industry has kept pace with the normal development of children from generation to generation. Perhaps the mind of a child of to-day can grasp things that to an older generation seem suited for adults. It is an interesting fact that the age limit to which certain toys appeal is constantly going down. Whereas two or three generations ago an iron toy pull-train would have been played with by a boy 8 or 9 years of age, such trains to-day are used only by the youngest children. When a boy or a girl reaches the age of 5, it is not satisfied with a toy train operated by a spring, but starts begging for an electric toy train.

There is not a department of the toy industry which does not illustrate this same point—that young children, even those below kindergarten age, are now playing with toys which children in the third or fourth grades in school would have used 20 years ago.

The toy industry must keep pace with the changing conditions. When automobiles came, toy horses and wagons went and to-day the toy airplane is supplanting the toy automobile.

A totally different illustration of the same point is the fact that toy radio sets have never been a success, either small sets which can tune in on a nearby station or toys with which a child can play at tuning in. This is because, as anyone with children can testify, young children can operate a standard receiving set and it is hard to keep them away from a radio. It is only when toys supply a means by which children can imitate the daily lives of their elders in activities in which children can partake only by the imitation that toys are successful.

It is just as essential to our industry that the tariff act take note of changes in its products as it is essential to the textile industries that such new developments as rayon be properly taken care of. We believe that protection for our toy industry through proper classification by the court can be obtained only by a further amplification and clarification of the toy paragraph and other paragraphs.

STATISTICS

Realizing that your committee has before it the report on paragraph 1414 of the act of 1922, which was prepared by the United States Tariff Commission, we have not included in this brief tables on exports, imports, or domestic production except to show the geographical distribution of the American industry, as indicated by the following table:

Domestic production, 1927

| States | Number of factories ¹ | Wage earners, average number | Value of products |
|--------------------|----------------------------------|------------------------------|-------------------|
| Connecticut..... | 14 | 957 | \$3, 824, 745 |
| Illinois..... | 27 | 1, 244 | 5, 456, 317 |
| Massachusetts..... | 27 | 1, 761 | 7, 717, 832 |
| Michigan..... | 12 | 507 | 2, 315, 071 |
| New Jersey..... | 23 | 1, 306 | 5, 239, 365 |
| New York..... | 146 | 3, 633 | 20, 753, 062 |
| Ohio..... | 38 | 1, 222 | 4, 860, 747 |
| Pennsylvania..... | 34 | 1, 587 | 5, 839, 398 |
| All other..... | 76 | 2, 521 | 7, 949, 149 |
| Total..... | 397 | 14, 738 | \$63, 955, 706 |

¹ This is the number of factories engaged primarily in the manufacture of toys as classified by the Bureau of the Census. There are from two to three times as many other factories which make toys as a side line. For example, in Illinois there are over 100 factories which make toys.

² This includes \$9,832,986 of other merchandise besides toys. The table on p. 1950 in the report of the United States Tariff Commission shows the complete data on domestic production.

IMPORTERS' DATA ERRONEOUS

We believe that we should call your attention to erroneous data on exports and domestic production which were included in the brief of the toy group of the National Council of American Importers and Traders.

They said: "Tables C and D show that exports, particularly in regard to toys, have increased since 1922, the year of the passage of the Fordney-McCumber Tariff Act. Toy exports have risen from \$84,006 in 1922 to \$3,445,852 in 1928."

The exports of toys in 1922 were \$1,710,300, not \$84,006. The exports in 1922 of mechanical toys only were \$84,006, the figures which the importers gave as the total exports. It could not have been an accident that they quoted only one item of 1922 exports. They must have deliberately misrepresented the volume of exports.

Misleading data on toy production in the United States was given. They represented the total for 1925 to be \$70,070,147, whereas the total was \$57,459,219, and for 1927 they gave \$84,207,204, when the correct figure was \$63,800,950. These data were available in the Census of Manufactures when the hearings were held by the Committee on Ways and Means.

SAMPLES SHOULD BE REQUIRED

In the game case of Louis Wolf & Co. (Inc.) v. United States the importers appeared without samples. In toy cases it is practically impossible to reach an intelligent decision if the merchandise covered by the protest is not before the court. A very slight difference in the description as given by a witness from what an inspection of the samples would show will convey a totally wrong impression and possibly lead to an erroneous decision.

We have indicated to the attorneys for the Government that from our trade experience we know that if samples are missing the Government is seriously handicapped in trying any toy case. This point is involved in other exhibits which we showed during our oral presentation and particularly by the toy "skittles" classified by the court as sporting goods as reported in abstract 1451 because it is "played with balls."

We appreciate that it is impossible for the examiner to foresee litigation and to take samples from every packing case on which an appeal from the examiner's classification will be taken and keep the samples at the appraisers stores on the chance that an importer may later decide to try a protest. It is, of course, understood that importers file a protest on every shipment so that they will be in a position to go to court if they later they wish to do so. Often a case is not reached for two or three years. Therefore, we believe that it should be required that when a protest is filed, submission of samples of every item covered by the protest should be made a condition precedent to its validity. It should be required that the samples be taken from the particular shipment in dispute. Articles similar to those under court review, brought forward as illustrative exhibits, may be as deceptive as descriptions.

This phase of our brief would properly come under the administrative section of the law and we will be ready to appear before the committee when hearings on that section are called.

RIGHTS IN COURT

To the end that domestic industries may to the fullest extent cooperate with the Government in securing their just dues from tariff schedules, we submit that a domestic manufacturer, producer, or wholesaler should be permitted to ascertain the value at which competitive imported merchandise is being appraised and to appear as a party in interest in any proceeding that may grow out of the appraisal of merchandise or its classification by the collector.

In section 516, the section which gives to the American manufacturer the right to protest, the importer is permitted to intervene. An American manufacturer has as much interest in the outcome of customs litigation as has the importer, and possibly more. When litigation is started by an importer, duties have been collected, merchandise sold, profits had, and any change in classification to his advantage is virtual additional profit to him. This is another matter on which we will be prepared to appear before your committee when the administrative features of the law are under consideration, if you should care to have us add to the data we have given to-day.

THE BASE FOR DETERMINING VALUE

We have shared the experience of many other industries whose tariff protection is based on ad valorem rates, namely, the difficulty of obtaining any information with regard to foreign value. Where we have satisfied ourselves that the declared foreign values were not the true foreign values as defined by law, it has been extremely difficult to cooperate with the Government in securing a proper valuation. Practically none of the types of toys imported into the United States are freely

offered for home consumption in the two leading countries from which toys are exported, Germany and Japan. In fact, a majority of the toys imported into the United States from those countries are designed solely for our American market.

We request that foreign value as the base for assessing duties be abandoned and that the rates in the new law be based upon a form of value which will be determined wholly upon facts ascertainable within the United States. It is necessary that the manipulation and undervaluation which have been prevalent for years be rendered impossible by some system under which all persons in possession of facts may be summoned before appraising officers and courts and examined under oath.

In closing my review, briefly what we have asked—

1. That the rate in the paragraph 1513 of the bill, which is the same as the rate in the present law be retained.
2. That the law be clarified by changes in paragraphs 228, 1502, 1513, 1541, and 1542.

Yours respectfully,

TOY MANUFACTURERS OF THE UNITED STATES (INC.).
FLETCHER D. DODGE. *Secretary.*

Sworn to before me this 2d day of July, 1929.

[SEAL.]

AGATHA F. BRESLIN,
Notary Public.

Commission expires March 30, 1931.

ABRASIVES

[Par. 1514]

STATEMENT OF FRANK C. HOOPER, NORTH CREEK, N. Y., REPRESENTING THE NORTH RIVER GARNET CO. AND THE BARTON MINES CORPORATION

[Garnet]

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

Mr. HOOPER. I am representing the North River Garnet Co. and the Barton Mines Corporation.

Senator KEYES. You are speaking on paragraph 1514?

Mr. HOOPER. Yes, sir; on the abrasive garnet, the metal of which I have a sample here. It is the same mineral as the jewel, except there are too many flaws in it to be used for that purpose. For 40 years it has been used as an abrasive, placed on paper like sandpaper, for finishing woodwork. Practically all furniture has been finished with garnet paper for 35 years. That use was first discovered in 1882, and for 10 years two or three companies tried to hand pick the crystals by blasting and hand cutting.

Senator COUZENS. What section of the country does this come from?

Mr. HOOPER. This particular specimen comes from the Adirondacks. It is found in practically every State in the Union except the alluvial States.

In 1893 I pioneered in developing a mechanical process for separating the garnet in the rock. The black rock here is just common hornblend, a constituent of granite, and about the same weight as the garnet.

Senator WALSH. You want the present rate increased?

Mr. HOOPER. Yes.

[Senator WALSH. The present rate is 20 per cent.

Mr. HOOPER. Natural abrasives run from 20 per cent to 1.1. I am asking for 2 cents a pound.

Senator KEYES. In addition to the ad valorem?

Mr. HOOPER. No; without ad valorem. The point is this: It requires an investment for a mining plant to produce garnet in this country of about \$250,000 to \$350,000. Abroad there are a great many deposits where it can simply be shoveled up and imported to this country. That would mean a low price. If that is brought in, as some of it has been, they will simply put us out of business and the price will go up, the present market price.

Senator THOMAS. How many mines have we in this country producing that material?

Mr. HOOPER. There were three last year in New York State, one in New England, and one, I think, operating in North Carolina.

Senator THOMAS. Those are the only mines you know of?

Mr. HOOPER. Yes. The market only requires about 5,000 tons.

Now, I have a brief here. And I would say this is not opposed by the manufacturers. I have a personal letter from Mr. Tone, who is chairman of the Manufacturers of Abrasives Association, in which he supports my position. And I have the amendment drawn up here in the brief, which covers it, and while I would like to talk longer, I don't know that it is necessary, Mr. Chairman.

Senator KEYES. What is the particular use of this abrasive? In what form is it used on the market?

Mr. HOOPER. Probably 90 per cent of it is used as sandpaper, like common flint paper, for finishing wooden surfaces; that is, practically all furniture is finished with garnet paper. Thirty-five years ago it replaced sandpaper for finishing wooden surfaces. The Bureau of Mines has published a little pamphlet on the industry.

Senator WALSH. Does that go through any process?

Mr. HOOPER. No.

Senator WALSH. This is just the way it goes to the market?

Mr. HOOPER. Yes, sir.

Senator WALSH. Is the duty on it as it is quarried, or is the duty on it after it is concentrated?

Mr. HOOPER. After it has gone through a process.

Senator WALSH. So the duty is on what you would call the mineral finished ready for use?

Mr. HOOPER. Yes.

Senator WALSH. And not upon the product as it comes from the mine?

Mr. HOOPER. No; this has to be crushed and go through a concentrating process.

Senator WALSH. Have you got a sample of the finished product?

Mr. HOOPER. No; I did not know that you allowed such samples before the committee. This happened to be in Congressman Parker's room. This particular plant is in his district, and I brought this over.

Senator KEYES. Is there any importation of the paper after this is applied to it?

Mr. HOOPER. No. I have tried to sell this abroad for 35 years. We sell about 50 or 75 tons of the raw material. They are not interested. They still use the cheaper material.

Senator WALSH. Does your brief show the imports?

Mr. HOOPER. Yes.

Senator WALSH. Are they increasing?

Mr. HOOPER. They vary. They will increase when certain large deposits are reached by transportation facilities in the colonies of foreign governments. I have been abroad and investigated those.

Senator WALSH. It is more a fear of the future than present danger that you are concerned about?

Mr. HOOPER. Yes.

Senator WALSH. The duty of 1 cent per pound has protected the industry since 1922 satisfactorily?

Mr. HOOPER. Yes.

Senator WALSH. But you are fearful that in the future there may be so much imported that you will need an increased duty of 100 per cent, 2 cents per pound?

Mr. HOOPER. Yes; I am afraid the same thing will happen to me that happened to me in graphites. They put our plants out of business in this country. Now graphite is selling for just what we sold it for years ago, yet we are out of business.

(Mr. Hooper submitted the following brief:)

BRIEF OF THE NORTH RIVER GARNET CO., NORTH RIVER, N. Y., AND BARTON MINES CORPORATION, NORTH CREEK, N. Y.

THE GARNET INDUSTRY

(1) *Abrasive and gem garnet.*—Garnet is the name of a group of six minerals which are silicates of various combinations of iron, lime, alumina, and other elements.

Of the six minerals, pyrope and almandite have furnished the bulk of the supply of jewels and for abrasive purposes. While the jewel must possess a high degree of transparency and be free of flaws, the efficiency of the abrasive garnet depends only on hardness and the character of its fracture. Garnet will cut glass, but is less hard than the diamond.

The principal source of the gem variety is Bohemia, while beautiful gems of rhodolite garnet are found in North Carolina and pyrope gems in Utah and Arizona. The total domestic output of gems amounts to only a few thousand dollars.

The jewel garnet occurs in small crystals usually not over three-fourths to 1 inch in diameter, while the crystals or large pockets of American abrasive garnet have been obtained as large as 3 feet in diameter and weighing 1½ tons. Good abrasive garnet does not occur in solid veins but as pockets or crystals scattered through a bed of rock and has the appearance of a large-sized case of smallpox.

(2) *History of industry and uses.*—The abrasive garnet industry is inherently an American institution, the adaptation and high efficiency of this mineral for abrasive purposes being discovered in the early eighties by a Philadelphia abrasive manufacturer who secured his garnet from the Adirondack Mountains in New York. While it almost completely replaced the use of sand or flint papers for wood surfacing in America, only 4 or 5 per cent of the domestic tonnage is being used abroad after more than 40 years of domestic use of this mineral.

In the early days of the industry, the garnet was mined by picking out the garnet crystals by hand after breaking down the rock in which the garnet occurs by blasting and hand sledging.

Production of garnet by machine methods—that is, crushing the rock and garnet and separating the garnet from the crushed rock by machinery—was first placed on a commercial basis in 1893.

From a few hundred tons, the industry has grown to a market of 5,000 to 6,000 tons per year of pure garnet.

Sized or graded garnet both as a loose grain and as a coating for garnet paper and cloth is used in several industries, the largest amount in all lines of the wood-working industry where a smooth or polished surface is desired. It is also used in the rubber and leather industries and in finishing felt and silk hats, in polishing plate glass, and in dental work. The oblong cards used by dentists and mani-

curists are covered with reddish brown garnet on one side and white quartz on the other.

(3) *Sources of supply.*—(A) Domestic: Garnet is found in nearly every State that has outcrops of rock within its borders. Deposits of commercial quantity occur in these States: Maine, New Hampshire, Connecticut, New York, Pennsylvania, Maryland, Virginia, North Carolina, Georgia, South Dakota, Colorado, Montana, Nevada, Utah, Arizona, New Mexico, and California; also in Alaska. The wide range and extent of these deposits comprise an inexhaustible supply of this mineral.

(B) Foreign: Large deposits have been located in Africa, Bohemia, Canada, Madagascar, Malay Peninsula, India, and Spain. (Reference, Bureau of Mines Bulletin, No. 256.)

(4) *Extent of garnet mining industry.*—The total capital invested by six companies in three States, New Hampshire, New York, and North Carolina, is \$1,300,000.

(5) *Production and imports.*—Production of domestic garnet for the seven years, 1921–1927, inclusive, ranged from 3,048 tons in 1921 to 9,006 tons in 1923. The latest available figures are 6,939 tons for 1927.

From 1910 to 1916, inclusive, imports ranged from 547 tons to 1,343 tons yearly. Since the war the largest imports were in 1923 of 1,250 tons, the latest figures being 400 tons in 1927.

(6) *Domestic and foreign prices and costs.*—Pre-war prices for domestic garnet were \$35 and \$40 per ton of 2,000 pounds while imports were valued at from \$14.77 to \$20 per long ton of 2,240 pounds.

Since the war increased costs have forced the domestic price to a little more than double pre-war figures. The Engineering and Mining Journal, New York, for April 6, 1929, quoted domestic at 4¼ cents per pound and foreign 3 cents per pound in car lots at shipping point and port of entry.

Domestic costs at present range from 3½ to 4 cents per pound. It is difficult to obtain foreign cost figures, and the only available data is from the Daily Consular and Trade Reports for March 13, 1914, for the cost of producing garnet from placer or stream-washed deposits in Spain or \$7.75 a ton at the mines, and freight to seaboard \$6.65—total \$14.40 a ton—indicating a cost of less than 1 cent a pound at American ports.

The increased price of foreign mineral from less than 1 cent a pound during pre-war years to 3 cents a pound now is due to a policy of keeping prices within a certain range of the domestic figure and not to a trebling of production costs in remote districts where there is little or no market for labor.

(7) *Reasons for proposed duty.*—That the American market for abrasive garnet has not been completely eliminated by the foreign mineral is simply due to the lack of transportation for the mineral from several large commercially pure deposits, where the garnet occurs as placers along streams in commercial purity requiring no mechanical preparation. Transportation lines for the development of mineral resources are now being advanced in colonial possessions of several foreign nations which will make accessible several of these rich deposits with the probability that the American industry will be eliminated in a few years, at least before Congress will again legislate on the tariff.

Aside from the threat of the new sources of supply the industry is under stress at present due to the replacement of certain market lines for garnet by artificial abrasives resulting in the loss of an appreciable tonnage and consequent increase in overhead costs. The foreign producer requires no capital for plant as compared to individual domestic investments of \$300,000 to \$400,000. These considerations suggest the necessity of guaranteeing the domestic market to the domestic producer.

A tariff will not increase the local price of this mineral because of the abundant domestic deposits. If no duty is allowed the foreign mineral will be sold at a reduced figure, just long enough to compel the closing of the American plants when the price will be raised to or above present quotations for American mineral.

In support of this contention reference is made to the price of \$30 to \$60 per ton for imported graphite at the close of the war as compared to normal American costs of about \$100 per ton for No. 1 grade. When the American plants were eliminated, the price was gradually raised until now the market price for foreign No. 1 grade is \$130 to \$140 per ton—figures more than acceptable to American producers. (Engineering and Mining Journal, April 6, 1929.) This price would be reduced, of course, the moment American production reached any appreciable tonnage.

Garnet on the free list will not mean lower market prices, but a duty on this mineral will guarantee the continuation of an American industry that has been established for over 40 years.

(8) *Proposed duty.*—The lowest American costs for best grade are 3½ cents a pound and the only known foreign costs for garnet at American ports of entry is 1 cent a pound. Making an allowance of one-half cent a pound for any possible increases in the production of foreign garnet, the difference of costs to be adjusted by a tariff is (3½ cents minus 1½ cents) 2 cents a pound.

ABRASIVES

Proposed amendment to paragraph 1514 (par. 1415 of old law):

The following clause is suggested to provide for a duty on abrasive garnet: "Abrasive garnet, crude or refined, lump or grain, sized, unsized, or pulverized, 2 cents per pound."

It is suggested that this clause be made a part of paragraph 1514 so that it will read as follows, the new matter being italicized:

"PAR. 1514. Emery, corundum, and artificial abrasive grains, and emery, corundum, and artificial abrasives, ground, pulverized, refined, or manufactured, 1 cent per pound; *abrasive garnet, crude or refined, lump or grain, sized, unsized, or pulverized, 2 cents per pound*; emery wheels, emery files, and manufactures of which emery, corundum, or artificial abrasives is the component material of chief value, not specially provided for; and all papers, cloths, and combinations of paper and cloth, wholly or partly coated with artificial or natural abrasives, or with a combination of natural and artificial abrasives; all the foregoing, 20 per centum ad valorem."

FRANK C. HOOPER

(Representing Barton Mines Corporation, North Creek, N. Y.;
North River Garnet Co., North River, N. Y.)

BRIEF OF THE AMERICAN TUNGSTEN REFINERS ON PARAGRAPH 1514

NEW YORK, June 25, 1929.

To the FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: Paragraph 1514 of House bill 2667 provides duties on abrasives in various forms. This paragraph, which is unchanged from the tariff act of 1922, contemplates only the products known and manufactured at that time. Since then new developments have occurred in the industry, and abrasives are now made experimentally and commercially from rare and expensive metals, such as tungsten and molybdenum. These abrasives usually take the form of carbides.

Various paragraphs of the metals schedule recognize the importance of products which are in the same category as the new abrasives, and provide rates of duty substantially higher than those now in force on abrasives.

Under the policy of providing specifically for the new developments in the metallurgical industry we suggest that abrasives containing such rare metals be provided for at the same rates of duty as cutting tools made of the same chemical compounds receive in paragraph 352 of House bill 2667.

If this suggestion is carried out, paragraph 1514 will read as follows, the new matter being italicized:

"PAR. 1514. Emery, corundum, and artificial abrasive grains, and emery, corundum, and artificial abrasives, ground, pulverized, refined, or manufactured, 1 cent per pound; emery wheels, emery files, and manufactures of which emery, corundum, or artificial abrasive is the component material of chief value, not specially provided for; and all papers, cloths, and combinations of paper and cloth, wholly or partly coated with artificial or natural abrasives, or with a combination of natural and artificial abrasives; all the foregoing, 20 per centum ad valorem; *any of the foregoing, if containing more than one-tenth of 1 per centum of vanadium, or more than two-tenths of 1 per centum of tungsten, molybdenum, chromium, boron, tantalum, titanium, columbium, uranium, or combinations thereof, 60 per centum ad valorem.*"

Respectfully submitted for the American tungsten refiners.

YORK METAL & ALLOYS CO.,
By VAN RENSSELAER LANSINGH, *President.*

Subscribed and sworn to before me this 27th day of June, 1929.

[SEAL.]

FLORENCE M. STEPHENSON,
Notary Public.

My commission expires April 28, 1931.

MATCHES

[Par. 1516]

STATEMENT OF ORVAR HYLIN, REPRESENTING THE MATCH IMPORT CO. (INC.), NEW YORK CITY

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

Mr. HYLIN. Mr. Chairman and gentlemen, the Match Import Co., whom I represent here to-day, is an American corporation engaged in the importation of safety matches, principally from Finland.

Under paragraph 1417 of the tariff act of 1922 matches are dutiable at the rate of three-quarters of a cent a thousand sticks if packed in containers of more than a hundred sticks; if packed in smaller containers of 100 sticks and less, the duty is 8 cents per gross packages.

The House Ways and Means Committee increased these rates to 1 cent per thousand sticks, and 11 cents per gross boxes

In paragraph 1516 of the proposed House bill these rates were further increased to 2 cents per thousand sticks and 20 cents a gross boxes, which means an increase of 250 per cent over the present rate.

I want to register very vigorous protest against this unwarranted increase, as it will not afford any further protection to the American industry, which I will try to show later on, but may possibly increase considerably the price to the public.

At the present time there are three distinct types of matches used in this country, book matches, which are all manufactured here; so-called strike-anywhere matches, which are also all manufactured in the United States; and safety matches, which are chiefly imported. There is a small quantity made here.

Book matches are sold as an advertising proposition and generally given away free to the public. It stands to reason that if book matches were to answer the purpose and satisfy the demand of the public, they would not buy any matches. It is fair to assume that if you can get something that is satisfactory for nothing, you will not spend any money to get something to take its place.

The strike-anywhere matches are similar in appearance to the safety matches.

Senator THOMAS. Is not that doctrine you just announced a new one? We have been listening here to the doctrine that the more things cost the more they will be used and the more people like to buy them.

Mr. HYLIN. The strike-anywhere matches are very similar in appearance to the safety matches, the main difference being that they light against any surface, whereas the safety matches only light against the specially prepared surfaces of the boxes. The price at which strike-anywhere matches and safety matches are sold, both to the public, to the retailer, and to the jobber, are practically the same. If anything, I believe that the strike-anywhere matches are sold at slightly lower prices. So that here again it is not a question of the imported article being sold at a lower price than the domestic; it is simply the question of the preference of the purchaser, whether he prefers the more compact package of the safety match and attendant safety from fire risk, or whether he prefers to buy the more convenient strike-anywhere match.

Senator THOMAS. From what countries are these foreign matches imported, in the main?

Mr. HYLIN. Mainly from Sweden. We import ours from Finland, which is probably the second largest country.

Senator THOMAS. We also get some matches from Russia?

Mr. HYLIN. Some are coming from Russia.

Senator THOMAS. Are these matches competing with the American product, in your judgment?

Mr. HYLIN. In my judgment they do not.

Senator THOMAS. They are a different kind of match entirely?

Mr. HYLIN. A different kind of match. The American match is made from a different kind of wood. They can not make exactly the same match, because there is not an available supply of aspen wood, from which the foreign matches are made. They can make a more attractive box in foreign countries. It is made of very thin aspen veneer, while American matches are packed in cardboard boxes which crumple up in your pocket and don't stand up as well. The matches have been made a little bit thicker because the white pine from which they are made is more brittle and more liable to snap off if it is not heavy enough.

Senator THOMAS. What per cent of the total consumption of matches are imported?

Mr. HYLIN. From the figures I have, the domestic production is about \$25,000,000 and the imports amount to about \$2,000,000. That is; domestic production of all kinds of matches.

Senator WALSH. Are all kinds imported?

Mr. HYLIN. No; just the safety match.

Senator WALSH. The other two kinds are not imported at all?

Mr. HYLIN. The others are all made here.

Senator COUZENS. Does the American manufacturer make any safety matches?

Mr. HYLIN. They make some. I believe, from the last figures I have been able to get, that the imports are about 5,500,000 gross, and the domestic production is about half a million gross.

Senator COUZENS. Why don't they make more?

Mr. HYLIN. Evidently because of the wood supply. The wood that is available is not as suitable for safety matches as the foreign wood.

Senator WALSH. What is that wood?

Mr. HYLIN. Aspen.

Senator COUZENS. If they had a higher tariff, though, they probably would come to making more safety matches, would they not?

Mr. HYLIN. They might. Of course, if an embargo were placed on matches, other matches would have to be used.

Senator WALSH. Didn't we hear a witness who stated that there was plenty of aspen in this country?

Mr. HYLIN. There is aspen in this country but it is a different kind of aspen. The aspen here has not got the straight grain that the foreign aspen has, so it will not make a straight stick. They will be curved and not suitable for that purpose.

I would like to propose that the old rate be maintained.

Senator WALSH. The present rates?

Mr. HYLIN. That the present rates be maintained, so that the rate of three-quarters of a cent per thousand sticks will still prevail.

In regard to the rate per box, it doesn't seem quite fair that the container should carry the duty rather than the article which is imported. I have a few samples here that might illustrate my contention.

Under the present law, and also under the new proposed law, the rate is the same per gross of containers for the boxes containing less than 100 sticks. In other words, if you have a box which contains 100 sticks and one that contains 20 sticks you pay the same duty per box, although in the first case you get several thousand matches more. Now, this is just an extreme case that I will illustrate, because these matches are not sold commercially to a very great extent, but this is a box containing 100 sticks [showing], and this is a box containing 30 sticks. It is not fair that the duty on this box should be more than this duty on this.

Senator THOMAS. Unless they both sell for the same price.

Mr. HYLIN. Well, they do not. Of course, these are not sold—we do not manufacture the small sticks at the present time because of the high duty, but there might be a possibility of their doing it otherwise.

This is the average size, 50 sticks [showing]. This is the standard size of matches.

Senator WALSH. Illustrate by comparing the present duty to what the proposed House duty would be on these various boxes in your hands.

Mr. HYLIN. The duty is the same per gross.

Senator WALSH. Are the duties the same in the House bill on all of them?

Mr. HYLIN. The same in the House bill.

Senator WALSH. In other words, the present law did not make any distinction?

Mr. HYLIN. No, sir.

Senator WALSH. Between containers?

Mr. HYLIN. It makes no distinction. And I would like to propose the following scale or schedule of duty, based upon the contents of the boxes.

Boxes containing from 100 to 80 sticks, 12 cents per gross—

That is against 8 at the present time—

80 to 60 per box, 9 cents per gross; 60 to 40 sticks, 6½ cents per gross; 40 to 20 sticks, 4 cents per gross; and less than 20 sticks, 2 cents per gross.

Which will mean virtually a higher rate on the average than the present one.

I would also request permission to file a brief in a few days. I have not prepared one yet. I thought if any questions were asked I would incorporate that information.

Senator WALSH. These increased rates in the House bill were brought about at the request of the manufacturers of matches other than safety matches?

Mr. HYLIN. Yes, sir; it was a brief filed by a few manufacturers of strike-anywhere matches. But not the largest ones; only a few of the small companies.

Senator WALSH. What is the largest match company?

Mr. HYLIN. The Diamond Match Co.

Senator WALSH. Did they ask for this increase?

Mr. HYLIN. They have filed no brief; made no request.

Senator WALSH. So far as you know, they are satisfied with the present rate?

Mr. HYLIN. So far as I know. They also sell these matches, by the way.

Senator WALSH. They buy from you?

Mr. HYLIN. Not from us. They buy Swedish matches.

Senator WALSH. They buy and import safety matches?

Mr. HYLIN. Yes, sir.

Senator WALSH. And sell them here with their other matches?

Mr. HYLIN. Yes, sir.

Senator THOMAS. What is the relative proportion of sales of safety matches and the Diamond match in the same sized boxes? You showed us one size there and said that was the average or popular size.

Mr. HYLIN. This is the popular size [indicating].

Senator THOMAS. Now, the Diamond Co. puts out a box of similar size with a cardboard container and a round stick in place of a square stick, and with a strike any place in place of a safety match?

Mr. HYLIN. Yes.

Senator THOMAS. Now, what is the American demand for, the Diamond match or the safety match, in that particular class of goods?

Mr. HYLIN. The demand is more for the strike-anywhere match. The strike-anywhere sales are very much larger than these. The price at which they are sold is approximately the same.

Senator THOMAS. Have you figures to show the relative sales?

Mr. HYLIN. I have not. No figures are available, excepting that the entire production is \$25,000,000, and I would guess that \$20,000,000 represents the strike-anywhere matches.

Senator THOMAS. Is it not a fact that the exports of matches from Sweden and from Finland constitutes a very large percentage of their exportable products?

Mr. HYLIN. No; I do not believe so.

Senator THOMAS. Is it not a fact that if something should be done to curtail the exports of matches from those countries, their buying power of American goods would be very much curtailed?

Mr. HYLIN. Yes; naturally, if the exports are curtailed, the buying power will of course diminish accordingly.

Senator THOMAS. The match business from those countries constitutes a very large part of their exportable products, does it not?

Mr. HYLIN. It does constitute a large element, but not the largest.

Senator THOMAS. I did not say the largest; I say large.

Senator WALSH. Isn't the Diamond Match Co. one of the American companies that has factories abroad?

Mr. HYLIN. I don't believe so.

Senator WALSH. Haven't they factories in Sweden?

Mr. HYLIN. I don't think so.

Senator WALSH. And haven't they got a working agreement, which the Tariff Commission discovered when it investigated them, with a Swedish match concern?

Mr. HYLIN. They handle their products; yes, sir.

Senator WALSH. So the situation is this: That we have three or four independent manufacturers of matches in this country trying to get an increased tariff protection here to protect themselves against

the Diamond Match Co., which has both foreign and domestic interests, and the importers? Isn't that the line-up here?

Mr. HYLIN. I don't believe so. The largest manufacturers of matches here have not filed a brief with the Ways and Means Committee. Just the smallest ones. I understand that the Diamond, the Federal, the Ohio, and Lion Match Co. together manufacture about 90 per cent of the matches made here, and their names do not appear on this brief.

Senator WALSH. I think the records show that the Diamond Match Co. have not only this agreement with the Swedish company, but they also have a factory abroad or factories.

Mr. HYLIN. I don't know. I haven't heard that.

Senator DENEEN. Has not the Swedish match company a monopoly in quite a number of countries?

Mr. HYLIN. Yes, sir; so I understand.

Senator DENEEN. And in return for that monopoly it helps finance those countries?

Mr. HYLIN. They have done so.

Senator DENEEN. Can you name some of them? Spain is one, is it not?

Mr. HYLIN. I don't believe so.

Senator DENEEN. What are the countries?

Mr. HYLIN. They have it in Poland.

Senator DENEEN. What other countries? Aren't there several?

Mr. HYLIN. Yes; I think they have it in Rumania and have sort of an agreement in France.

Senator DENEEN. How about Italy?

Mr. HYLIN. They have several South American countries. I couldn't give you definite information on that.

Senator DENEEN. And the government in return gives them an entire monopoly and keeps out our product?

Senator COUZENS. Your answer to that is yes?

Mr. HYLIN. Yes; Senator.

Senator KEYES. Is that all?

Mr. HYLIN. That is all.

(Mr. Hylin submitted the following brief:)

BRIEF OF MATCH IMPORT CO. (INC.)

This statement is filed in behalf of the Match Import Co. (Inc.), 52 Vanderbilt Avenue, New York City, an American company engaged in the importation of safety matches. No matches are imported by this company from Russia or Japan. It is proposed by House bill 2667, tariff act of 1920, to increase the present duty on imports of safety matches from 8 cents per gross of boxes, containing less than 100 matches per box, to 20 cents, and from three-fourths of 1 cent to 2 cents per thousand matches in bulk.

We regard these proposed increases to 250 per cent to be unwarranted and plainly discriminatory. It is our firm conviction that such proposed increases in duty will bring about no benefit to the domestic match manufacturing industry and will result only in higher match prices to the consumer.

A brief purporting to represent the views of the American match manufacturers was filed with the House Ways and Means Committee, requesting increases in duty on matches imported into the United States. This brief, however, was signed only by a few of the smaller companies, and plainly does not represent the sentiment of the domestic match industry. It should be noted that of the total volume of matches produced in the United States, more than 90 per cent is manufactured by the Diamond Match Co., Ohio Match Co., Federal Match

Corporation and the Lion Match Co. These companies have made no demand for increased duties, and it is apparent, therefore, that the signers of the brief referred to represent less than 10 per cent of the total domestic match industry, and that such brief can not be regarded as speaking for the domestic industry as a whole.

KINDS OF MATCHES USED IN THE UNITED STATES

Three principal types of matches are used in the United States. These are:

1. *Strike-anywhere matches.*—These are characterized by round sticks of white pine. Such matches are usually packed in large boxes, containing 300 to 400 matches. Strike-anywhere matches, as the name implies, light by friction against any surface. This type of match originated and was developed in the United States, and is the principal type of match produced and used in this country.

2. *Paper or book matches.*—These are made of yellow cardboard inclosed in a printed cardboard cover. Such packets usually contain 20 matches. Book matches light only against the specially prepared striking surface of the packet. This type of match also was developed in the United States.

3. *Safety or strike-on-box matches.*—Safety matches are packed and sold in small boxes made of thin wood and, as the name implies, light only against the specially prepared striking surfaces of the sides of the box. This type of match originated and was developed in Sweden.

Of these three types of matches only safety matches are imported into the United States.

Practically all strike-anywhere and book matches consumed in the United States are manufactured by domestic companies. Further, practically no matches of the strike-anywhere or book types are imported.

COMPETITION BETWEEN FOREIGN AND DOMESTIC MATCHES

There is practically no competition between the foreign safety match and the American strike-anywhere match because of the wide difference in types. The purchaser of the safety match chooses that type because of its convenient size and greater safety in use. Each type has its distinctive uses and separate markets. Safety matches are sold at a higher price than strike-anywhere matches.

Imports of safety matches are small as compared with the total consumption of matches in this country. Such imports in 1927, the last year for which figures are available, totaled \$2,170,000 as compared with a total match consumption of about \$26,870,000, or only 8 per cent of the domestic consumption. The value of the domestic production of matches is, therefore, more than eleven times the value of safety match imports.

MATCH MANUFACTURING COSTS, DOMESTIC AND FOREIGN

Matches are a machine-made product. Labor is the smallest item of expense in the manufacture of matches, averaging about 15 per cent of the total manufacturing cost.

Contrary to the statement made in the brief referred to, that the average cost of manufacture of the small-sized box of matches in the United States is approximately 58 cents per gross, it is carefully estimated by this company that a proper domestic production cost could not exceed 38 cents per gross. This estimated figure of 38 cents per gross for domestic production of safety matches compares with actual foreign production cost of safety matches of 42½ cents, c. i. f. United States Atlantic ports, which represent the total cost of Swedish matches imported into the United States.

OTHER INDUSTRIES INCIDENT TO MATCH MANUFACTURE

The brief referred to is misleading in stating the number of wage earners in the match and supporting industries to be about 25,000.

It is denied that lumber, paper, chemical, wax, and glue industries would be seriously affected unless present match duties are increased. Generally, only a small part of the production of those trades enter into match manufacture. Taking lumber, for instance, only a small part of each tree is used for match manufacturing purposes, and most of the wood is used for other purposes. Match manufacturers both here and abroad purchase most of their supplies of paraffin wax and glue in the United States while, on the other hand, domestic

match manufacturers purchase abroad almost their entire supplies of chlorate of potash and large quantities of other chemicals used in match manufacture.

Official figures of the United States Department of Commerce, contained in the Census of Manufactures for 1927, show the actual number of wage earners in the domestic match industry to be 3,885.

LOSS OF AMERICAN FOREIGN TRADE RESULTING FROM INCREASES IN PRESENT DUTIES

It is respectfully pointed out that any increase in present duties against Finnish products, including safety matches, will diminish by a corresponding amount the foreign ability to purchase goods in the United States. According to the present volume of trade shipments between the United States and Finland, that country's imports from the United States are approximately three times the value of Finnish exports to the United States. The average annual exports and imports between the United States and Sweden is each approximately \$45,000,000.

We desire to urge that while the safety match is but a very small item in the volume of American imports, it is both an important and significant factor in trade relations between the United States and Finland and other safety match producing countries.

PROPOSED INCREASE IN DUTY UNWARRANTED

It is respectfully submitted that the proposed increase in present duties is unwarranted for the following reasons:

1. Imports of matches are inconsequential as compared with the total consumption of matches in the United States.
2. Imported safety matches are a distinctive type and do not compete with matches of domestic manufacture.
3. Matches are machine made, involving but a small labor expense.
4. A comparison of production costs of domestic and foreign manufacturing does not justify an increase in present rates of duty.
5. Published reports of the largest domestic match manufacturing company for the past several years show substantial profits with little variation in earnings from year to year.

READJUSTMENT OF PRESENT RATES NEEDED

The present scale of tariff rates applicable to safety matches lacks uniformity

The rate applying to boxes containing more than 100 matches is based on the number of matches, whereas the rate applying to boxes containing less than 100 matches is a flat rate per gross of boxes, irrespective of the number of matches in a box. Consequently, under the present inequitable application of the present provision, a box containing only 10 matches would be dutiable at the same rate applicable to a box containing as many as 100 matches.

It, therefore, is proper that the duty should be based upon the number of matches rather than upon the number of boxes.

SUGGESTED PARAGRAPH 1516

PAR. 1516. Matches of wood, friction or lucifer, of all descriptions, in containers or boxes containing not more than 100 matches nor less than 80 matches each, 12 cents per gross of 144 boxes; not more than 80 matches nor less than 60 matches each, 9 cents per gross of 144 boxes; not more than 60 matches nor less than 40 matches each, 6½ cents per gross of 144 boxes; not more than 40 matches nor less than 20 matches each, 4 cents per gross of 144 boxes; and not more than 20 matches each, 2 cents per gross of 144 boxes; when imported otherwise than in containers or boxes containing not more than 100 matches each, three-fourths of 1 cent per thousand matches; wax matches, wind matches, and all matches, except wood matches, in books or folders or having a stained, dyed, or colored stick or stem, tapers consisting of a wick coated with an inflammable substance, night lights, fuses, and time-burning chemical signals, by whatever name known, 40 per cent ad valorem: *Provided*, That in accordance with section 10 of 'An act to provide for a tax upon white phosphorus matches, and for other purposes,' approved April 9, 1912, white phosphorus matches manufactured wholly or in part in any foreign country shall not be entitled to enter at any of the ports of the United States, and the importation thereof is hereby prohibited:

Provided further, That nothing in this act contained shall be held to repeal or modify said act to provide for a tax upon white phosphorus matches, and for other purposes, approved April 9, 1912."

We believe that adoption of the above recommendations would result in a more equitable application of the present law.

Respectfully submitted.

MATCH IMPORT CO. (INC.),
By O. HYLIN, Jr., Vice President.

BRIEF OF THE VULCAN MATCH CO. (INC.), NEW YORK CITY

In the tariff bill now before the Senate there is proposed an increase in duty on matches packed in boxes containing not more than 100 matches per box from 8 cents to 20 cents per gross of boxes, and when shipped in bulk an increase from three-fourths cent to 2 cents per 1,000 matches. Against this proposed increase the undersigned, the Vulcan Match Co. (Inc.), respectfully protest.

The Vulcan Match Co., 2628 West Forty-fourth Street, New York City, is incorporated under the laws of the State of New York. Its capital stock is owned by the International Match Corporation of Delaware and it is the selling agent in the United States for safety matches manufactured by a number of European companies owned by or affiliated with International Match Corporation.

The foreign safety match.—This protest is in behalf of foreign safety matches. These matches, known as strike-on-the-box matches, ignite only against the striking surfaces of the box. Most of the safety matches sold in this country are imported from Europe. They have square sticks made of white-pine wood and are packed in boxes which are also made of thin wood. The content of these boxes is generally 50 matches. A small quantity of safety matches used in this country is of domestic manufacture. The domestic safety matches differ from the foreign safety matches in that they have round sticks made of white pine and are packed in cardboard boxes.

The two domestic types of matches are strike-anywhere matches and book matches. Strike-anywhere matches ignite by friction against any surface. They have round sticks made of white pine and are packed in boxes made of cardboard. A small part of these matches is packed in boxes with an average content of about 50 matches, but the largest part is packed in boxes with an average content of from 300 to 400 matches. This type of match is manufactured exclusively within the United States, and there are no imports.

Book matches are made of cardboard and are inclosed in a printed cardboard cover. Each such book usually contains 20 matches. The book matches sold in the United States are exclusively of domestic manufacture and there are no book matches imported.

Domestic consumption and imports.—Of the three types of matches mentioned above, only safety matches are imported into this country, and practically all these matches are packed in boxes containing less than 100 matches. The quantity imported varies very little from year to year, and the average for the last five years has been 5,747,000 gross of boxes with a value of \$2,145,000.

Complete statistics of the domestic manufacture of matches are not available, but the Census of Manufactures of the year 1927 gives the total value of the domestic production of matches as \$24,725,404.

The total imports thus constitute only 8 per cent of the total consumption of matches of all kinds in the United States.

Competition and prices.—There is virtually no competition between the three different types of matches mentioned above, and there is very little competition between the imported safety matches and the domestic safety matches. As a matter of fact Swedish and other high-class matches imported from abroad are sold in this country at considerably higher prices than any domestic matches. The present wholesale price of the former is 72 cents per gross of boxes containing 50 sticks, or 10 cents per 1,000 sticks, whereas the price of the most common type of strike-anywhere matches is \$3.80 per gross of boxes containing 400 sticks, or 6.6 cents per 1,000 sticks, and the price of book matches is \$1.75 per 1,000 books containing 20 sticks, or 8.7 cents per 1,000 sticks.

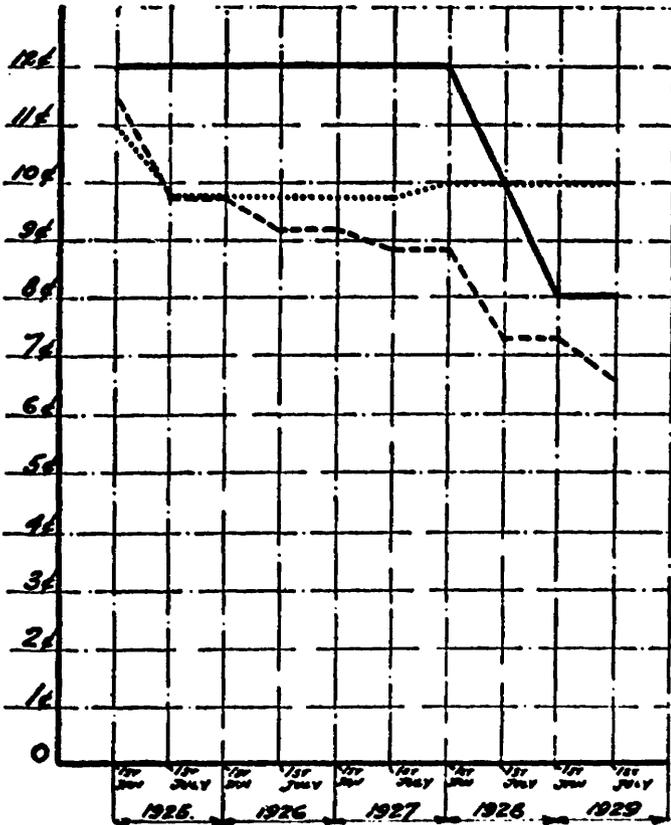
The wholesale prices of both foreign matches and domestic matches have been subject to great fluctuations during the last few years as shown on the chart below.

It will be noted that the fluctuations in the prices of foreign matches do not coincide with those of the domestic matches. It is, therefore, obvious that the two groups do not compete, but that the fluctuations in the prices of the foreign matches are due to conditions which have a bearing on the sales of these matches only, and that on the other hand the fluctuations in the prices of the domestic matches are due to conditions within the domestic match trade.

Reasons why safety matches are imported.—Safety matches packed in wooden boxes are demanded by a certain part of the American buying public which will accept no substitute, as is evidenced by the fact that this type of match commands a higher price than the matches of domestic manufacture.

**PRICES OF MATCHES DURING THE YEARS
1925-1929**

THE PRICES ARE GIVEN IN CENTS PER 1000 MATCHES.



————— DOMESTIC BOOK-MATCHES
 - - - - - DOMESTIC STRIKE-ANYWHERE MATCHES, 20 CU IN. BOXES
 SWEDISH SAFETY MATCHES.

The growth of the safety-match industry in the countries of northern Europe has been due almost entirely to their supply of aspen wood, a wood peculiarly adapted from its color, grain, and texture to the manufacture of match sticks of this type and also for the manufacture of veneers from which the boxes are made.

The American aspen is different from the European aspen and from it can not be manufactured matches comparable to those made from the European wood. While attempts have been made to use other American woods for this purpose, the matches made from these woods are inferior to those of European manufacture.

The cost of importing aspen logs to this country is prohibitive while the heavy duty on match sticks and veneers for boxes acts as an embargo upon the importation of aspen wood in that stage of manufacture, so that the domestic manufacturer can not take advantage of the foreign wood, and is compelled to use an inferior wood if he attempts the manufacture of safety matches in this country.

The American factories are not at present equipped with machinery suitable for manufacturing safety matches, so that to engage in such manufacture would necessitate large additional investments in proper machinery.

Manufacturing cost.—Matches are essentially a machine-made product, and the cost of labor forms a very small part of the total manufacturing cost, approximately only 15 per cent to 19 per cent. The chief raw material used in the manufacture of matches is wood, and as there is no great difference in the price of aspen wood in the various countries in northern Europe where matches are manufactured, there is no great difference between the manufacturing costs in the different countries. The white pine used for the manufacture of domestic matches is considerably cheaper than the European aspen, and although the cost of labor in this country is considerably higher than in Europe the total manufacturing cost is only slightly higher than in Europe.

Conditions in domestic industry.—It is a matter of common knowledge that the conditions in the domestic match industry as a whole are anything but satisfactory and it is a matter of common report that aside from one domestic manufacturer the industry has shown little if any profit. This condition has been brought about by overexpansion, overproduction, leading to price cutting, and other conditions in the industry itself and has not been influenced in the slightest degree by the imports of matches from abroad. As has already been noted, imports constitute but 8 per cent of the entire match consumption of the United States, and of these match imports considerably over one-half are at present being sold by the domestic match manufacturers themselves, through their own sales organizations, thus being used to supplement their manufactured lines.

Conclusion.—Based upon the foregoing it is our conclusion that the proposed increase in duty is unnecessary and unwarranted for the reasons which follow:

First. It is not needed to equalize the domestic and foreign cost of production.

Second. It would either increase the cost of imported matches to the ultimate consumer or diminish or entirely eliminate the present profit to the match distributor, wholesaler or retailer.

Third. The present volume of imports (8 per cent of total consumption in this country) is so small as to have but little effect one way or another on the domestic industry.

Fourth. The American manufacturers are in no position to manufacture safety matches comparable to the foreign match. Domestic manufacturers, because of lack of necessary aspen and other supplies, find it impossible to manufacture safety matches identical with the foreign safety match.

Fifth. The American match manufacturers who now distribute over one-half of the imported matches would be deprived of this source of income.

Respectfully submitted.

VULCAN MATCH CO. (INC.),
By T. ALTERBURG, *President.*

BRIEF OF THE CRUNDEN MARTIN MANUFACTURING CO., ST. LOUIS, MO.

The undersigned are manufacturers and distributors of wood products and sundries, including all kinds of matches. They have a nation-wide trade in safety matches (strike-on-box matches), which are manufactured abroad, chiefly in Sweden.

The House bill as finally passed has multiplied the present duty of 8 cents per gross upon matches in boxes by two and one-half, making it 20 cents per gross of boxes, and the present duty of three-fourth cent per 1,000 upon matches in bulk by two and two-thirds, making it 2 cents per 1,000 matches.

To increase the existing duty two and one-half fold upon safety matches will produce the following results:

1. It will add 12 cents to the cost of the article which now bears a duty of 8 cents and wholesales at from 25 cents on up.

2. It will raise the price to jobbers and consumers of a necessary article so high as practically to banish it from use.

3. It will exclude from our markets an article which practically has no direct competition in the domestic field—"strike-anywhere" matches supply a different need and occupy a different field.

4. It will banish from our commerce a valuable and useful article without replacing it. Aspen, which is the wood employed in the manufacture of safety matches, exists in vast areas in Sweden and elsewhere abroad but has not been found commercially available in large quantities in the United States. Such manufacture of safety matches as has been attempted in this country has employed hearts of white pine, an expensive use and possibly of doubtful desirability in view of efforts to conserve our supply of that valuable wood.

Safety matches are produced largely by the use of automatic machinery, labor costs comprising only approximately 15 per cent of the total cost.

While the present duty of 8 cents per gross is thought to be quite adequate, it is suggested that in no event should the figure of 11 cents first reported by the Ways and Means Committee of the House be exceeded, and also in view of the fact that the public demands boxes varying in size from 100 matches per box down to as low as 10 matches per box, the duty should be graduated proportionately.

Respectfully submitted.

CRUNDEN MARTIN MANUFACTURING Co.,
By W. W. CRUNDEN, *President.*

BRIEF OF THE FEDERAL MATCH CORPORATION

This statement is filed in behalf of Federal Match Corporation, a domestic manufacturer with no alliance with the foreign manufacturers or importers of this commodity.

House bill 2667, tariff act of 1929, proposes an increase in the duty on imports of safety matches from (first) 8 cents per gross of boxes, containing less than 100 matches per box, to 20 cents, and (second) from three-quarters of 1 cent to 2 cents per 1,000 matches when shipped in bulk.

These proposed increases in present rates, in our opinion, will result in no benefit to the domestic match manufacturing industry for the reasons hereinafter set forth. Instead of such proposed increases in rates, it is our view that a direct and tangible benefit would be given the domestic industry by a readjustment or reduction of those duties applying to chemicals essential to match manufacturing.

TYPES OF MATCHES USED IN UNITED STATES

There are three types of matches used in the United States:

First. Strike-anywhere matches.

Second. Book matches.

Third. Safety or strike-on-the-box matches.

It is with the last named that we are particularly concerned, as this is the only kind of match which is imported into this country.

CONDITION OF DOMESTIC MATCH INDUSTRY

It is generally known that the domestic match industry is in an unsatisfactory condition, because of excessive competition between the various American companies. A picture of the conditions in the domestic field and the contributing causes may be obtained from the following quotation from the 1928 annual report of the Diamond Match Co., the largest company in the domestic industry:

"The companies here recorded, in the aggregate, owned, operated, or were building as of December 31, 1928, 27 match factories for the manufacture of strike-anywhere matches and 13 factories for book matches within the United States. In this connection it is interesting to note that the factories of your company alone could readily supply all of our Nation's demands for matches, and existing established match companies in the United States have, in the aggregate, a manufacturing capacity some two and one-half times the national consumption, yet new companies are being steadily formed and new manufacturing plants erected. This is balanced, in a measure, by factories closing their doors, yet the economic loss continues to be tremendous, with no balance between producing power and actual consumer's demands."

It is also a matter of common knowledge that the normal increase in the use of matches which should accompany the increase in population has been checked by the growing use of substitutes for matches. Electric wiring, and its recent extension into rural districts and into smaller dwellings, the installation of pilot lights in gas stoves and heating devices, and the popular use of automatic lighters for smokers severally tend to eliminate the use of matches in the three great fields of home lighting and heating, cooking, and smoking. The facilities for manufacture having brought about an overproduction coupled with the curtailment of consumption noted above those engaged in the manufacture of domestic matches are vitally interested in ascertaining whether the proposed increase in duties will injure or improve their situation.

WILL INCREASED DUTIES CORRECT THE FOREGOING EVILS?

After careful study of the conditions in the domestic manufacturing industry and an intimate knowledge of its history it is our unqualified opinion that conditions can not be corrected or even improved by the adoption of the proposed increase of duties. On the contrary, we assert that the manufacturer of American strike-anywhere matches, which are more than 90 per cent of the matches used in the United States, will be hurt instead of helped by a higher rate.

The reasons for this conclusion are as follows:

First. The value of the matches imported is small as compared with the total consumption of matches in this country, amounting in 1927, the last year for which comparable figures are available, to about \$2,170,000 of imports (all of which are safeties), as compared with a total match consumption of about \$26,870,000, or only about 8 per cent of the total.

The replacement of the entire volume of imports by matches of American manufacture could have but little effect upon the industry as a whole and certainly could not correct the conditions as previously pictured.

Second. The imported matches are already being sold to the wholesaler at higher prices and to the consumer at equal or higher prices than domestic strike-anywhere matches. This shows a real demand and pronounced preference by that part of the public purchasing this kind of match, so that unless the American manufacturer is in position to manufacture a safety strike-on-the-box match the imported matches can not be supplanted by matches of American manufacture.

In order to manufacture safety strike-on-the-box matches in this country the American manufacturer would be compelled to--

(a) Invest substantial amounts in additional machinery adapted to the manufacture of this type of match, thus tying up more capital in an industry in which capital is at present producing an inadequate return.

(b) Manufacture a match of inferior quality to the imported match due to the lack of a suitable substitute for the foreign species of aspen which is peculiarly adapted to match manufacture and for the manufacture of the veneers used in the containers for these matches.

Third. At least two-thirds of the imported matches are now being distributed on a commission basis through the medium of the sales organizations of the domestic manufacturers. The domestic manufacturers thus enjoy the profit from the sale of these matches without heavy additional investments in plant, the hazards of manufacture, and at very little if any selling expense.

The curtailment of imports by increasing duties, if this is assumed, would deprive the domestic manufacturer of this source of profit, with no compensating benefit.

Fourth. Matches are a machine-made product, labor constituting only about 15 per cent of the cost of manufacture, so that it is evident that the entire replacement of imported matches by matches of domestic manufacture would have but very little, if any, effect upon American labor.

Fifth. The unsatisfactory condition of the industry would be intensified under the artificial stimulus of an increased tariff. As has been hereinbefore noted, numbers of new plants for the manufacture of matches have been established during the last several years, in spite of an overproduction already existing. Under the stimulus of an increased tariff, with apparently a larger volume of business to contend for, the struggle for the market will be intensified, while the foreign safety match will hold its own notwithstanding the additional burden upon the importer because of its distinct character and the preference this match enjoys with the limited number of purchasers of safeties.

Furthermore, the history of the industry indicates that an increase in the cost of foreign safety matches will be absorbed by the foreign manufacturer and his importer in an effort to retain an American market. It is our deliberate opinion from our knowledge of the production costs of foreign concerns that the proposed duty will not reduce importation. We fear an increase in the number of domestic manufacturers, an increase in the production of established concerns, and, consequently, a further demoralization of the industry. We advocate, with such emphasis as we may command, the obvious assistance which may be given to this important group of American manufacturers by the removal of the duties on the chemicals used by them instead of a tariff adjustment which will do us more harm than good.

RECOMMENDATIONS

For the reasons hereinbefore set forth and in the interests of the industry as a whole we recommend for the consideration of your committee—

First. That the duty on matches under the present law be retained (*viz*, 8 cents per gross of boxes containing less than 100 matches); and

Second. That the duties on the chemicals essential to the production of matches be placed on the free list, these chemicals being:

Potassium chlorate or chlorate of potash, at present dutiable under paragraph 80, 1922 act, at 1½ cents per pound and increased by Tariff Commission to 2¼ cents per pound.

Sesquisulphide of phosphorous, dutiable under paragraph 5, 1922 act, at 25 per cent ad valorem.

Amorphous phosphorous, or "red phosphorous," dutiable under paragraph 65, 1922 act, at 8 cents per pound.

In connection with this second recommendation we direct attention to the brief filed by the Diamond Match Co. for reduction in rate on potassium chlorate, House Ways and Means Committee Hearings, volume 1, page 824.

Respectfully submitted.

FEDERAL MATCH CORPORATION,
By WILLIAM D. HEISE.

BRIEF OF THE AMERICAN MATCH MANUFACTURERS' ASSOCIATION

To the FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: We, the undersigned companies, manufacturers of matches in the United States, respectfully submit the following facts and figures in support of the tariff on matches, contained in H. R. 2667:

1. Because of the lower cost of labor and materials entering into the manufacture of matches in foreign countries, as compared with the cost of manufacture in the United States, matches are now being imported into the United States from Russia, Sweden, Finland, and other European countries in steadily increasing quantities and sold, duty paid, at prices less than the cost of production in this country.

2. Matches are a necessity of life and have been manufactured in the United States since the earliest days of their invention. Millions of dollars have been spent by domestic manufacturers in the development of the industry, with the result that the matches made in the United States to-day are recognized as being of the highest standard of excellence. Domestic manufacturers are fully equipped to supply the entire match needs of the United States, but their very existence is being seriously menaced by the steadily increasing volume of matches being imported into this country.

Furthermore, if match making in the United States is discontinued—and it is our belief that such will be the gradual outcome if the industry is not protected—a very large number of associated industries such as lumber, paper, chemical, wax, and glue will be most seriously affected. The following figures will indicate to some extent the importance of the industry:

| | |
|--|----------------|
| Number of establishments, including paper mills, sawmills, etc., closely approximates..... | 60 |
| Number of wage earners in the match industry and supporting industries about..... | 25, 000 |
| Volume of match business per year closely approximates..... | \$30, 000, 000 |

3. The average cost of manufacture of the small-sized penny box of strike-anywhere matches in the United States is approximately 58 cents per gross, whereas the average cost of the foreign-made match imported into this country is approximately 26 cents per gross showing a difference of 32 cents per gross.

The wages paid in the match industry in the United States are approximately \$4 per day for men and \$3 per day for women, whereas in the principal foreign countries exporting matches into the United States men are paid as low as 75 cents per day and 50 cents per day is paid to women, and we are given to understand that in Russia the wages are approximately \$20 per month for both men and women.

4. The sources of imports as well as the quantity of imports of matches are set forth in the attached statement—the figures being taken from the Government's report for the calendar years 1925 to 1928, inclusive.

While it will be noted that the chief source of these imports at the present time is Sweden, it must be borne in mind that the Swedish Match Trust through governmental monopoly and support in various other foreign countries has been gradually increasing its world-wide scope and constitutes a most serious menace to the domestic manufacturers.

Furthermore the Russian Soviet Government through its established agencies in this country has been steadily increasing its exports to this country to the extent that the domestic manufacturer is not only menaced by these two great foreign industrial monopolies but it is also threatened with the possibility of a trade war being waged by them for the ultimate supremacy of the business of the United States.

A consideration of the steadily increasing quantities per month of these imports from Russia during the year 1928 and during the current year clearly indicates the serious danger to the domestic manufacturer from this comparatively new source of foreign competition, particularly when it is considered that under the Soviet régime these matches are manufactured in Russia and sold in this country, duty paid, at prices considerably below the actual cost of manufacture in the United States. Russian match exports to the United States for the following months were as follows:

| | Gross |
|-------------------|---------|
| 1928—May..... | 6,000 |
| June..... | 11,550 |
| July..... | 7,500 |
| August..... | 131,700 |
| September..... | 44,450 |
| October..... | 43,000 |
| November..... | 131,600 |
| December..... | 28,500 |
| 1929—January..... | 145,375 |
| February..... | 177,425 |

The match industry of the United States is at present confronted with a most serious situation, and when it is stated that its future is menaced by the powerful world-wide Swedish Match Trust as well as by the Soviet Government, there is no exaggeration in this statement, and the recommendation herein for maintenance of the House tariff is made with the sincere belief not only that such tariff is justified but absolutely essential for the continued existence of the industry in this country.

Respectfully submitted.

General Match Co., Cincinnati, Ohio; New Hampshire Match Co., Jaffrey, N. H.; Acme Match Co., Duluth, Minn.; Sommers Bros. Match Co., Saginaw, Mich.; West Virginia Match Co., Wheeling, W. Va.; by M. H. Chambers, chairman tariff committee, American Match Manufacturers' Association.

EXHIBIT A.—Statement of match importations from foreign countries

[From official Government figures]

| Countries | 12 months | | | |
|---------------------------------|-----------|-----------|-----------|-----------|
| | 1925 | 1926 | 1927 | 1928 |
| France..... | | 200 | 4,000 | 8,350 |
| Germany..... | 97,058 | 108,689 | 2,820 | 60,170 |
| Italy..... | 1,125 | 150 | | |
| Netherlands..... | 360,050 | 297,150 | 356,300 | 345,466 |
| Norway..... | 389,610 | 300,240 | 253,257 | 282,765 |
| Sweden..... | 3,245,157 | 3,187,781 | 3,661,605 | 2,378,050 |
| Canada..... | 24,840 | 14,124 | 286 | |
| Cuba..... | | | | |
| Japan..... | 261,109 | 99,360 | 84,978 | 100,312 |
| England..... | | | | |
| Austria-Hungary..... | | 11,100 | 1,354 | 169,449 |
| Belgium..... | 352,285 | 95,272 | 31,130 | 1,958 |
| Denmark..... | 122,330 | 90,002 | 66,250 | 75,560 |
| China..... | 32,928 | 3,190 | 2,599 | 2,503 |
| Panama..... | | | | |
| Trinidad..... | | | | |
| Dominican Republic..... | 20,000 | 8,350 | 3,000 | |
| Finland..... | 546,965 | 426,736 | 605,555 | 686,335 |
| Other British West Indies..... | 1,500 | | | |
| Czechoslovakia..... | 42,800 | 264,035 | 58,300 | 132,100 |
| Switzerland..... | | 36,001 | | |
| Barbados..... | | | | |
| Bulgaria..... | | | | |
| Canada, Quebec, Ontario..... | | | | 12 |
| Virgin Islands..... | 2,320 | 650 | | |
| Poland and Danzig..... | | | 238,000 | 177,000 |
| British Columbia and Yukon..... | | | | |
| British India..... | | | | |
| Estonia..... | 65,900 | 438,960 | 405,120 | 558,750 |
| Lithuania..... | | 7,500 | | |
| Jamaica..... | | | | |
| Latvia..... | 385,491 | 130,740 | 292,280 | 174,050 |
| Portugal..... | | | | |
| Russia in Asia..... | 78 | | | |
| United Kingdom..... | 1,000 | 493 | 15,002 | 6,387 |
| Bermuda..... | 300 | | | |
| Spain..... | | 330,650 | | |
| Java and Madura..... | | | 10,000 | |
| Soviet Russia in Europe..... | | | | 404,800 |
| Palestine..... | | | | |
| Total..... | 5,952,846 | 5,852,303 | 6,091,836 | 5,564,017 |

BRIEF OF THE BERST-FORSTER-DIXFIELD CO., NEW YORK CITY

To the FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: A situation exists in the match industry of the world which makes it essential for Congress to act to protect the industry in the United States.

The House has recognized the situation in H. R. 2667 by raising the duty from 8 cents a gross (which is one-eighteenth of a cent a box) for boxes containing not more than 100 matches and to 20 cents (which is one-seventh of a cent a box) and from three-fourths of a cent to 2 cents per thousand matches when packed in larger units. This new duty is less than the equivalent of 30 per cent ad valorem based on the foreign market value.

European strike-on-box matches are not only taking the business of the American strike-on-box type of match, but they are also beginning to infringe on the typical American round stick, strike-anywhere penny match, which constitutes about 20 per cent of the total American strike-anywhere match business. If not prevented by a suitable tariff, in the next few years the foreign match will entirely displace the American penny box of both the strike-on-box and strike-anywhere type. This process has already started.

The Swedish Match Trust until 1928 bought most of its match timber from Soviet Russia. Negotiations between the Swedes and the Russians for a renewal of the timber contracts were broken off. The Swedes changed the source of supply of their match timber from Russia to Poland and about August 1, 1928,

the Russian Match Syndicate, a Soviet Government department, began the export of matches to the United States.

In the first six months of 1928 they exported to the United States on a monthly average only 2,929 gross. In the last six months they averaged 64,541 gross per month. In January, 1929, they exported 145,375; and in February, 177,425 gross, which is approximately 40 per cent of the total importations of foreign-made matches of the strike-on-box, square-stick type, which indicates their determination to gain control of the American market on this type of match.

The Soviet Government is selling these matches to its American distributor at about 31 cents per gross, duty paid, as against a domestic price in Russia of 87 cents per gross and as against a contract recently made with the Government of Bolivia for a period of 10 years, for the same type of match, at 58 cents per gross.

The same situation exists on matches coming from Netherlands, Norway, Austria, Estonia, Lithuania, Finland, Poland, Danzig, and Latvia.

It has been found impossible to get relief from this situation under the anti-dumping law of 1921 because this law has never been effective in carrying out the intent of Congress, as we are informed by the Customs Department. It is impossible to get information that is considered legal evidence by the customs courts.

The reason for the Russian Soviet policy of selling matches in this country at less than one-half the sales price in their own country is because the Russian problem to-day has become essentially economic rather than political. In order to maintain their State bank credits, they must maintain their gold and foreign currency cover. It is also essential, if they are to continue the present régime, that they achieve a favorable trade balance, which they failed to do last year. It is, therefore, necessary that they export every dollar's worth of merchandise that may be practicable, irrespective of profit, the main objective being to achieve foreign currency. Even if they sell merchandise at a loss in their export trade, they can make up this loss and turn it into profit by importations into their own country, in view of the fact that the Russian Government controls all domestic selling prices. An export balance in grain being no longer available, they are dependent on oil, coal, lumber and lumber products, and such items as they are best fitted to export to gain much-needed American dollars and British pounds and a favorable trade balance.

Since the tariff of 1922, the match plant of the Diamond Match Co., built at a cost of some \$2,000,000, at Savannah, Ga., has been closed and they have purchased the requirements of this type of match from abroad, thus depriving American workmen and business men of this employment and business. Another plant at Joliet, Ill., making the square-stick match, was closed and since then the square-stick strike-on-box match has been 100 per cent imported.

My company, which manufactures toothpicks, clothespins, and almost every kind of small article that can be turned from wood, and other companies in the same field are in a most favorable position to rehabilitate the square-stick strike-on-box match industry in the United States with a reasonable protective tariff. Our products are made necessarily from white birch, and from the nature of that wood, which stains and rots quickly in warm weather, our factories can be operated at a maximum only about seven months of the year. During the balance of the year, the machinery that makes toothpicks can make match splints from aspen or poplar, a very common wood in many States, thus making a 12 months' operation for the whole plant and at the same time making the matches at an extremely low cost, considering the wage scale in this country, which, as you know, is three or four times that of such match-making countries as Poland, Finland, and Russia.

My company has already invested some \$250,000 in a match unit at our plant in Cloquet, Minn., which is just now entering production. We have planned a further match unit investment of about \$500,000 at one of our plants in New England.

These plans were made when this type of match was selling at about 60 cents per gross or more in the United States and before the dumping of Russian matches brought the price down to a minimum of below 35 cents a gross.

The square stick strike-on-box match is 100 per cent imported, but all the raw materials with the exception of certain chemicals are either made or grow in this country and all of the wood used in the match splint, the box and the case in which the matches are packed, come from the farmer's wood lot. This is a cash crop and the wood is cut during the winter, a time of the year when the farmer and his teams have little or no profitable work. The rate of duty stated in H. R. 2667 of 20 cents per gross will make it probable that all of the

matches of this type will be manufactured in this country and, what is more important, the price to the consumer of 1 cent a box will not be raised. The American public will pay no more for its matches and an old industry will be revived in the United States.

This duty squarely meets the test laid down by the President: "Necessity for revision is in the main, whether there has been a substantial slackening of activity in an industry during the past years and a consequent decrease of employment due to insurmountable competition in the products of that industry."

There are certain administrative clauses in the new act which can not be taken advantage of by products having a specific duty. Furthermore, there are larger size matches of the household strike-on-box type for which a market could be developed in this country. In England these larger matches range all the way from the large 2 cents a box type used by English pipe smokers up to the giant match known as the Fireside match, retailing for \$1.75 a box. Thus, all sizes would pay the same specific duty, but the equivalent ad valorem on the larger sizes would offer no protection whatever. For instance, on the double-size English smokers' match the equivalent ad valorem would be half the amount of the standard penny box. I therefore request that a proviso be added to paragraph 1715, as follows:

"Provided further, That no specific duty paid under this paragraph shall be less than 35 per cent ad valorem."

This industry can be revived with the help of a reasonable tariff (which it heretofore has never had) and the entire requirements of the United States for strike-on-box square stick matches will be supplied by American manufacturers and American workmen, largely from the products of the farmer's wood lot and with no additional cost to the consumer, notwithstanding the competition of two of the world's largest trusts.

Respectfully yours,

BERST-FORSTER-DIXFIELD Co.,
NED G. BEGLE, *President.*

NEW YORK CITY, June 19, 1929.

To the SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: A representative of the Bergstrom Trading Co. at 233 Broadway, New York, has appeared before your subcommittee and asked to have match splints and skillets placed on the free list on the grounds that aspen did not grow in the United States and therefore was not available for match manufacture. This is such an absolute misstatement of fact that I hasten to call it to your attention. My company has established a match plant in Cloquet, Minn., because of the enormous and increasing amount of aspen or poplar, as we call it in this country, that exists in that State. For years the State of Minnesota has been lumbered for pine and most of it at one time or another has been burned over by forest fires. Aspen or poplar invariably grow up and grow rapidly in these lumbered or burned areas. There is enough of this wood in Minnesota alone to take care of match requirements in this type of wood for all time, and the same conditions exist in northern Wisconsin, northern Michigan, and Maine. In fact, if the duty in H. R. 2667 on matches is maintained by the Senate, we propose to build another match plant at Dixfield, Me., similar to but larger than the one we already have in Cloquet, Minn.

The same situation exists in regard to skillets. There is absolutely no reason for the importation of either match splints or skillets as all requirements can be supplied from the farmers' wood lots, as I have previously described to you in a recent brief.

This is just an effort on the part of the Swedish Match Trust, who have acquired a monopolistic control of the match business of practically the whole world with the exception of the United States, and who are now endeavoring to impose their will on this country. Their acquisition of monopolies in Europe and elsewhere has made it impossible to export matches from the United States. They can not be permitted to also gain control of the American market by indirect means.

Not only is the timber available, but the match factories of the United States have a great deal more than enough capacity to supply the requirements of the country.

I therefore urge that a duty be placed on match splints of 1 cent per thousand and on skillets for match boxes of 12 cents per thousand. This to be added to paragraph 1516.

Respectfully submitted.

BERST-FORSTER-DIXFIELD Co.,
NED G. BEGLE, *President*.

NEW YORK CITY, *June 27, 1929.*

SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: Referring to the duty on matches, my brief of May 14 and my additional brief of June 19, the latter showing the efforts of the Swedish Match Trust to get match splints and match skillets on the free list, make it seem desirable to put these two items in the match paragraph of the bill. I therefore take the liberty of attaching hereto a suggested reading of paragraph 1516.

You will note that I have left out the term "lucifer," which is no longer used in the match industry, and the word "friction," as all matches are lit by friction.

As the foreign market value of splints and skillets would always be difficult to determine, I recommend a specific duty on both of these items, to facilitate the work of the United States appraisers.

The difference in cost between the square-stick aspen splint of Europe and the pine splint of America is about 1.6 cents per thousand. The difference in cost between the aspen splint made in America and Europe is about 5 cents per thousand. I have therefore suggested, as a proper degree of protection, something less than half the difference indicated, or 1 cent per thousand.

I have suggested a duty of 3 cents per thousand matches on boxes containing more than 100 matches each, as this is more nearly the equivalent of 35 per cent ad valorem and is very necessary in view of the fact that the Swedish Match Trust is preparing for the importation of strike-anywhere matches in the large units.

You will realize that the proposed specific duty on match splints and skillets is essential to prevent the Swedish Match Trust from importing low-cost raw materials into the United States to manufacture matches in competition with American matches made from American splints.

In closing, I would call your attention to the fact that the Swedish Match Trust has created a condition of almost complete world monopoly outside of the United States and in so doing has prevented any possible exportation of American matches, and they are now endeavoring to get control of the American market. If they decide to manufacture in the United States, the American manufacturer is perfectly willing to meet them on an equal basis. We ask only for suitable protection against the importation of matches made in the low wage countries of Europe and against splints and skillets made under the same conditions and imported into this country with a view of getting around the match tariff. All matches used in the United States can be and should be made entirely of American materials, and in the case of the square-stick strike-on-box match that my company makes, of materials coming mostly from the farmer's wood lots, giving them a cash crop during the period of the year when they need it most.

PAR. 1516. Matches of all descriptions, per gross of 144 boxes, containing not more than 100 matches per box, 20 cents per gross; when imported otherwise than in boxes containing not more than 100 matches each, 3 cents per 1,000 matches; match splints, 1 cent per 1,000; skillets for match boxes, in whatever form imported, 12 cents per 1,000; wax matches, wind matches, and all matches in books or folders or having a stained, dyed, or colored stick or stem, tapers consisting of a wick coated with an inflammable substance, night lights, fuses and time-burning chemical signals, by whatever name known, 40 per cent ad valorem: *Provided*, That in accordance with section 10 of "An act to provide for a tax upon white phosphorus matches, and for other purposes," approved April 9, 1912, white phosphorus matches manufactured wholly or in part in any foreign country shall not be entitled to enter at any of the ports of the United States, and the importation thereof is hereby prohibited: *Provided further*, That nothing in this act contained shall be held to repeal or modify said act to provide for a tax upon white phosphorus matches, and for other purposes, approved April 9, 1912: *And further provided*, That no specific duty paid under this paragraph shall be less than 35 per centum ad valorem."

Yours very truly,

BERST-FORSTER-DIXFIELD Co.,
NED G. BEGLE, *President*.

FEATHERS AND DOWNS

[Par. 1518]

STATEMENT OF ARTHUR L. STRASSER, NEW YORK CITY, REPRESENTING THE BETTER BEDDING ALLIANCE OF AMERICA

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

Mr. STRASSER. I am representing the manufacturers and users of and dealers in feathers and down used in mattresses, pillows, bedding generally, upholstery and kindred products.

I would like to make just a 2-minute statement, Mr. Chairman, and then file a brief on behalf of the interests I represent. I am representing 175 domestic manufacturers located in 32 different States, who are interested in producing better bedding and kindred products.

We do not ask for either an increase or a decrease in duty. We simply ask for a clarification of the paragraph.

Senator KEYES. What paragraph?

Mr. STRASSER. Paragraph 1518, by substituting specific rates for the present ad valorem rates.

The specific rates asked for in the paragraph are the exact mathematical equivalent of the present ad valorem rates, computed on the averages of imports as found by the Tariff Commission experts.

Senator KEYES. Did you present this matter to the Ways and Means Committee of the House?

Mr. STRASSER. Yes, sir; we did.

The reason why we ask for this classification is on account of the evils of undervaluation in the higher grades of merchandise that are brought in under the ad valorem rates.

We also ask for this change on account of the confusion that exists on the part of customs officials in distinguishing between crude merchandise and merchandise which has been advanced or manufactured.

The manufacturers in this line are also importers. There has been no opposition to this change, and it makes for fair dealing in the trade and for honesty among the importers, and with a specific duty the trade in this country will get the benefit of a stabilization of the market, because there will not be such a fluctuation of foreign prices.

These points are all made in the brief, and there is no opposition to this proposition that I know of.

Senator WALSH. You say that all the importers and manufacturers did request the Ways and Means Committee to give you a specific duty instead of ad valorem rates, and that there is no opposition of any kind?

Mr. STRASSER. Yes; that is correct; and the manufacturers are also importers.

Senator KEYES. Why did they not give it to you in the House?

Mr. STRASSER. It is a very complicated system, and I think that neither the committee nor the tariff experts understood the situation. We have now arrived at a basis which the tariff experts understand, and if this suggestion receives your favorable consideration it will eliminate the necessity of distinguishing between crude and finished merchandise.

The whole matter is completely set out in the brief in detail.

(Mr. Strasser submitted the following brief:)

BRIEF OF THE BETTER BEDDING ALLIANCE OF AMERICA

The ad valorem duty on feathers and downs provided for in paragraph 1518 of the tariff bill passed by the House of Representatives, and which was provided for under the tariff act of 1922, has resulted in unfair and injurious competition originating abroad to the injury of the farmer and the domestic manufacturer. The ad valorem duty provided for in the bill as passed by the House of Representatives should be replaced by a specific duty for the following reasons:

1. A specific duty will eliminate undervaluation because it will be impossible for foreign shippers to ship high value merchandise under a low value description and thereby reap the benefit of the lower ad valorem duty. A specific duty will further enable manufacturers and dealers who enter their merchandise honestly to compete on an equal basis with those who are now unfairly profiting by the opportunities afforded them under the ad valorem basis.

2. A specific duty will eliminate the confusion which arises from the difficulty in distinguishing between crude merchandise and merchandise which has been advanced or manufactured. A specific duty will further not only do away with the inequalities resulting from the inability to judge merchandise accurately, but will also make the duties of the customs officials clear and simple.

3. A specific duty will afford further protection to domestic industry in that it will protect domestic producers against decline in foreign value and thus stabilize the domestic market.

4. The American farmer, producer, manufacturer and dealer will all benefit by changing the basis of duty from ad valorem to a specific rate because such change will (a) eliminate undervaluation and unfair competition and (b) protect the domestic market against decline in foreign values.

5. The change from an ad valorem to a specific duty will not affect the present ad valorem rates as the specific rates asked for are equivalent to the ad valorem duties now imposed as disclosed by the statistics collected by the United States Tariff Commission.

THE FACTS

Paragraph 1518 of the tariff bill as passed by the House of Representatives, which is identical with paragraph 1419 of the 1922 tariff act, provides as follows:

"Feathers and downs, on the skin or otherwise, crude or not dressed, colored or otherwise advanced in manufacture in any manner, not specially provided for, 20 per centum ad valorem; dressed, colored or otherwise advanced or manufactured in any manner, including quilts of down and other manufactures of down, 60 per centum ad valorem."

The importation of feathers and downs under an ad valorem duty has resulted in grave abuses of undervaluation, as well as in honest confusion, because of the difficulty in distinguishing between raw merchandise and merchandise that has been advanced in manufacture.

Undervaluation is the result of shipment by foreign firms to their own representatives here of merchandise at a lower valuation than is warranted by the character and grade of the merchandise. The method employed is to ship one or two lots at a low valuation and then later on mix better goods with the low grade merchandise and enter the lot at the undervalued price. In addition to this, a number of firms buy through relatives and keep no records whatever, or at best very crude ones, which makes it impossible to check up on the real price paid for the merchandise. Furthermore, during recent years, large amounts of merchandise are shipped from abroad by parcel post. Under this system, it is practically impossible properly to sample individual packages. In this way, a premium is put on undervaluation.

A further element of unfair competition is due to the actual difficulty in distinguishing between crude merchandise and merchandise that has been advanced in manufacture. Custom officials, because of this, have great difficulty in assessing correct ad valorem duties. This is not to be wondered at for the reason that experienced members of the industry are sometimes unable themselves to distinguish by a visual inspection the difference between raw and partly manufactured feathers and downs. The result of this is that some merchandise pays the 60 per cent duty while other merchandise comes in at the 20 per cent rate. This is due rather to honest differences of opinion than to any fraudulent practice. The result, however, is identical, namely, a penalty is placed upon the merchandise assessed at the higher rate.

The imports in the United States for the years 1921 to 1927 and including 1928 to September 30, according to the United States Tariff Commission, are as follows:

| Calendar year | Rate of duty | Quantity | Value | Duty collected | Value per unit of quantity | Actual and computed ad valorem rate |
|-----------------------------|-----------------|---------------|--------------|----------------|----------------------------|-------------------------------------|
| | <i>Per cent</i> | <i>Pounds</i> | | | | <i>Per cent</i> |
| 1921..... | 20 | 1,405,405 | \$335,402.00 | \$67,080.00 | \$.239 | 20 |
| 1922..... | 20 | 2,149,529 | 512,582.00 | 102,516.00 | .238 | 20 |
| 1923..... | 20 | 2,968,116 | 676,285.00 | 175,257.00 | .295 | 20 |
| 1924..... | 20 | 1,887,549 | 704,711.00 | 140,943.00 | .373 | 20 |
| 1925..... | 20 | 2,000,000 | 840,619.00 | 168,124.00 | .420 | 20 |
| 1926..... | 20 | 1,827,912 | 913,954.00 | 182,791.00 | .516 | 20 |
| 1927..... | 20 | 2,244,230 | 1,149,061.00 | 229,812.00 | .512 | 20 |
| 1928 (Jan. 1-Sept. 30)..... | 20 | 1,992,079 | 1,049,404.00 | ..... | .527 | 20 |

OTHER CRUDE FEATHERS

| | | | | | | |
|-----------------------------|----|-----------|--------------|--------------|--------|----|
| 1919..... | 20 | 671,306 | \$604,796.00 | \$120,959.00 | \$.401 | 20 |
| 1920..... | 20 | 1,414,694 | 878,711.00 | 175,742.00 | .621 | 20 |
| 1921..... | 20 | 1,375,879 | 636,987.00 | 127,397.00 | .463 | 20 |
| 1922..... | 20 | 1,661,305 | 932,726.00 | 186,545.00 | .561 | 20 |
| 1923..... | 20 | 1,988,766 | 1,392,171.00 | 278,434.00 | .700 | 20 |
| 1924..... | 20 | 1,657,201 | 1,460,559.00 | 292,112.00 | .881 | 20 |
| 1925..... | 20 | 1,212,784 | 938,076.00 | 187,615.00 | .773 | 20 |
| 1926..... | 20 | 1,488,464 | 915,515.00 | 183,103.00 | .615 | 20 |
| 1927..... | 20 | 921,320 | 549,364.00 | 109,873.00 | .596 | 20 |
| 1928 (Jan. 1-Sept. 30)..... | 20 | 514,180 | 306,415.00 | ..... | .596 | 20 |

FEATHERS, COLORED OR ADVANCED, NOT FOR MILLINERY

| | | | | | | |
|------------------------------|----|--------|-------------|------------|--------|----|
| 1919..... | 40 | 28,133 | \$24,618.00 | \$9,817.00 | \$.875 | 40 |
| 1920..... | 40 | 78,232 | 42,076.00 | 16,830.00 | .538 | 40 |
| 1921..... | 40 | 21,281 | 26,408.00 | 10,563.00 | 1.241 | 40 |
| 1922 (Jan. 1-Sept. 21)..... | 40 | 5,507 | 5,320.00 | 2,128.00 | .966 | 40 |
| 1922 (Sept. 22-Dec. 31)..... | 60 | 10,033 | 7,670.00 | 4,602.00 | .764 | 60 |
| 1923..... | 60 | 19,123 | 13,733.00 | 26,240.00 | 2.287 | 60 |
| 1924..... | 60 | 25,656 | 27,225.00 | 16,335.00 | 1.061 | 60 |
| 1925..... | 60 | 6,689 | 10,624.00 | 6,374.00 | 1.588 | 60 |
| 1926..... | 60 | ..... | 8,734.00 | 5,240.00 | ..... | 60 |
| 1927..... | 60 | ..... | 9,915.00 | 5,769.00 | ..... | 60 |
| 1928 (Jan. 1-Sept. 30)..... | 60 | ..... | 16,169.00 | ..... | ..... | 60 |

The domestic production is only about 10 per cent of the domestic requirements. It can be assumed that the ad valorem rates now existing are satisfactory in view of the fact that no domestic producer has asked for any increase in the rates. Indeed, the change advocated in this brief gives additional protection to domestic industries by the elimination of undervaluation, unfair competition and by the protection afforded against decline in foreign values.

Point I.—By changing the basis of imposing duties on feathers and downs from an ad valorem basis to specific rates, undervaluation can no longer be possible. There will not any longer be any advantage either to the foreign shipper or the domestic importer who has been in the habit of bringing in merchandise on less than its real value. This evil of undervaluation has long been a menace to the honest domestic manufacturer and dealer and has resulted in the application that is here made for the imposition of specific rates. We are confident that the slightest inquiry on the part of the committee will disclose the prevalence of undervaluation, both in the case of shipments by steamer and shipments by parcel post.

Point II.—A change in the basis from ad valorem to specific rates will also eliminate the difficulties of the industry caused by the confusion at ports of entry in distinguishing between crude merchandise and merchandise advanced in manufacture. In this aspect of the case, it is not so much a question of unfair dealing as it is of the real difficulty in judging merchandise by a visual inspection. The leading members of the industry confessed their inability to make an accurate distinction between crude and partly manufactured merchandise. It is therefore not surprising that the customs officials are unable so to do. A specific rate can do away with the necessity of making such distinction and place all importations on a fair and equitable basis.

Point III.—By imposing specific rates, the American farmer, as well as the American producer, will get the benefit of a stabilized market. Specific rates will protect the domestic market against fluctuations in foreign values which are always correspondingly reflected in any ad valorem duty assessed. Where there are wide fluctuations from year to year in foreign value as is the case with feathers and downs, the domestic producer whose cost of production is not so susceptible of substantial variation is always at a disadvantage. A specific duty would protect him against this disadvantage.

Point IV.—Eliminating undervaluation, confusion in imposing accurate ad valorem duties and protecting the American farmer and protesting against decline of foreign values all operate to benefit the farmer, the domestic producer, the manufacturer and the dealer. The farmer and producer are protected by the stabilization of the domestic market, resulting from the imposition of a fixed duty not depended upon foreign value. The domestic manufacturer and dealer benefits from a fixed duty because he is no longer subject to the unfair competition originating abroad and resulting from undervaluation. The results of undervaluation on any domestic industry, as well as upon the manufacturers and dealers who use foreign products, are so well known to this committee that it is not necessary to labor the point further. It is sufficient to say that any change in the tariff which brings about uniform and honest valuations can only be productive of beneficial results in the United States. It is true that remedies against unfair competition in importations are provided for in old sections of the tariff act. It is respectfully submitted, however, that when so simple a remedy is available as changing the basis from an ad valorem to a specific duty, such remedy should be incorporated in the sections of the act which provide for imposing duties.

By changing the basis from an ad valorem to a specific duty, the farmer and domestic producer, manufacturer and dealer will not be compelled to resort to the other sections of the act which at best can be invoked only at great labor, expense and with substantial delay.

Point V.—It is respectfully requested that the present paragraph in the act, so far as it relates to feathers and downs, be changed to read as follows:

"Feathers and downs, on the skin or otherwise, crude or not dressed, colored, or otherwise advanced in manufacture in any manner, not specially provided for, if compressed to a density of not less than 10 pounds per cubic foot, 8 cents per pound; dressed, colored, or otherwise advanced or manufactured in any manner, compressed or not, 85 cents per pound; quilts of down and other manufactures of down, 60 per cent ad valorem."

The rates suggested in the foregoing paragraph have been arrived at by taking an average of the value of imports for the years 1921 to 1928 inclusive as shown on the tables set forth above. The present ad valorem rates have been applied to this average value and the specific rates here suggested are the equivalent of the present ad valorem rates. There is, therefore, not any question here of increasing or decreasing existing duties, and from the standpoint of duty there is not any question of affecting the protection now afforded to the domestic industry. As has been said above, the domestic industry by the imposition of specific rates will be given added protection by the elimination of undervaluation and the disadvantage resulting from decline in foreign prices.

The distinction made in the paragraph between compressed feathers and downs and those not so compressed is made in order to do away with the difficulty in distinguishing between manufactured and raw merchandise. By compressing to a density of 10 cubic feet, feathers and downs will have to be reprocessed or remanufactured here before they are suitable for use. Compression to the degree requested has the practical effect of returning the merchandise to its raw state.

Moreover, a definite gauge is furnished by which customs officials can determine what rate of duty to assess. Furthermore, there will not any longer be any reason to enter manufactured or partially manufactured merchandise as crude or raw, because in order to come in under the lower rate it must be subjected to a compression which requires treatment here before it will be available for sale. The distinction made in the paragraph, therefore, between compressed and uncompressed feathers and downs provides an easy and equitable basis for the assessment of the specific rates here requested. We repeat for the sake of emphasis that the rates requested on both the compressed and uncompressed feathers and downs are the equivalent of the present ad valorem duties based on the average value of imports as shown by the Tariff Commission statistics.

CONCLUSION

Under the present ad valorem basis of assessing duties on feathers and downs, the farmer and the domestic producer, manufacturer and dealer are subjected to serious loss due to the unfair competition resulting from undervaluation, difficulty in accurately distinguishing between raw and manufactured merchandise and further suffer from violent fluctuation in foreign values.

All of the foregoing evils are eradicated by the imposing of specific duties.

The specific rates here requested are the demonstrable equivalent of the ad valorem rates now imposed and will afford increased protection by reason of the eradication of the evils to which we have above referred.

The distinction made between compressed and uncompressed merchandise is based upon the fact that the former must be reprocessed or remanufactured here before being available for use, and the adoption of such method facilitates the work of the customs officials and removes any inducement to ship manufactured or partly manufactured merchandise as crude or raw. The revenues of the Government will not be affected by the proposed change and the entire industry from farmer to manufacturer will be placed on a sound, equitable, and advantageous basis.

For all of these reasons, it is respectfully requested that paragraph 1518 of the tariff bill as passed by the House of Representatives in so far as it affects feathers and downs be changed to read as here requested.

Respectfully submitted,

H. M. TAYLOR,
G. S. KNOTT,
J. C. GODAR,

Representing Better Bedding Alliance of America.

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

GENTLEMEN: The undersigned constitutes a committee of the Better Bedding Alliance of American representing the pillow and cushion manufacturers of the United States, also representative importers of feathers and downs as per attached list; also the Better Bedding Association of New York (Inc.), who attach their indorsement and request that the present tariff on feathers and down which now reads as follows:

"SEC. 1419. Feathers and downs, on the skin or otherwise, crude or not dressed, colored or otherwise advanced in manufacture in any manner, not specially provided for, 20 per centum ad valorem; dressed, colored, or otherwise advanced or manufactured in any manner, including quilts of down and other manufactures of down, 60 per centum ad valorem * * *."

be changed and a specific paragraph be inserted in the law under the heading "Feathers or downs for bedding, upholstering or any other made-up forms not specifically provided for, crude or not dressed, colored or otherwise advanced in manufacture in any manner, if compressed to a density of not less than 10 pounds per cubic foot, to be assessed by a specific duty as per the following schedule:

| | Cents per pound |
|--------------------------------|--------------------|
| Feathers other than white..... | 7 |
| White feathers..... | 14 |
| Down other than white..... | 20 |
| White down..... | 30 |

Any feathers or down not compressed as provided to be assessed by specific duty as per the following schedule:

| | Per pound |
|--------------------------------|-----------|
| Feathers other than white..... | \$0. 35 |
| White feathers..... | . 70 |
| Down other than white..... | 1. 00 |
| White down..... | 1. 50 |

Feathers containing 30 per cent or more down to be assessed as down. Any feathers or down containing 30 per cent or less colored feathers or down to be assessed as white. Any feathers or down compressed or otherwise, but dressed, colored or otherwise advanced in manufacture, in any manner, and whether shipped in quilts, pillows, cushions, or any made-up form, not specifically provided for to be assessed with specific duty as per schedule above and 60 per cent ad valorem.

Respectfully yours,

BETTER BEDDING ALLIANCE OF AMERICA.
HOWARD M. TAYLOR.
J. C. GODAR.
G. S. KNOTT.

ARTIFICIAL FLOWERS

[Par. 1518]

STATEMENT OF GEORGE M. ALTMAN, REPRESENTING THE DECORATIVE FLOWER GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.), NEW YORK CITY

[Including reference to par. 1529]

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

Senator KEYES. Will you state whom you represent?

Mr. ALTMAN. I represent Zunina Altman (Inc.), New York City.

Senator KEYES. You are an importer?

Mr. ALTMAN. I am an importer, strictly, Senator.

I submitted a brief to the House Committee on Ways and Means, and they allowed us to go undisturbed, leaving the duty as it was in paragraph 1518.

However, I have added a paragraph which I will give you, and I shall be very glad to answer any questions on that subject.

Senator THOMAS. What is the nature of the paragraph you have added?

Mr. ALTMAN. It is relative to and showing the exact status of our particular kind of flowers, which are decorative absolutely, as distinct from the so-called millinery and corsage flowers. That is the kind of business that has been going down, down, down, due to the fact that it is subject to the whims of fashion. No domestic condition at all affects the business, which is purely one of fashion, and while the domestic people are asking for an increase, it is not from any standpoint of protection, because of the fact that it is simply a style which forces out one type. It used to be worn on hats, and then it went to the lapels. The style changes.

Our business is a decorative flower business, and I have here some samples to give you an idea of what these flowers are [producing samples]. The very limit of price is 10 cents, retail.

Senator THOMAS. Can you show us the class of goods you handle?

Mr. **ALTMAN**. Yes, sir [producing samples].

Senator **KEYES**. This is your suggestion as to a change?

Mr. **ALTMAN**. Yes, sir.

Senator **KEYES**. Have you a brief that you desire to file?

Mr. **ALTMAN**. Yes, sir. These goods are made of paper, and they are brought here from abroad at a certain price.

The limit of price on these [indicating samples] is 10 cents. That is the limit for which they can be sold. They are made of paper.

Senator **KEYES**. Where are they made?

Mr. **ALTMAN**. In Germany and Czechoslovakia. The other provision represents 90 per cent, and that product is a quality product which goes to fine department stores and to a different class of people.

Senator **KEYES**. What does that sell for?

Mr. **ALTMAN**. It is sold for \$15 a dozen. This [indicating sample] sells for \$6 a dozen and is made entirely of cloth.

Senator **KEYES**. That is a rose, I take it [indicating sample].

Mr. **ALTMAN**. That is a rose, and this [indicating] is a chrysanthemum. These flowers here [indicating sample] go to the farming and the manufacturing districts, and that class of people decorate their homes and can do so for the nominal sum of 10 cents.

There is a big difference between muslin and paper, and that is so noted in the paragraph.

We are asking that the present tariff be left as it is, at 60 per cent, because by reason of volume we can make out on the tariff.

There are very few manufacturers in this country producing this kind of goods, and they can work out very nicely under a 60 per cent duty, and they have been successful. They are very much in the minority.

Senator **KEYES**. Are the imports increasing?

Mr. **ALTMAN**. In 1928 the imports of flowers generally showed a decrease in muslin, and it was only by virtue of the fact that on these paper flowers the sales which increased raised the aggregate amount of flowers brought into this country.

(Mr. Altman submitted the following brief:)

BRIEF OF THE DECORATIVE FLOWER DIVISION OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS & TRADERS (INC.)

I. PARAGRAPH IN WHICH INTERESTED

The present discussion deals with 1419 of the tariff act of 1922:

"Artificial or ornamental fruits, vegetables, grains, leaves, flowers, and stems or parts thereof, of whatever material composed, not specially provided for, 60 per centum ad valorem; natural leaves, plants, shrubs, herbs, trees, and parts thereof, chemically treated, colored, dyed or painted, not specially provided for, 60 per centum ad valorem; bows, boutonnières, wreaths, and all articles not specially provided for, composed wholly or in chief value of any of the feathers, flowers, leaves, or other material herein mentioned, 60 per centum ad valorem."

In the course of the discussion it will be necessary to refer frequently to paragraph 1439 of the same act, so for purpose of reference we set forth the pertinent part of the latter paragraph as follows:

"Laces, lace window curtains, burnt-out laces and embroideries capable of conversion into burnt-out laces, nets and nettings, embroidered or otherwise, veils, veilings, flouncings, all-overs, neck ruffings, flutings, quiltings, ruchings, tuckings, insertings, galloons, elgings, trimmings, fringes, gimps, ornaments; braids, be m woven and ornamented in the process of weaving, or made by

hand, or on any broad machine, knitting machine, or lace machine; and all fabrics and articles composed in any part, however small, of any of the foregoing fabrics or articles; all the foregoing, finished or unfinished (except materials and articles provided for in paragraphs 920, 1006, 1404, 1406, and 1424 of this act), by whatever name known, and to whatever use applied, and whether or not named, described, or provided for elsewhere in this act, when composed wholly or in chief value of yarns, threads, filaments, tinsel wire, lame, bullions, metal threads, beads, bugles, spangles, or products of cellulose provided for in paragraph 1213 of this act, 90 per centum ad valorem."

II RECOMMENDATIONS

(1) We recommend that the above-quoted provision in paragraph 1419 remain unchanged both with respect to phraseology and rate of duty; or

(2) If, in the light of the court decisions and pending litigation, it is thought best to clarify the provision, we recommended that the 60 per cent rate be retained in the case of decorative (as distinguished from millinery trimmings and ornaments) artificial or ornamental fruits, vegetables, grains, leaves, flowers, etc.

This change would bring paragraph 1419 in proper alignment with paragraph 1430 as interpreted by the courts.

The following suggested revision would we believe accomplish the purpose. We have italicized the matter to be added and drawn a line through that which should be omitted:

"Artificial or ornamental fruits, vegetables, grains, leaves, flowers and stems or parts thereof of whatever material composed, not specially provided for, *and not designed to be worn as ornaments or trimmings on apparel*, 60 per centum ad valorem; natural leaves, plants, shrubs, herbs, trees, and parts thereof, chemically treated, colored, dyed or painted, not specially provided for, *and not designed to be worn as ornaments or trimmings on apparel*, 60 per centum ad valorem; beads, boutonnières, wreaths, and all articles not specially provided for, composed wholly or in chief value of any of the feathers, flowers, leaves, or other material herein mentioned, 60 per centum ad valorem."

III. REASONS FOR SUCH RECOMMENDATIONS

Artificial flowers, etc., designed to trim hats and other apparel properly belong in a different classification from artificial flowers, etc., used for general decorative purposes. The former belong to the class of personal luxuries, while the latter are used to decorate rooms and public places principally in public or quasi public occasions, such as entertainments, children's parties, Memorial Day exercises, etc.

The outstanding uses of decorative flowers made of paper are produced solely to retail for 10 cents per bunch. This is a defined price which can not be exceeded, which necessitates production of the goods at a foreign price, making the present duty of 60 per cent the absolute limit, with foreign costs added, to allow these goods to be sold for 10 cents per bunch. This class of paper decorative flowers is mainly sold in the manufacturing and farming districts, which gives the laboring and farming classes the opportunity to procure for 10 cents per bunch decorations for their homes, which it would be impossible to supply them with on any increase of duty over 60 per cent.

The flower-manufacturing industry of the United States is in no way effected, since the majority of these paper decorative flowers have been produced in European countries for years, and because of their superiority there is no incentive for the American manufacturer to compete on these paper flowers.

The flowers used to decorate wearing apparel are made of textile materials. It is a matter of common knowledge that artificial roses, chrysanthemums, and other flowers of this kind are frequently pinned to expensive fur coats and command high prices in the fashionable millinery establishments.

Decorative flowers are readily distinguishable. They are generally made of such material as paper, wax, etc., and are obviously unsuitable for the purpose of personal adornment.

Paragraph 1419 of the present law, standing alone, would undoubtedly include both the decorative flowers and flowers used for personal adornment. In drafting paragraph 1430, however, Congress inserted a provision for "trimmings" and "ornaments," "whether or not named, described, or provided for

elsewhere in this act, when composed wholly or in chief value of yarns, threads, filaments, etc."

In construing these two provisions the courts have drawn a clear distinction between artificial flowers used for millinery or trimming purposes and artificial flowers used for decorative purposes.

The question first came up in *Sibley Lindsay & Curr Co. v. United States* (47 T. D. 640, T. D. 40909) where the lower Customs Court had before it artificial flowers "used for millinery or trimming purposes, such as trimming hats, etc." The court held that although they were artificial flowers within the meaning of paragraph 1419 yet they were also "trimmings" within the meaning of paragraph 1430. Under the rule of construction provided in paragraph 1460 that "if two or more rates of duty shall be applicable to any imported article, it shall pay duty at the highest of such rates," the court concluded that the artificial flowers in question were subject to the 90 per cent assessment provided in paragraph 1430 rather than the 60 per cent assessment in paragraph 1419. No appeal was taken from that decision.

The question came up again in *Blumenthal v. United States* (48 T. D. 464, T. D. 41228). Again the court had before it artificial flowers that were used to trim hats or other apparel and again held such articles subject to the 90 per cent assessment.

In the course of the opinion of the lower Customs Court in the *Blumenthal* case, Judge Howell pointed out, at page 469 of the opinion, that the flowers in question there "constitute a trimming or ornament, either separately or collectively, by reason of the fact that as artificial flowers they can be used to adorn or decorate ladies' fur pieces, coats, hats, or other articles by merely applying or sewing them onto the articles without changing their form or character. At page 471 Judge Howell pointed out further that artificial flowers made of rubber, paper, glass, and wax would continue to be assessed at 60 per cent in paragraph 1419.

The *Blumenthal* case was appealed to the Court of Customs Appeals, where the lower court was affirmed in *Blumenthal & Co. v. United States* (49 T. D. 749, T. D. 41531).

Another case was brought before the lower court and decided in *Robinson-Goodman v. United States* (T. D. 43183). Again the court held that the artificial flowers involved were trimmings or ornaments provided for in paragraph 1430 and therefore subject to the 90 per cent assessment.

Since which time a decision handed down on June 20, 1929, by Associate Judge Lenroot, United States Court of Customs and Patent Appeals, decided that artificial flowers used for trimmings or ornaments in the form of flowers, fruits, or leaves, are dutiable at 60 per cent ad valorem as artificial flowers.

The decision is the result of a protest of *Robinson-Goodman Co. (Inc.)*, New York, against an assessment of 90 per cent ad valorem on certain imports declared by the collector of customs to be dutiable under paragraph 1430 of the act of 1922.

In his decision Judge Lenroot held that the importations were not trimmings or ornaments and dutiable under paragraph 1430, but, were artificial flowers and therefore dutiable under paragraph 1419 of the act at 60 per cent ad valorem.

As distinguished from artificial flowers designed for use as trimmings or ornaments for apparel attention might be drawn to the artificial flowers which were passed upon in *Guerin v. United States* (47 T. D. 696, T. D. 40931).

The artificial flowers in the *Guerin* case were imitation poppies designed for use on Memorial Day. As one witness stated, "No one would dare to use that as a millinery flower or a decorative flower."

Judge Howell, who wrote the opinion in the *Guerin* case, had also written the opinion in the *Sibley, Lindsay & Curr Co.'s* case, *supra*. He also later wrote the *Blumenthal* opinion for the lower court. In the *Blumenthal* opinion, page 467, Judge Howell points out that the artificial flowers in the *Guerin* case had not been included in the 90 per cent assessment but were allowed the 60 per cent rate "because the record showed that they were not adapted or suitable for use as trimmings or ornaments and were never used as such," while as pointed out by Judge Smith speaking for the court of appeals in the *Blumenthal* case (opinion, p. 752), the artificial flowers there involved "are available for use, and are actually used, as trimmings and ornaments for hats, corsages, fur pieces, and ladies' coats," and that there was no evidence in the record to justify the conclusion that the flowers were used for the decoration of stores, churches, etc.

From the foregoing it is quite obvious that there is a recognized distinction between decorative flowers, leaves, etc., and flowers suitable for use as ornaments and trimmings on apparel.

CONCLUSION

We request that in any revision of the present schedule the 60 per cent rate be retained on artificial or ornamental flowers, leaves, etc., which are not adapted or suitable for use as trimmings or ornaments on hats, coats, or other apparel.

The 60 per cent rate affords ample protection to the very few domestic manufacturers of such articles and under this rate their business has prospered.

Respectfully submitted.

G. M. ALTMAN.

Chairman Decorative Flower Division.

National Council of American Importers and Traders (Inc.).

STATEMENT OF LEO ALTER, REPRESENTING THE R. E. GEBHART CO., CHICAGO, ILL.

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

Mr. ALTER. I represent the R. E. Gebhart Co., Chicago, Ill.

Senator THOMAS. What line of goods does your company manufacture?

Mr. ALTER. Artificial flowers. We specialize in paper flowers, and in the proposed tariff bill the word "paper" is left out of the main classification, bearing a 90 per cent duty, and placed in the classification bearing 60 per cent duty.

Senator WALSH. Are you referring to the paper schedule or to the sundries schedule?

Mr. ALTER. To the sundries schedule. I have here some samples of flowers made of muslin and paper, and the most important factor in the manufacture of artificial flowers is labor. The material that it is made of is comparatively insignificant, as far as cost is concerned, and labor conditions over in Germany, Czechoslovakia, and Japan are so much cheaper, as we all know, than our own labor conditions, that we are not able to compete on a 60 per cent basis.

We simply ask that artificial flowers be all classed together and the word "paper" inserted in that paragraph so that paper flowers will bear the same duty as cloth or any other kind of flowers.

Senator KEYES. You manufacture artificial flowers in Chicago?

Mr. ALTER. Yes, sir.

Senator KEYES. To what extent?

Mr. ALTER. Our production last year was \$100,000 worth.

Senator KEYES. How many employees do you have?

Mr. ALTER. We have about one hundred to one hundred and fifteen employees.

Senator KEYES. Did you appear before the Ways and Means Committee of the House?

Mr. ALTER. I was ill at the time, and I wrote a letter to Congressman Hawley, filing our position, and I filed a brief. I was not able to appear during the month of February.

Senator KEYES. Will this present House bill be satisfactory to you if the change that you suggest is made in classification?

Mr. ALTER. Yes, sir.

Senator THOMAS. Have you a sample of your product?

Mr. ALTER. Well, I have some paper flowers and cloth flowers, which we have made in our factory, and there is practically no difference, as far as the appearance of the flowers is concerned. Artificial flowers made of paper or made of cloth are practically identical, except in so far as the material is concerned.

Senator WALSH. How about the cost of the material that you use?

Mr. ALTER. The cost of the material is slightly higher in the cloth, but the most important part of the cost of a flower or a leaf is the labor.

Senator WALSH. Do all manufacturers of cloth artificial flowers make paper flowers also?

Mr. ALTER. No, sir.

Senator WALSH. Are there any other concerns making paper flowers other than yours?

Mr. ALTER. There are a few small ones in Chicago.

Senator THOMAS. Where does your competition come from?

Mr. ALTER. From Germany and Czechoslovakia.

Senator THOMAS. Do they make and import paper flowers in competition with your product, a comparable article?

Mr. ALTER. Yes, sir; to quite a large extent. In a brief submitted to the Ways and Means Committee by the Importers and Traders' Association, in giving the figures of the artificial flower imports, which have increased from three million to four million, it was stated here that there has been a loss in the import of cloth flowers but the increase has been made up particularly of paper flowers, in great measure making up the difference in figures, due to the fact that paper flowers bear 60 per cent and cloth flowers have been coming in under 90 per cent. So paper flowers have made up the great increase of over a million dollars in the last year, and cloth flowers have decreased.

Senator THOMAS. And you want 90 per cent duty on paper flowers?

Mr. ALTER. Yes, sir.

Senator THOMAS. Will that serve to protect you, in your opinion?

Mr. ALTER. I believe so.

STATEMENT OF JACOB DE JONG, NEW YORK CITY, REPRESENTING THE ASSOCIATED FLOWER AND FANCY FEATHER MANUFACTURERS OF AMERICA

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

Mr. DE JONG. I am representing the Associated Flower and Fancy Feathers Manufacturers of America.

Senator KEYES. You are addressing yourself to paragraph 1518?

Mr. DE JONG. Yes, sir.

Senator KEYES. Artificial flowers?

Mr. DE JONG. Yes, sir.

Senator WALSH. Whom do you represent; your own company?

Mr. DE JONG. I represent the artificial flower manufacturers of the United States.

Senator WALSH. How many of them are there?

Mr. DE JONG. There are about 200 manufacturers.

Senator WALSH. And you are one of them?

Mr. DE JONG. I am one of them.

Senator WALSH. Where are these factories located?

Mr. DE JONG. Seventy-five per cent in New York City.

Senator WALSH. How many employees have they?

Mr. DE JONG. The average is about 5,000.

Senator WALSH. How much money is invested in the industry?

Mr. DE JONG. I think about \$3,000,000.

Senator WALSH. Very well.

Mr. DE JONG. The situation in this particular industry that you gentlemen will be confronted with is different than anything that has come before you or anything that you are going to decide upon.

Senator WALSH. Will you tell us first what is the present duty on artificial flowers?

Mr. DE JONG. The present duty to-day, I believe, is 60 per cent.

Senator WALSH. What does the House propose?

Mr. DE JONG. The House proposed 90 per cent.

Senator WALSH. Are you satisfied with that?

Mr. DE JONG. No; we are not.

Senator WALSH. What do you want?

Mr. DE JONG. If you will permit me, I will explain the situation, Senator, and you will understand it perfectly.

Senator WALSH. All right. Still you will some time have to tell us how much it is.

Mr. DE JONG. In the act of 1922, the artificial flower paragraph, the duty was fixed at 60 per cent. That act included a clause which gives the domestic manufacturers the right to assert themselves for the first time. I made application to the Treasury Department for a decision. I made a claim that under the wording of paragraph 1430, the last paragraph, which mentioned ornaments, trimmings, fibers, threads, or filaments at 90 per cent, and I made the claim to the Treasury Department that artificial flowers as an ornament or trimming should be properly classified under paragraph 1430 instead of 1419, the artificial flower paragraph. The Treasury Department conceded that. When the importers—

Senator WALSH (interposing). When was this?

Mr. DE JONG. In 1922; the end of 1922.

Senator WALSH. After the act of 1922 was in effect?

Mr. DE JONG. After the act of 1922 was in operation. When the importers heard of this, they made a strong fight to the Treasury Department, and the Treasury Department attempted to reverse itself. We made the claim that under the law the Treasury Department, once having made a decision, could not reverse its decision, and it was then thought that the Attorney General should handle the case under the law. We claimed that as long as protests had been made by the importers and that these protests would be tried before the appraisers court, the Attorney General's decision should be held back until the appraisers court would decide these protests. Subsequently the matter was—the protests were tried before the appraisers court and the domestic manufacturers won. The appraisers court decided that the artificial flowers composed of threads, yarns, and filaments were properly dutiable under paragraph 1430 at 90 per cent. The importers carried the case to the Customs Court of Appeals, and the Customs Court of Appeals eventually decided in favor of the domestic manufacturers, agreeing with the decision of the

appraisers court, and, naturally, flowers were dutiable at 90 per cent, which became operative, I think, in the early part of 1923.

Subsequently, the importers again brought proceedings before the appraisers court over some different pretext, and that case was tried before the appraisers court again, the judges deciding that the artificial flowers were properly dutiable at 90 per cent, if composed of yarns, threads, or filaments.

The importers again appealed the case to the Court of Customs Appeals, and I have been informed reliably that within the last few days a decision was handed down by that court by a vote of 3 to 2 that flowers were not dutiable at 90 per cent; that they properly belonged in paragraph 1419, 60 per cent, and therefore the situation as it confronts you gentlemen to-day is that since the early part of 1923 flowers were paying duty at 90 per cent, and now that this decision has been rendered, they again become dutiable at 60 per cent.

What is of the utmost importance is the very fact that I have repeatedly claimed before your committees since the earliest part of revisions in the tariff that I have taken part in—I think it was the Payne Act—that no matter how much duty you put on artificial flowers, they will be imported, and now, in view of the fact that since 1923 artificial flowers of that character pay 90 per cent duty, it is interesting, at least as far as you gentlemen are concerned, what effect a duty of 90 per cent had on the importations. The effect was a larger amount of importations at 90 per cent than in previous years at 60 per cent. In other words, 90 per cent did not keep out one dozen flowers.

Now, the Government, I suppose, will have to pay back to the importers millions of dollars that have been collected during those six years, and it occurs to me to what extent in view of the fact that this tariff revision is intended to benefit the agricultural section of the country, to what extent the agricultural section of the country will benefit if the Government returns these millions of dollars to the importers.

I did not appear before the Ways and Means Committee, nor anyone else representing the domestic industries. The importers did appear.

The position I take, and that the manufacturers take, is that we ask for no more than that domestic industries may live and be maintained; that it be given that amount of protection which will give an equal chance in our home market in competition with foreign imports, and that it will be given that amount of protection which will compensate, at least to a reasonable amount, the difference in cost of production in this country and abroad.

Senator COZZENS. You have not fixed that rate yet in your mind?

Mr. DE JONG. I have not. It is my intention to leave it to the Democratic members of this committee. [Laughter.]

Senator WALSH. You have pretty good courage. [Laughter.]

Mr. DE JONG. Well, I am willing to pay the expenses of the Democratic members of this committee to go to New York. We will hand them all our books, all our records; we will give them any information they want. They can go to our factories and they can consult our employees, and, I believe, and I trust, and I know, that they will then realize that the manufacturers only ask for what is reasonable and fair for the maintenance of the industry.

Senator WALSH. I suggest that in the meantime you get close to some of these Republicans who will later go into secret session drafting this bill. [Laughter.]

Mr. DE JONG. The domestic manufacturers can not compete with the foreign manufacturers even at 90 per cent.

Senator WALSH. Let me ask you, seriously, has not the use of artificial flowers increased tremendously in recent years?

Mr. DE JONG. It has tremendously decreased.

Senator WALSH. The total consumption?

Mr. DE JONG. The total consumption; yes, sir.

Senator WALSH. Both imports and exports?

Mr. DE JONG. Possibly the imports have not.

Senator WALSH. I am talking about the whole field, the whole consumption.

Mr. DE JONG. The whole consumption has decreased, but the domestic manufacturers have suffered the most, not the importers. There is always a demand for imported goods of this character, no matter what the price is. I know of one department store in New York that handles a great many flowers and does a tremendous business, that told me they would not permit a domestic flower in their department.

Senator COUZENS. Why?

Mr. DE JONG. And as far as the domestic manufacturer's ability is concerned to produce flowers, we can produce them as perfect as any.

Senator WALSH. Is the decrease due in part to the changes in the styles of millinery?

Mr. DE JONG. The decrease is due to the changes in the styles in millinery. Millinery flowers are practically eliminated, owing to the style that governs hats, and the domestic manufacturers were compelled to switch their lines to bouquets to be worn on costumes.

Senator WALSH. Decorating purposes?

Mr. DE JONG. And that demand is not sufficient to maintain our factories and to give employment to our people.

Senator WALSH. We can't change the millinery styles.

Mr. DE JONG. No. We are trying to. We have spent a lot of money trying to do it. [Laughter.]

I have instructed my employees, being one of the largest manufacturers in this country and being 30 years engaged in this business, and having done a large business and being well known, to go ahead and attempt to make decorative flowers for which there is a demand, and I have, in order to be posted, sent to Germany for samples of decorating flowers in order to find out the price at which decorating flowers can be landed in this country, and whether it would pay us to invest capital, to go ahead and make decorating flowers. For that purpose I brought some samples here for the consideration of you gentlemen.

Senator THOMAS. Are the people employed in this line of work educated in that work; did they serve their apprenticeship abroad, or are they local, American-born people?

Mr. DE JONG. The people employed in this industry, I should say, 80 per cent are women and girls. A large number are Americans; a great many are Italians. They have proven themselves efficient and able. It is an industry that requires years for efficiency to become able.

Senator WALSH. The Senator wants to know if they got any training abroad first?

Mr. DE JONG. No.

Senator WALSH. All their training has been given them in America?

Mr. DE JONG. Yes. We understand the business.

Senator COUZENS. Before you leave that, how many people are employed in this industry in America?

Mr. DE JONG. There used to be, during the war, when no imports came in, there must have been ten to fifteen thousand. Up till last year I believe there were directly employed, so far as we can go by any statistics that we can get hold of, 5,000. I think to-day there are under 2,000.

Senator WALSH. Did they wear flowers on their hats during the war?

Mr. DE JONG. Yes.

Senator DENEEN. Are these flowers made at home as well as in factories?

Mr. DE JONG. Well, parts of these flowers even in this country are made in the home—that is, the smaller material. For instance, this particular flower [indicating], the pieces are given out and are made at home, while a great many are made in the factory, too. In Germany all that work is given to home workers in the mountains of Saxony at very low rates. The branching or putting together the bouquets or assembling is done in the factory. The cutting, the pressing, and the preparing of the materials is all done in the factory.

This is an imported German sample. The number is 6438—no, 1216. The so-called foreign selling price—and I don't recognize the foreign selling price as the real foreign price of the article in our line—the so-called foreign selling price is two seventy a dozen.

Senator THOMAS. Is that commodity made from American raw material?

Mr. DE JONG. Not this imported. This is the imported one. I will get to that in a minute, Senator.

This costs two seventy on the other side. Even with a duty of 90 per cent, say it is doubled, that is about five forty. Here is our first attempt of our own factory to make a similar article in the apple blooms for decorative purposes. I believe you gentlemen realize that our product is as perfect, and perhaps even more so, as far as workmanship is concerned, than the imported one. I have attached to that particular sample our calculation of the cost figured on the lowest possible basis of calculation, and the cost to us of this pattern is not less than \$5 a dozen; that is, on the cost of \$5 a dozen we have based our selling price. We could not possibly compete with them under these circumstances even at 90 per cent. I will call attention to this particular fact: This particular number I have in my hand is American made throughout. The muslin of which these leaves are made is made in New England or the South. The leaves of the flower are made in this country. We buy them here. All the other things in it are the product of this country. The anilines are made here. In former years I used to import all my anilines from Europe. Since the last tariff the domestic manufacture of aniline has become efficient and we buy our anilines from domestic manufacturers. This number I hold here is made from domestic aniline and is as good as any imported. Even the wire of which this pattern is composed is Amer-

ican made. This a true sample of an article made in the United States and it is up to you gentlemen to say what amount of duty we are entitled to, to produce an article like this, sell it in our home market with the foreign article, no matter how low our profit may be. We are willing to work on the 10 per cent net basis if we can get the orders because the American manufacturers not only have the advantage of labor but we pay the branchers for this number under our calculations usually \$1.50 a dozen. The most expert branchers that we have with us for 25 years can not make more than 2 dozen a day if they work without stopping. That would earn them, perhaps, \$18 a week, which is the lowest amount of wages that an American woman or girl can exist on. The German manufacturers' cost of branching this article is \$2 compared with our \$18.

That gives you a conception of the low prices that prevail for this class of work in the mountain districts of Saxony. I do not think, gentlemen, that American wages are high. I think foreign wages are too low. We pay American wages to the level of the foreigner's. Before I left two of my workers, two women who have been in my employ for more than 25 years, asked me to come along. They wanted to speak to you Senators. They had been in my employ for more than 25 years. They were earning a wage of \$20 a week. We have let them go two weeks ago. There was no work. It was a strike and give this as piecework. I have never seen a better situation in our industry.

I will show you another imported sample, and these come direct from Germany within the last year. The number of this is 8089. I can give you the name of the manufacturer on the other side. The price is \$1.15 a dozen. The material for nothing. We are not going to pay for the muslin, for the wire, or for anything that is in this material. In other words, if we are selling it of that kind simply pay the weight to make this article it would cost us more than \$1.15 a dozen, 90 cents added.

Senator WALSH. I will not protect you against that.

Mr. DE JONG. The number here. This is a pattern, No. 8076. We can not attempt to make anything like this.

Senator WALSH. How much would it cost to make a dozen of those?

Mr. DE JONG. I do not think we could make this at less than \$2.50 or \$3 a dozen cost to us. I will call attention to a peculiar thing you should have in mind in fixing the tariff. The duty on this in our claim before the Treasury Department is justified because it is not based on threads, yarns, or filaments. These leaves are made of paper. While I am on this subject, these are made of wax, the flowers, and this is made of glue, and while I am on this subject, I would ask you Senators in writing this particular part of the tariff to avoid any ambiguous language, to make the language as plain and understandable as possible, and to include in it flowers of whatever material made, and to have them understand, the imported and domestic manufacturers, to know just exactly what the duty is and leave no loophole for any protest or contest. That is the soundest way for the domestic industry to succeed.

Senator WALSH. Have you any figures showing the extent of the imports?

Mr. DE JONG. Yes. This number is 4386. Its cost in Germany is \$3.90 cents a gross, 40 cents a dozen. This comes in under 60 per cent duty even if the Treasury Department decision would have been upheld because it is not made of threads or filaments. It is generally understood that no matter what material flowers are made of they should have the same duty. The labor on this is the same. It costs just as much, only the material is paper.

The imports, since the new tariff went into effect, or, rather, since the decision by the Treasury Department was made, in reference to the 90 per cent duty, becomes a very interesting subject. In 1923 there were imported \$2,861,000 worth of flowers at 60 per cent and \$750,000 worth of flowers at 90 per cent. The 90 per cent duty did not become effective until some part in that year. In 1924 flowers arriving here dutiable at 60 per cent were \$1,365,000, and at 90 per cent \$1,400,000.

In order not to linger too much on figures which will be in the brief I will submit to you gentlemen later, I will now mention that in 1927, the worst year the domestic manufacturers ever had in this business, the amount of flowers imported at a duty of 60 per cent was \$1,400,000, and the amount imported at 90 per cent \$2,380,000. In other words, it made a record for the importation of artificial flowers because in spite of whatever reason that duty is 90 per cent, and I understand that in 1928—I have not the correct figures from the Treasury Department or the Department of Commerce—the importations are nearly \$4,000,000, most of it at 90 per cent.

Senator WALSH. What is the American production?

Mr. DE JONG. The American production in times when we had an opportunity to compete, about \$20,000,000. During the war, when there were no flowers imported of any kind, either from Germany or France, the industry flourished. Everybody was well off. The employment must have amounted to more than 15,000 people. The amounts of materials were enormous. We paid as much as \$3 a yard for silk and as much as 45 cents a yard for other material, and domestic manufacturers supplied the demands of the American market in a way that it was complimented by the Government, giving the right product at a reasonable price.

Senator WALSH. What was the production last year?

Mr. DE JONG. The production last year in artificial flowers, and I have only the figures of 1927, is \$19,000,000. I think the production this year will not reach \$5,000,000 as far as domestic production is concerned.

Senator WALSH. I do not see from those figures you have presented on that that there has been very much increase in the imports.

Mr. DE JONG. Yes; there has been.

Senator WALSH. Over \$4,000,000 you said last year, and you gave the figures for a year several years ago.

Mr. DE JONG. In 1923 that was only part, 1924, \$1,360,000, at 60 per cent duty, and \$1,400,000 at 90 per cent, or \$2,700,000 altogether.

Senator WALSH. About \$3,000,000.

Mr. DE JONG. Now, there is a gradual increase to the extent of nearly \$4,000,000, practically pushing the domestic manufacturer out of the market. The German manufacturers are putting prices on their goods which do not represent the real cost and do not represent the actual value because the importers go over to Germany six months

before these goods are in demand, and the German manufacturer has never sold an article of that kind in Germany at that time. There are no valuations by which he can be guided. The German market does not use any of these goods until six months later. I have seen them at foreign markets. They are sold at more than two or three times the market invoices of the foreign valuation.

Senator WALSH. Did this industry begin in Europe?

Mr. DE JONG. This industry began in France during the earlier part of Napoleon Bonaparte's first career.

Senator WALSH. It has been a more highly developed industry until recent years.

Mr. DE JONG. Yes.

Senator WALSH. And in recent years the American industry has been growing and developing and copying from the standards established and set by the European industry.

Mr. DE JONG. No; I would not say that we copied. I think the domestic manufacture can not exist at all if we copy the foreign goods. We have to create better ideas. We have to make more dependable goods than the foreign goods that come in. We have to cater to the demand of the trade here in offering something new every week in order to create a consuming demand. If we were to copy foreign flowers we would have to go out of business altogether. We have to make something different.

Senator WALSH. I think you have covered the ground very well.

Mr. DE JONG. I will ask permission that you gentlemen consider this industry from this point of view, that part of the duty should be specific. All foreign goods, Germany, France, Czechoslovakia, have a specific duty on this class of goods. I think the duty in France, the general duty, is about \$6 a pound. I think the duty in Germany is about \$3.50 a pound. I think the duty of Czechoslovakia is about \$2.50 a pound. I would like to have you gentlemen consider apart specific duty if it is not your intention, or if for some reason or other you do not think it advisable to fix any duty above 90 per cent, as far as it should be contained in the tariff.

Senator THOMAS. I do not think you made it clear how much the tariff would have to be to give you the difference in the cost of raw material and production between the manufactured product abroad and here in America. In other words, will 90 per cent compensate the American factory for the difference in cost of production?

Mr. DE JONG. It will not.

Senator THOMAS. In your opinion, what per cent would be necessary as a compensatory duty?

Mr. DE JONG. I have submitted in my brief to the Ways and Means Committee a schedule of the specific duty running from 20 cents a dozen up, according to the value of the article, and if that should not be advisable with the operator in New York, there should be no difficulty in arranging that as some goods may come in at grades that are different, and I am willing to be at your service, but if that could not be done, I would suggest a duty at \$2 a pound and 90 per cent ad valorem, which would make it possible for the domestic manufacturers to compete.

I will submit to your committee detailed report including even the matter of our production and the amount of money we have lost in the

last year in trying to produce goods, with the reduction of our output and our employees.

Senator THOMAS. Are you not of the opinion that with a nearer compensatory duty it would not be of any particular benefit to your business?

Mr. DE JONG. A compensatory duty on certain articles that are imported differentiated from the compensatory duty on others. If the article contains expensive material and little labor, we do not require as much duty as that on the light-weight article. If the article is made of paper or any inexpensive material and the labor supplies 80 per cent of the cost, we have to have a large compensatory duty. I think that the duty fixed on the basis I have submitted will give a chance to the domestic manufacture, a fair chance at our domestic market.

Senator WALSH. Let me inquire if the Tariff Commission did not suspend and leave unfinished an investigation of these costs in 1923? And was not this suspension due partly to the difficulties of determining comparable foreign and domestic costs; that flowers are in three groups, (a) small hand-made flowers, not made in the United States; and (b) large-sized flowers in which the raw-material factor gives domestic producers an advantage; and (c) medium-sized flowers made in the United States and imported? I believe that competition, which is chiefly in the latter, is a difficult cost question.

NATURAL GRASSES, LEAVES, ETC.

[Par. 1618]

BRIEF OF FRED HENOCH, REPRESENTING THE OVE GNATT CO. (INC.), LA PORTE, IND.

To the MEMBERS OF THE FINANCE COMMITTEE,
Senate of the United States:

We take the liberty of offering for your consideration a few thoughts with respect to amendment of paragraph 1419 in the tariff act of 1922, and the advancement of duty on certain items to be incorporated in the pending tariff legislation. We refer particularly to that part of paragraph 1419 of the tariff act of 1922 relative to: "Natural leaves, plants, shrubs, herbs, trees, and parts thereof, chemically treated, colored, dyed, or painted, not specifically provided for." We offered, to the Ways and Means Committee of the House of Representatives, a paragraph to be incorporated in the new tariff bill, now under consideration, to read as follows: "Natural leaves, plants, shrubs, herbs, trees and parts thereof, chemically treated, colored, dyed, or painted, not specifically provided for, 100 per cent ad valorem: The same items when bleached 60 per cent ad valorem."

In lieu of the provision as suggested by us, H. R. 2667, section 518 contains the following provisions: "Natural grasses, grains, leaves, plants, shrubs, herbs, trees, and parts thereof, not specifically provided for, when bleached, 50 per cent ad valorem; when colored, dyed, painted, or chemically treated 75 per cent ad valorem."

The reduction from our recommendation from 60 to 50 per cent on these items when bleached in our opinion is satisfactory and will not work to our serious detriment. However, their change from our recommendation from 100 to 75 per cent on these items when colored, dyed, painted, or chemically treated, is most serious and will, without a doubt, drive the American manufacturer entirely from the market on many of our items. A duty of 100 per cent on items when so treated would not be excessive, but if the duty on such items be reduced to less than 85 or 90 per cent it would be absolutely destructive to the American manufacturer.

Inasmuch as many raw products, covering the items under this heading, grow only in foreign lands, serious detriment to those countries would not follow an increase duty, as we would still be compelled to obtain that portion of our raw products from the same source and the only items affected at all would be after they are manufactured.

This clause in paragraph 1518 in H. R. 2667 refers particularly to what is commercially known to the florists' and decorators' trade as "Prepared foliages."

The primary reason for asking increased duties, and a brief résumé of these items and the protection afforded through tariff legislation is as follows: The manufacture of prepared foliages in the United States is comparatively new, they having first been put upon the market as an American product in 1913. Prior to that time, these goods were all imported, principally from Germany, Italy, France, Switzerland, and the Scandinavian countries. In 1913, Mr. Ove Gnatt, engaged in the development of that industry in the United States, and a slow, but steady, development ensued. Prepared foliages, under the tariff act of 1913, were not specifically provided for, but under a Treasury decision were construed to come within paragraph 438 of the tariff act of 1909 and paragraph 347 of the tariff act of 1913, and carried a duty of 60 per cent. The tariff act of 1922 specifically provided for these items at a 60 per cent ad valorem duty. The industry, at the time of the passage of the act of 1922, was so young, and its development had proceeded so slowly, that the rate provided was established largely in an arbitrary manner, without definite knowledge whether it would be sufficient, or otherwise. At the time of the writing of that act—that being immediately following the close of the World War, which practically established a prohibition against the importation of these commodities, the entire home consumption of the products was made in America, and at that time there were approximately 3,000 to 4,000 people employed in the industry in gathering the raw material and in the manufacture of these items, and directly dependent upon the industry for a livelihood; it was then, and is now impossible to estimate the number indirectly benefited, as hundreds of thousands of cartons and packing cases are used in marketing the products, and the dyes, paints, chemicals, and other items which go into their preparation approximate enormous proportions.

During the war, and for a period immediately following the war, on account of these conditions, 60 per cent duty appeared ample, but as time passes, and labor and material conditions in the old world change, the manufacturer of these products in foreign lands, due to low costs of labor and material, and the fact that much of the raw materials are produced solely in the Italian and Swiss Alps and in Japan, are enabled to put these goods on the American market at prices absolutely ruinous to the American manufacturer, and in most cases, far below our cost of production. As to the difference in wages paid in this country compared to the wages in Germany, Italy, France, Switzerland, Japan, and the other old world countries, you gentlemen of the committee know better than we can tell, but we feel safe in saying that our wage scale, in American value, is from five to ten times greater than that paid in these foreign countries—particularly is this true in Italy and Japan, the countries of our most serious competition.

An item of serious moment in the establishment of costs here as compared with foreign valuations is the enormous advance in transportation, both ocean and inland, and whereas many of the items which we prepare are native of the old world, and the foreign manufacturer receives his raw material at a minimum cost, with but a slight addition for transportation and handling, we in America must necessarily provide amply to cover both ocean and inland transportation charges in obtaining our raw material.

Since the close of the war, and since the writing of the tariff bill of 1922, many of these goods of foreign manufacture have appeared on the American market at prices which are absolutely ruinous to the home manufacturer; in many cases at a price far less than the American cost of production without regard to profit or overhead.

In explanation of the word "bleached" inserted in the proposed change, we wish to say that a construction of the act of 1922 by the United States Court of Customs Appeals held that certain products chemically treated were so treated to destroy vermin in the products, rather than for the purpose of changing the substance of the product, and under that decision some of these items so treated are now admitted to this country duty free. The technical knowledge of those engaged in the industry teaches us the court was in error, and in order to correct that decision of the court, we ask the insertion of the word here mentioned.

The reason for asking for a difference in the rate of duty when bleached and the same items when otherwise prepared is that the bleached product in many

instances forms the basis of the finished product and in those cases is in reality on a par with the raw product itself.

There are many items of prepared foliages manufactured in this country which will be detrimentally effected (some to the extent of ceasing their manufacture), by foreign competition, unless ample protection be afforded in the pending tariff legislation, in fact, some items of American manufacture have been driven almost entirely from the American market by competition, principally from Germany, Switzerland, France, Italy, and Japan.

For the information of the committee, we will not endeavor to recite at length all of the many items produced in this country, but will mention but a few of the principal items, in order that the committee may be advised slightly as to the reference of this paragraph, and its importance in the pending tariff bill, and we wish to assure the members of the committee that we speak with authority and full knowledge. The manufacture of these items can only continue in the United States providing ample tariff is afforded to take care of the difference in the cost of raw products, labor, transportation, and rate of exchange in this country as compared with foreign costs.

Oak leaves.—There are about 800,000 pounds of these used in this country annually, of which all were prepared here during the period of the war. Since the war these foods are being brought over from Germany and Italy in large quantities at considerably less than they can be produced and sold here at a living profit.

Beech leaves.—The same applies to this article as to oak leaves, except that there are only about 150,000 pounds used per annum.

Cycas leaves.—This is a palm leaf that grows on the island of Formosa, Japan, and there are about 10,000,000 leaves used in the United States per annum. Before the war the greater part were sent from Kobe to Germany, where there were prepared and distributed throughout the world. During the war the entire amount consumed in America were prepared here, but at present they are again appearing on the market from foreign manufacturers at prices much less than our cost to manufacture and sell at a reasonable profit.

Lycopodium or ground pine.—This article is a stubby pine, which grows in the colder part of the country, as, for instance, northern Michigan and Wisconsin, and throughout the New England States. There is about 1,000,000 pounds consumed in the United States annually, and during the season furnishes employment to the pickers (many Indians) to the extent of about 500 to 700 people. These goods also grow in large quantities in the colder climates of Europe and a considerable quantity in Japan. Tariff on the raw product would not affect this article, as a sufficient quantity grows in this country to supply all of the demand, although some is brought here in small quantities from Japan and the Scandinavian countries, and an import duty on the prepared or finished article, in our judgment, should be further increased to equalize foreign labor and exchange conditions.

Ruscus.—This is a bushy foliage growing in the Alp Mountains of Italy, Switzerland, and France. It is imported to this country in both the natural and bleached state to the amount of about 500,000 pounds annually, which, when prepared and finished, weighs about 600,000 to 700,000 pounds. The preparation of the same, in many different ways, during the war developed into an industry of some magnitude in this country, but since the termination of the war the German and Italian goods are again offered in this market to the exclusion of American-made goods, at from 50 to 75 per cent less than they can be profitably sold for, considering the cost of manufacture here. The raw material, in our opinion, should continue to come in duty free, as they do now.

Magnolia leaves.—The foliage of the magnolia tree, which grows in abundance Florida, Georgia, and Alabama, also grows in profusion in Italy, and some are now coming in from there, although during the war, all that were consumed in this country were prepared here. In excess of 1,000,000 pounds are annually used in the United States. They are not brought here from abroad in their natural state, as they do not arrive after the long journey in condition to stand proper preparation.

Inasmuch as the American market is ample to absorb the entire product of our factories, there is no valid reason why foreign prepared foliages should be permitted to unduly compete at ruinous prices, as long as our manufacturers do not unduly advance the prices to an unfair degree. We believe it safe to assume that our manufacturers will not be guilty of such indiscretion, as evidenced by the fact that despite the enormous advances in costs of both labor and material during the war, with foreign competition almost nil, prices on these commodities

were not advanced materially on any item—barely sufficient to absorb the increased cost of production. Since the war foreign competition has forced down prices to a point where the American manufacturer is in serious jeopardy.

This new American industry must be preserved. All reasonable incentive should be offered for its further development, and that can only be accomplished by the imposition of a sufficient tariff on the finished products.

We believe an ad valorem duty of 100 per cent instead of 75 per cent as provided in H. R. 2667 on these goods when colored, dyed, painted, or chemically treated, is highly essential and very necessary. The provision of 50 per cent on the same goods when bleached, as provided by H. R. 2667, will suffice.

H. R. 2667 as passed by the House of Representatives, in our opinion, will meet the situation and be satisfactory if amended on page 185, line 14, after the word "treated" substitute "100" where the figures "75" now appear.

Respectfully submitted.

THE OVE GNATT Co. (INC.)
By FRED HENOCH, President.

DRESSED AND DYED FURS

[Par. 1519]

BRIEF OF THE NATIONAL ASSOCIATION OF THE FUR INDUSTRY

FINANCE COMMITTEE,

United States Senate, Washington, D. C.

GENTLEMEN: There are two points that were not adjusted in the provisions, relating to furs, of the House tariff bill. They require alteration in the interest of clarity and we respectfully ask that these necessary changes be recommended by your honorable committee.

In paragraph 1519 (a) the bill reads: "Dressed furs and dressed fur skins (except silver or black fox), and plates, mats, and crosses of dressed dog, goat, or kid skins, 25 per centum ad valorem; all the foregoing, if dyed, 30 per centum ad valorem."

The words "linings" and "strips" should be inserted after the word "plates," the paragraph reading properly: "Dressed furs and dressed fur skins (except silver or black fox), and plates, linings, strips, mats, and crosses of dressed dog, goat, or kid skins, 25 per centum ad valorem; all the foregoing, if dyed, 30 per centum ad valorem."

These linings of Chinese origin are nothing more than large "plates" as the plate is merely a large "mat." A lining is composed of several skins sewn roughly together in oblong form.

The strip is merely an elongated plate or mat.

In no practical sense are they "further advanced than dressing," for whatever the original purpose of the Chinese in sewing them together in these forms, the only purpose now of interest to us is that of furnishing some fairly standardized idea of the measurement of materials. There is nothing absolute about even these standards, but one can make a little better guess at the amount of material he is going to get when he orders mats, plates, strips, linings, or crosses than when he orders skins that may be as small as a lap dog or as large as a timber wolf.

They all require ripping apart and resewing before they become parts of any garment suitable for use in this country. The exceptions are hardly worth counting.

This change in (a) will necessitate a similar change in (b), namely, the insertion of the words "linings" and "strips" after the word "plates" in the third parentheses, making (b) read: "Manufactures of fur (except silver or black fox), further advanced than dressing, prepared for use as material (whether or not joined or sewed together), including plates, linings, and crosses (except plates, linings, strips, mats, and crosses of dog, goat, and kid skins), if not dyed, 35 per centum ad valorem; if dyed, 40 per centum ad valorem."

Please note that this does not apply to fur linings generally which are in a highly advanced state of manufacture and rightly dutiable at a higher rate as provided.

The second point requiring modification is paragraph 1519 (d) reading: "Articles of wearing apparel of every description, wholly or partly manufac-

tured, composed wholly or in chief value of hides or skins of cattle of the bovine species, and not specially provided for, 15 per centum ad valorem."

This provision was inserted years ago and was appropriate at that time, although it did not say what it meant. It referred to Galloway cow coats used by ranchers and teamsters in the Northwest when it spoke of "cattle of the bovine species." It certainly was not the intention of Congress at any time to admit all coats of whatever kind of cattle of the bovine species for 15 per cent, but merely those cheap but durable coats for the farmer.

If the paragraph is to remain in the act it should at least express its meaning in plain English, for "cattle of the bovine species" covers Persian lamb, broad-tail, and caracul coats, some of which run up to \$4,000 or \$5,000 and should certainly not come in for 15 per cent. It also covers kidskin and calfskin coats of a similarly luxurious type. As we have to pay 25 per cent on dressed skins with which to make similar coats, it is absurd to permit the importation of these coats at 15 per cent, or indeed to leave any opening for litigation regarding such a simple problem.

Respectfully,

NATIONAL ASSOCIATION OF FUR INDUSTRY,
Per DAVID C. MILLS, *General Director*.

BRIEF OF THE FUR DRESSERS' AND FUR DYERS' ASSOCIATION (INC.)

H. R. 2667, although not all that we hoped for, the provision of 25 per cent ad valorem on dressed furs and 30 per cent ad valorem on dressed and dyed furs is nevertheless satisfactory to the fur dressers and fur dyers in the United States because—

(a) It makes a distinction between the fur-dressing craft and the fur-dyeing craft which is fair and reasonable; and

(b) It corrects an injustice that resulted from an interpretation of the tariff act of 1913.

Permit me to express our belief that under the act now in force the dressing and dyeing business has prospered on the whole, but only on a few items has the American fur dresser and fur dyer been at a disadvantage in competition with the foreign dressing and dyeing trade, and the proposed measure corrects these items.

We are informed, however, that certain interests in the fur industry—namely, the importers and manufacturers of dogskin products—seeks to have the Senate alter the provisions in the House bill as far as it relates to Chinese dogskins and thereby continue the injustice done us following the enactment of the tariff law of 1913, which has seriously retarded the development as far as the dressing of this important article is concerned. In this connection we would like to bring to your attention the following:

In the late seventies, when the buffalo trade showed signs of passing, a substitute was sought to take the place of the buffalo hides in the manufacture robes, rugs, and cheap, but serviceable, fur coats for truckmen and ranchers. A shipload of Chinese dogskin mats came in, and the trade in this article opened up and has continued to increase in value up to the present time. Few single skins were imported, practically all imports being in the form of plates and mats, which consist of one or more dressed dogskins pieced together in oblong form. Several fur dressers were, however, experimenting with the dressing of Chinese dogskins with considerable success, the difficulty they experienced being the competition on a price basis rather than quality.

When the tariff act of 1913 was being drawn up the importers of these commodities persuaded Congress to permit of the entry of dressed dogskin mats and plates at 10 per cent, although the tariff on dressed furs generally was 30 per cent. It was shown that these dog plates and mats were used almost exclusively for rough, cheap coats for ranchers in the Northwest. Congress took care to specify a 15 per cent tariff on these coats as against 40 per cent on fur coats in general as a guarantee against exploitation of the rancher by the importers and manufacturers. No mention was made in the act of 1913 of the importation of individual dressed dogskins, and they were intentionally

left in the 30 per cent class as dressed furs because few were being imported, and the dressers of raw Chinese dogskins in the country demanded and received this concession as an aid in developing their craft.

Shortly after the passage of the act of 1913 importers of dressed Chinese dogskins obtained from the Customs Service a ruling to the effect that Congress could not have meant to admit dressed dogskins joined together in the form of mats at 10 per cent, and dressed dogskins sewn together at 30 per cent, and therefore single skins should be entered at 10 per cent too. The trade on dog plates and mats decreased and that in dressed dogskins increased until at the present time practically all dogskins come in separately. Only the inferior grades entering in the form of plates and mats.

In 1926 the Customs Court upset this ruling and decided that while it seems absurd to bring in single skins at more than the rate for skins joined together, the court could not go beyond the wording of the act. In the meantime for lack of incentive the dog dressing business in America stood still. Dogskins are dressed here by every firm dressing fancy skins—that is, excluding rabbits—and can be dressed just as well, and probably better, than those dogskins dressed in China, and any statement that these skins can not be dressed in this country is without foundation in fact. The whole question is one of price. We have in our industry at the present time the 40-hour week with double pay for any work done in excess of this time. The wages of the mechanics in the industry, who are known as fleshers and are highly skilled workmen, are paid by the skin and average approximately \$4,000 a year. The less skilled workmen, known as floor workers, average approximately \$2,000 annually and are graded in three classes as follows:

First class men, \$1.87½ per hour, or \$55 a week; second class men, 1.25 an hour, or \$50 a week; third class men, \$1.09 an hour, or \$43.50 a week.

The fur-dressing and fur-dyeing industry in this country has between 5,500 and 6,000 employees. All the plants are housed in modern buildings, with light, heat, and power to enable our men to work in accordance with the living standards prevailing in America to-day.

In this particular item of dressing dogskins the American fur dresser has to pay to the mechanic 25 cents for fleshing a large skin and 13 cents for a small skin; the cost of the floor work is about the same. To this the American fur dresser has to add his charges for chemicals, overhead, etc., so that he is compelled to charge to the trade for the dressing of a dogskin somewhere between 75 cents and \$1.

In the memorandum submitted by the Associated Dog Trimming Manufacturers they admit that this work is done in China in open lots, thereby avoiding the expense and upkeep of a building which the American firms have to maintain throughout the year. In short, what the dog-trimming manufacturers are attempting to accomplish is to have the dogskins dressed in China by cool labor at a charge that is practically nominal in comparison to what the dressers of this country have to charge for their workmanship. We believe that with the same tariff on dressed dogskins as on dressed fur skins generally we could meet this competition of cool labor.

The conditions affecting the use of dogskin products have changed materially since 1913, when the present provision was placed in the tariff act. At that time the fur trade produced a fur coat of dogskin to retail at \$12.50 to \$17.50. Now practically the entire collection of dogskins is used as trimming on cloth garments. A cloth coat trimmed with dogskin collar and cuffs retails for much more than the former price of an entire dogskin coat. As a matter of fact, cloth coats trimmed with dogskin, often advertised as "Manchurian wolf" or "bear," sell at the same price as similar cloth coats trimmed with marmot, rabbit, or kid skins, and dogskins, therefore, compete directly with dressed or dressed and dyed skins, on which a tariff of 25 per cent has been regularly charged, although none of these skins compete directly with native American furs to any considerable extent. For example, in the advertising pages of the New York Journal we found the following advertisements, which would indicate that dogskin is not in a class by itself as a trimming used on fur coats by poor people but on the contrary is on a par with other skins dutiable at 25 per cent ad valorem. The New York Journal contained advertisements of fur-trimmed cloth coats, as follows:

| Date | Advertiser | Price | Kind |
|---------|--------------------|---------|---|
| Aug. 20 | Worth..... | \$38.00 | Fur-trimmed: King mink (marmot); Krimmer caracul (kid); caracul (kid or lamb); Manchurian wolf (dog). |
| 22 | Wanamaker.... | 39.75 | Fur lined: Goatskin, Coney (rabbit). |
| Nov. 1 | Bloomingtondale... | 29.95 | Fur-trimmed: French Coney (rabbit); marmink (marmot). |
| 1 | Aaron's..... | 25.00 | Fur-trimmed: Raccoon; wombat. |
| 2 | Worth..... | 35.00 | Fur coats: Bearskin (dog). |
| 2 | Worth..... | 25.00 | Fur-trimmed: Mendoza beaver (rabbit); Coney (rabbit); Manchurian wolf (dog); fox; French beaver (rabbit). |
| 2 | Hearn's..... | 39.94 | Fur-trimmed: Krimmer (lamb or kid); baby seal; American opossum; Manchurian wolf (dog); French beaver (rabbit). |
| 2 | Belle's studio... | 45.00 | Raccoon; wombat; bearskin (dog). |
| 2 | Gimbel..... | 28.00 | Fur-trimmed: Vicuna fox (sheep); American opossum; Manchurian wolf (dog); French beaver (rabbit). |
| 5 | Hearn's..... | 44.94 | Fur-trimmed: Red fox; baby fox; beaver (rabbit); squirrel; skunk; marmink (marmot); caracul (lamb or kid); baby seal; Hudson seal (muskrat); pointed fox; opossum; Manchurian wolf (dog). |
| Nov. 6 | Lane Bryant... | 35.00 | Fur-trimmed: Fox; Manchurian wolf (dog); sealine (rabbit); coney (rabbit). |
| 7 | Gimbel..... | 35.00 | Fur-trimmed: Manchurian wolf (dog); opossum; coney (rabbit); lynx; mink marmot (marmot). |

From the stand point of the consumer it would be difficult to find a reason why dogskins should be favored beyond others by an especially low rate. As a matter of fact, the tariff rate is lost entirely in the price increase, due to speculation. America takes fully 90 per cent of the dogskins exported from China, and the price in China and in America is fixed by American demand. Early this season the American importers of Chinese dogs under the stimulus of demand entered the Chinese market and speculated heavily, forcing the prices to above 50 per cent over last year's levels, and double the levels of a couple of years ago. They went into this speculation knowing that the tariff on dressed dogskins were 25 per cent. A group of dog-trimming manufacturers, under the leadership of Mr. Louis H. Solomon, attorney, called these importers to a meeting and told them that prices had advanced beyond reason. The importers replied in effect that the only way to get the price down would be to get the tariff reduced from 25 to 10 per cent. This is appears the manufacturers, through Mr. Solomon, have undertaken to induce the Senate to do. If this is done the importers will make a great deal of money unless, which is hardly to be expected, they pass the benefit along to the manufacturer. Where the public will benefit is not clear to us, and the whole affair appears to be at the expense of the American dresser of furs and skins and the workers in the craft.

We understand that the memorandum submitted to the Finance Committee by Mr. Solomon, together with various affidavits, sets forth—

1 That the Chinese dogskin is confined to use as a fur trimming for women's cloth coats.

2. The product completes more than a million cloth coats, forming a necessity for the consumer of the wage-earning class.

3. The product does not lend itself to use for the higher-priced garment.

4 The dogskin trimming is manufactured under a highly competitive system, in which every price advantage is transmitted to the buyer.

5. The coat bearing dogskin trimming is likewise manufactured under a highly competitive system where every price advantage is transmitted to the ultimate consumer.

6. The raw Chinese dogskin is not dressed in this country and can not be for practical uses.

We are in agreement with the first point, and we would especially emphasize the fact that the second point indicates the enormous volume of work lost to American labor through competition with Chinese coolie labor.

On the third point, we must add the thought that a cloth coat for \$58, trimmed with dog, though called "Manchurian wolf," is not a very cheap coat.

We must also agree with the fourth and fifth points, but would point out that this excessive competition is in buying as well as in selling, and that regardless of the tariff the price will vary according to the demand.

To the sixth point we take exception. Chinese dogskins are dressed in this country; they can be dressed here as well as anywhere, but the reason they are not dressed here extensively is that Chinese dressing is cheaper because it is done in open fields or lots by coolie labor at starvation wages.

The advertisements above quoted indicate clearly that there is no good reason why dogskins should be regarded as different from rabbit, goat, kid, marmot, or any other fur for tariff purposes. They are used on cloth garments selling to the same people at the same prices.

In brief, this enormous quantity of skins, enough to trim more than a million cloth coats each year, is dressed by coolie labor when under an adequate protective tariff it could be dressed by American labor.

We therefore ask that dressed skins, plates, mats, and crosses of dogskin be placed on a par with other furs at 25 per cent ad valorem as provided in House bill 2667 and the same items dressed and dyed 30 per cent.

Respectfully submitted.

[SEAL.]

EDWARD R. H. GRUENEWALD,
President Fur Dressers' and Fur Dyers' Association (Inc.).

MAY 28, 1929.

BRIEF OF THORER & HOLLENDER (INC.), NEW YORK CITY

[Dyed furs]

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

GENTLEMEN: We direct attention to H. R. 2667, paragraph 1519 (a).

The House bill has increased the duty on dyed furs from 25 per cent ad valorem to 30 per cent.

Such increase (or even to 35 per cent, as requested by the National Association of the fur industry and the Great Northern Fur Dyeing & Dressing Co. (Inc.), in briefs filed with the House committee) may be justified with respect to the cheaper lines of furs, such as coneys, hares, and rabbit skins—those being the items in which the Great Northern Fur Dyeing & Dressing Co. (Inc.), and the other American fur dressing and dyeing plants are more particularly interested, and for which the National Association of the fur industry was speaking in terms of legislation generally.

Our position was not placed before the American Fur Merchants' Association because it was impossible for our representative to attend the meeting, held preliminarily to appearance before the Ways and Means Committee by the association representative.

The situation is this—there are certain fur skins which American dyers are unable to successfully dye at the present time, mainly for two reasons; the proper dyeing must be under certain climatic conditions of heat and moisture which can not be duplicated in the United States and generation after generation of foreign dyers have developed the art to an extent that finds no similar development of the art in this country.

This is true more particularly as to the furs known in the trade as Russian Caracula which carry the stamp of "Leipzig," showing the place of dyeing. That mark, "Leipzig" is well known by the American buying public as a designation of quality and superior dyeing, and is regularly looked for by the American women buying such furs for incorporation in a garment.

It should be obvious, as it is the fact, that just as soon as American dyers demonstrate that they are capable of reproducing the quality of the Leipzig dyed furs, we will import these furs in the raw condition (so, free of duty) and will have the dressing and dyeing done in this country, at considerable saving to us.

From our standpoint we welcome the day when the American dyers can dye these goods to a quality equal to that obtained in Leipzig. When that day arrives, we would recognize a change in the duty under the flexible provisions of the tariff law, but until then we can see no justification for an increase in duty on these particular furs, for the reason that such an increase can have only one of two results—to increase the cost to the consumer in this country, or as a deterrent to sales.

The American consumer will, undoubtedly, continue to demand Russian caraculs and because they can not be dyed in the United States will be obliged to pay an additional 5 per cent duty on top of the 25 per cent imposed by the present law. Obviously, there is justification in this situation for placing this class of furs upon the free list, but we do not ask for that unless all caraculs (Chinese, Persian, etc.), are similarly treated. But there is no justification for imposing this additional duty upon a fur which can not be reproduced in this country by the present known methods of dyeing.

A simple amendment to the House bill will remedy the situation. As the protection is sought for those dyeing the cheaper kinds of furs, we suggest that the rate of duty on dressed and dyed furs remain the same as in the tariff now in force, with the exception that the rate on coneys, rabbits, hares, if dressed and dyed, may be raised to 30 per cent instead of 25 per cent.

May we explain further the difference between the various caraculs. The Russian caraculs come from animals which are raised on the steppes of southwestern Siberia. The texture of the furs of the different names varies with the country in which the respective animals are raised. We also import the Chinese caraculs but the characteristics of those furs permit their dyeing in the United States and so we have the dyeing done here. The same is true of the Persian and other caraculs, all of which can be successfully dyed in this country. But that is not true of the Russian caracul. We wish it were. As soon as it is, the business will come to the American dyers. In fact each year we turn over to our American dyers a lot of these Russian caraculs to ascertain whether the time has yet arrived when we can have the dyeing done here, but the results have not been satisfactory up to date.

For the foregoing reasons we request an amendment to effect the desired result of relieving these higher priced furs from the proposed, but unnecessary, additional burden of 5 per cent upon the American consumer and ourselves. Why upon ourselves? Because we have to pay the duties and to finance the manufacturers until the furs are practically sold to the consumer—obviously, a considerable burden as to the 25 per cent without adding 5 per cent further.

Respectfully submitted.

THORER & HOLLENDER (INC.),
By CURT WAHLER, *Vice President.*

We, the undersigned, are in accord with the brief filed by Thorer & Hollender in reference to the proposed increase in the duty on imported dressed and dyed skins.

Balch, Price & Co., Brooklyn, N. Y., by Theophilo Schneider, president; Stunt & Blaine, by J. D. Mahoney; Garfinkel & Gerth (Inc.), 485 Madison Avenue, Harry J. Garfinkel, secretary and treasurer; Harris Bendel (Inc.), by Arthur Straus secretary; C. G. Gunther's Sons, by J. M. Wheeler, president; H. Jaechel & Sons (Inc.), by Walter Jaechel, vice president; Jacob Bobrow & Bros., by L. Bobrow; B. Berger & Co., by Harry Berger; De Leo (Inc.), J. D. Seré; Louis Schulang & Co., by D. D. Sulzer; Harry Eisenhad & Co., by Harry Eisenhad; Charles Weinschenker (Inc.), Ch. Weinschenker; Herman Apfelbaum (Inc.), Herman Apfelbaum, president; Herzig & Hart (Inc.), B. Herzig, president; Hotchner Bros. Corporation, Simon Hotchner, vice president; Taub Sternbach Fur Corporation, Isidor Domenitz, vice president; Emet Paul Eulcusi; Goldsmith & Solow (Inc.), Milton N. Solow, president; Jos. Steiner & Bros. (Inc.), S. J. Steiner, treasurer; Julius Klingman Sons (Inc.), by Harold S. Klingman; Cantor & Angel (Inc.), by David H. Bloom; G. Gaudig & Blum Corporation, Oscar C. Berger, first vice president; Wm. Slatky, by S. S. Gainsburgh; Gitler & Co. (Inc.), by Samuel Gitler; Geo. W. Wesley (Inc.), by Geo. W. Wesley; H. M. Koenigsworther (Inc.), G. A. Werkuch, president and treasurer; M. B. Buchspies (Inc.), E. W. Buchspies, treasurer; Dinerstein Bros. (Inc.), Wm. Dinerstein, president and treasurer.

HUMAN HAIR AND HAIR PRESS-CLOTH

[Par. 1523]

STATEMENT OF JOHN S. RADFORD, REPRESENTING THE ORIENTAL TEXTILE MILLS, HOUSTON, TEX.

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

Mr. RADFORD. They have me down in paragraph 1524. I made application for 1524, because I did not have the bill passed by the

House and they skipped that number. It is 1523 on which I am to speak, raw human hair and hair press cloth.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. RADFORD. Yes. I appeared before the Ways and Means Committee and asked for free raw human hair. They did not give it to me. In all protective tariffs since 1890, when human hair was first inserted in the tariff in 1880, it was put in the free list and was there maintained in all the tariffs thereafter until the free-trade tariff of 1913 was enacted and then an ad valorem duty of 10 per cent ad valorem was given to raw human hair.

Senator THOMAS. Will you explain this industry?

Mr. RADFORD. Yes. Press cloth is largely used. It is used in manufactures; it is worsted manufacture by the worsted process. All of the bread shortening, all the cake, all the soap fat, all of the fertilizers, and all of ammunition except lead is made with press cloth. During the war we spent at our plant alone about \$1,000,000.

Senator THOMAS. Where is your plant located?

Mr. RADFORD. Houston, Tex.

Senator THOMAS. How large an institution?

Mr. RADFORD. It covers about 13 acres.

Senator THOMAS. How much invested?

Mr. RADFORD. \$3,000,000.

Senator THOMAS. How many people employed?

Mr. RADFORD. About 350. If it had not been for the press cloth I do not know how you would have gotten your food and your ammunition during the war. The Treasury Department offered to finance us. We financed ourselves.

Senator THOMAS. Do you mean to say you have the only factory of the kind in the country?

Mr. RADFORD. No. I represent the Southern Press Cloth Manufacturing Co., Augusta, Ga., and the Work Press Cloth Manufacturing Co., of New Orleans, La.

Senator THOMAS. Have you samples of the product?

Mr. RADFORD. Yes. All of the lard that you eat in your bread is made with press cloth. All of the meat that is used, the cake, meal, cottonseed, linseed that you feed the cattle or mix the meat with is made of press cloth. It amounts to 35 cents per ton of cottonseed crushed to the farmer. It amounts, as nearly as I can get the figure, to 1½ to 2 cents per bushel of flaxseed, and the farmer has a big impost on his products.

Senator THOMAS. How do these products enter into this commodity you have just mentioned?

Mr. RADFORD. It is used in crushing them; as an envelope container that contains the meats of the seed when they are discharged into it, and the oil is strained out of the compress, with a press from 3,500 to 5,000 pounds per square inch, and then the cake is formed in the press cloth, that is fed to cattle.

Senator THOMAS. What is the raw material that goes into this product?

Mr. RADFORD. Raw human hair.

Senator THOMAS. What do you mean by raw human hair?

Mr. RADFORD. There is drawn human hair, too, which is used in the manufacture of jewelry, hair nets, and hair nettings, and some fancy fabrics.

Senator THOMAS. Where do you get this raw fabric?

Mr. RADFORD. Principally from China. Press cloth is used with all of the aniline dyes, all cannels, all of the soaps, stearic acid for soaps, and the cannels are made with press cloth; cotton linters, cotton, all of the guncotton that was made during the war from cotton was fumed through it for the making of ammunition during the war.

Senator THOMAS. Do you purchase this raw product from China? Is there a duty on it?

Mr. RADFORD. Yes; fixed by the tariff of 1913 and then maintained in the 1922 tariff.

Senator THOMAS. Are you asking for an increase of duty?

Mr. RADFORD. No; we are asking for it to be free.

Senator THOMAS. Put back on the free list?

Mr. RADFORD. Yes; it has always been maintained in every tariff on the free list until 1913.

Senator THOMAS. What is the total amount of the demand for this raw human hair per annum?

Mr. RADFORD. From what we can get there is imported about 3,000,000 pounds a year.

Senator THOMAS. How many Chinamen does it take to fill that demand?

Mr. RADFORD. I really do not know. I have not the figures on that. They have 500,000,000 Chinamen there and they send it over here. We get it from them.

Senator COUZENS. What do you have to pay them?

Mr. RADFORD. It is now about 26 to 28 cents per pound.

Senator COUZENS. Is any of it produced in this country?

Mr. RADFORD. Produced, but not commercially. We have never gotten a pound here.

Senator COUZENS. What is a good head of hair worth, Chinese hair?

Mr. RADFORD. I really do not know. We buy it in stumps—what are called stumps, human hair stumps—the raw products. It does not come in competition with any fiber grown here. There are only two fibers which have been found that will make press cloth that will stand the high heat, tension, hydraulic pressure, except camel's hair and human hair. When Russia was cut off by the revolution in 1915 or 1916 we had to find a substitute, particularly so at that perilous time, as we had to have ammunition, and we found human hair. At that time the Manchu dynasty went out and they began to cut off the queues. We imported 80,000 pounds of Chinese queues at one time. We had to have special machines made and we found them in a junk pile in Lawrence, Mass., and put them into a shop to manipulate it by using their worsted machinery, that is advantageously used, and so we began and have all we could get and have been so doing since. Our company has made from this hair—our company has consumed from 12,000,000 to 16,000,000 pounds of human hair per year.

Senator THOMAS. Was this first development of the Chinese industry occasioned by the World War?

Mr. RADFORD. Just about that time.

Senator THOMAS. About that time in China?

Mr. RADFORD. There was camel's hair. During the normal year of 1913 there was imported in this country for press-cloth purposes about 573,000 pounds.

Senator COUZENS. Of what?

Mr. RADFORD. Camel's hair; Russian camel's hair. During the revolution in Russia the camels all starved or were eaten and now we are dependent on the little we get for press-cloth purposes, and I think the report made to you gentlemen by the Tariff Commission will show that about 90 per cent of that goes into press cloths.

Senator COUZENS. Who asked for the tariff?

Mr. RADFORD. I can not imagine who asks for it and I can not imagine the reason. It is not opposed by anybody. We did ask the Ways and Means Committee to restore it to the free list. They did not, but left a 10 per cent ad valorem on wools for felt boots, lumbermen's felt boots, etc., comparative luxuries, and left this impost on raw human hair that affects the living conditions of every man, woman, and child in America.

Senator COUZENS. If this tax was repealed, would you lower your price?

Mr. RADFORD. Yes; to the extent you gave me relief.

Senator THOMAS. Would you pay more for the Chinese queues if the tariff was removed?

Mr. RADFORD. We would pay—we would do our best not to do it. We have not had that advantage. We will fight them. We have asked for camel's hair for the same purpose.

Senator WALSH. Have you figured the 10 per cent ad valorem rate in the actual cost?

Mr. RADFORD. That would amount at present prices to about 3 cents a pound.

Senator WALSH. There is no other nationality that will produce a product that will serve your purpose except the Chinese?

Mr. RADFORD. A small quantity is brought in from Sicily and that is blonde hair, just a different color, but we do not get much from there, very little. We do get all we can get because we must have human hair to make press cloths.

Senator WALSH. What does press cloth sell for?

Mr. RADFORD. There is an average of about 62 or 63 cents a pound.

Senator WALSH. That makes a difference of 3 cents per pound.

Mr. RADFORD. Yes; it would. We have fully covered that in our brief to this committee, and we have attached to it our brief to the Ways and Means Committee for convenience sake so that you would have all the facts before you and those facts remain unchallenged.

Senator THOMAS. Does your brief cover the points about which you have testified?

Mr. RADFORD. Yes; and more fully. More than that, we have asked for paragraph 1523.

Senator COUZENS. That is all contained in your brief?

Mr. RADFORD. This is very short. We are restoring that paragraph just as it was in the tariff of 1890 and 1909 and all the previous paragraphs. Paragraph 1087 would be made to read, "hair or hairs of cattle and other animals, cleaned or uncleaned, drawn or undrawn, or unmanufactured, not specially provided for, and human hair raw, and raw but not drawn."

Senator THOMAS. That would be on the free list?

Mr. RADFORD. Yes. Remember, please, that horsehair and goat hair and camel's hair, classified as goat hair, are almost identical and analogous. That would restore it to the paragraph dealing with analogous fibers.

There is the goat hair [indicating sample] and when the two are manufactured into pressed cloth you can not tell the difference. It puzzled the Bureau of Standards, and they never were able to tell the difference satisfactorily, under high microscopic tests, because there is the goat hair, to be compared with the other. This [indicating sample] is 50 per cent goat hair, and that the importers declared to be goat hair after they had advertised in the United States mails, and as it was human hair, they claimed it was made out of another material, which was goat hair. Then the Government sent out at five different times special Treasury agents to Marseille, France, to investigate this matter, because they were entering their cloth here at less than the cost of the English raw material. So that we had that situation to face for five or six years.

Senator WALSH. Calling the attention of the gentleman to the language of paragraph 1524 again, have you noticed what the House wrote in there, "hair, curled, suitable for beds or mattresses, 10 per centum ad valorem"?

Mr. RADFORD. I cover that case.

Senator WALSH. You are going to deal with what they put on there?

Mr. RADFORD. Yes, sir.

Senator COUZENS. Is that in your brief, too?

Mr. RADFORD. All of that is in my brief.

Senator COUZENS. Then, what is the use of taking that up?

Senator WALSH. Do you want these rates maintained that are in the House bill?

Mr. RADFORD. Yes; with a few changes that I would like to call attention to.

Senator WALSH. If we change the human hair and put it on the free list, I wanted to get your reaction as to what changes are to be made in the manufactured product of human hair.

Mr. RADFORD. I am coming right up to that now.

We have asked for this change, that in the sundries schedule, paragraph 1523, Schedule 15 of the House bill, it be changed to read as follows:

Human hair, commercially known as drawn, buy not manufactured, 20 per centum ad valorem; hair tops, roving and yarns, not specially provided for, 6 cents per pound and 40 per centum ad valorem; hair press cloth, not specially provided for, 8 cents per pound and 40 per centum ad valorem; press cloth, tops, roving and yarns, of which camel's hair is the component material of chief value, 36 cents per pound and 40 per centum ad valorem; manufactures of human hair, including nets and nettings, or of which human hair is the component material of chief value, not specially provided for, 30 per centum ad valorem.

Senator WALSH. In other words, you are asking for that raw material, human hair, to be upon the free list, and are asking for an increased duty upon the manufactured products of human hair, in some cases, and for the same rate in other cases?

Mr. RADFORD. Yes, sir.

Senator WALSH. How can you justify that position?

Mr. RADFORD. By a number of proofs given here of undervaluation and if you gentlemen do not give us a specific duty, then these duties just balance with free carpet wools at 60 the protection we ask in the same paragraph on camel's hair, roving, and tops and yarns.

Senator WALSH. That is all in your brief?

Mr. RADFORD. Yes, sir; and I justify that by giving you the proofs, and the proofs are more available to you than to me, because you can get them from the Treasury Department.

Senator WALSH. If the rate of 10 per cent is maintained on human hair I suppose you want that language changed and the rates on the manufactured parts increased?

Mr. RADFORD. I have already referred to the way we have covered some under valuations that are being made almost constantly in the customhouses of this country, and I have given the relative costs of the two countries, giving the figures of conversion from their under-valuation figures.

There is just one thing, and that is hair press cloth, which has given us the most trouble. I have eliminated the word "human" there because that would kill the whole thing, although we asked the Ways and Means Committee for more specific duty. We have taken the figures that they have given us, and freeing human hair, and if we are not given that specific protection we will be up against the same thing we were before.

Senator WALSH. Does your brief show what the specific duties will amount to in ad valorem terms?

Mr. RADFORD. Yes; both ad valorem and specific.

The paragraph as written here just gives the minimum protection that we need from figures proven, and at the same time will stop these protests.

There was one suit that cost the Government and the pressed-cloth manufacturers of the country \$20,000.

Senator THOMAS. Just a question or two in reference to the pressed cloth. What form does the completed cloth take in width and thickness?

Mr. RADFORD. There is some of it [indicating sample].

Senator THOMAS. Is that as wide as it is manufactured?

Mr. RADFORD. Just the same.

Senator THOMAS. And the same thickness?

Mr. RADFORD. Yes, sir; they take our constructions and mix them.

Senator THOMAS. This is a sample of the finished product that you manufacture [indicating sample]?

Mr. RADFORD. Yes, sir. Here is a finished product. Here is another finished product. One is of goat hair and the other is of human hair.

Senator THOMAS. Is the sample you presented 100 per cent human hair?

Mr. RADFORD. Yes; it is 100 per cent human hair.

Senator THOMAS. Could that cloth be made from the hair of a horse's mane or tail?

Mr. RADFORD. Yes; from the mane, but not from the tail, because the tail breaks up. But during the war when we had to have it we made that cloth by buying South American manes, a great deal of them.

Senator THOMAS. This cloth is used to absorb the oils?

Mr. RADFORD. No; to strain the oils through, and the hydraulic pressure is exerted and the oil is strained through the cloth which holds the meat together, while the oil is extracted.

Senator THOMAS. This is easily cleansed?

Mr. RADFORD. Yes; it is easily cleansed, and the Government inspects it before they let it come over.

Senator WALSH. Is there any other witness on this same subject?

Mr. RADFORD. Yes, sir; but he had wired me to represent him. He will not be able to be here.

Senator WALSH. Is this industry prosperous?

Mr. RADFORD. Yes, sir; it has been fairly prosperous. It is an industry of American origin, and we feel that it should be protected.

(Mr. Radford submitted the following brief:)

BRIEF OF SOUTHERN PRESS CLOTH MANUFACTURING CO., AUGUSTA, GA., AND OTHERS

**FINANCE COMMITTEE,
Senate of the United States:**

Raw human hair.—Raw human hair now has an indispensable part in the economic life of all the people of our Nation and must be recognized and dealt with accordingly; practically the whole supply of it is imported from China. Not one pound of it is produced for commercial purposes in the United States, nor does it in any way compete with any fiber or product grown here. It serves to meet indispensably the essential needs of our industrial life, and in such a peculiar characteristic way that no other fiber grown in the United States can take its place.

Every pound of human hair available is needed for the manufacture of press cloth to crush the vegetable oleaginous seed and kernel crops of the American farmer to make the fats in the bread we eat, to provide the cottonseed and linseed cake necessary for our meat and dairy provisions, as well as the vast quantity of fertilization products employed to keep alive the enrichment of the soil for the growing of our crops. Any available surplus is needed for the making of filter cloths for our aniline industries, to dye the clothes we wear, for making the paint to preserve our homes, and for the refinement of our basic mining metal products.

With the foregoing unchallenged facts before us, naturally the question arises as to why any customs duty should be fixed upon the importation of raw human hair. Such a policy is contrary to our whole tariff making structure; it fixes an indefensible tax burden on our farm products and likewise an uncalled-for food impost on every man, woman, and child in the United States.

The American farmer with his seed crops now provides the bulk of the cooking and other fat essentials to meet the demands of the whole world, and it being the earnest purpose of this Congress to in every way remove all possible barriers and burdens of depression standing in the way of the advantageous and profitable marketing of farm products, we are here to bring to your attention a perfectly inconsistent one in the fixing of this import tax on raw human hair.

Therefore, when all these reasons are given for removing this tax, and, at the same time, without working injury to any American interest, we beg respectfully to point out the eminent importance now of remedying in this tariff revision the restoration of raw human hair to the free list where it was first inserted in the United States protective tariff act of 1890 and there properly maintained for so many years. In the tariff act of 1913 raw human hair was made dutiable at 10 per cent ad valorem, but at that time it was a matter of such minor importance little attention was given the tax change or the item, but during the following war years, when Russia and her camel's-hair supply was cut off by revolution, it became imperative to find a suitable substitute to take its place for the manufacture of press cloth to provide our food and munition supplies. Raw human hair was found to be the only fiber to have the necessary characteristic of resiliency, combined with the quality of withstanding high heat tension under intensive hydraulic pressure, consequently its adoption became so important that the War Trade Industries Board records will show that no war-time item of essentiality played a more important part than human hair during those critical years.

We ask that raw human hair be restored to the free list, paragraph 1687, Schedule 16, proposed tariff act of 1929, H. R. 2667, and that such paragraph be made to read as follows:

"PAR. 1687. Hair of horse, cattle, and other animals, cleaned or uncleaned, drawn or undrawn, but unmanufactured, not specially provided for, and human hair, raw and undrawn."

The foregoing would consistently reinstate raw human hair to where it was in 1909 and would properly regroup it with its close analogous fibers and those of substantially like market value. No reason was ever given for removing it from the free list nor can any be imagined.

Human hair, commercially known as drawn, is carried through tedious processes of refinement and sorting, cleaning the bulk of the raw product of coarse strands and all elements of grease, dirt, and foreign substance, and which is manufactured into jewelry, hair nets and nettings; therefore, in all previous tariffs, was made dutiable.

Hair press cloth, tops, roving, and yarns.—In our brief before the Ways and Means Committee, hereto attached, we show with official exhibit proofs that the item of "hair press cloth" has probably been a feature of as much or more abuse and confusion in previous tariffs as any other one item in the tariff titles. For a quarter century it has been a source of misapplication, annoying protests, expensive litigation and investigation to and by the Government and press-cloth manufacturers of the United States. Following our suggestions as to remedying the law by specifically designating the item in line with the intentions of Congress, the Ways and Means Committee went far towards clearing up the confusing issue. If the one word "human," relating to human hair, had been eliminated in phrasing the paragraph regarding hair press cloth, tops, roving, and yarns, this would have completely circumvented any possible further misapplication in so far as we can now see. The market cost of horse, cattle, and raw human hair being about the same, it must not be overlooked that there is such a similarity between the fibers of human hair and those of a vast number of black types of nondutiable goat hair (classified as cattle hair) that, when manufactured, only an expert under high microscopic test can distinguish any difference between them. The Government Bureau of Standards report shown in our exhibits herewith verifies this statement. Consequently, all hair press cloth, tops, roving, and yarns, not specially provided for, should dutiably be simplified and classified alike. We are submitting herewith samples of the human hair and goat hair and the manufacturer thereof.

We ask that in Schedule 15, Sundries, paragraph 1523, proposed tariff act, H. R. 2067, of 1929, be made to read as follows:

"PAR. 1523. Human hair, commercially known as drawn, but not manufactured, 20 per centum ad valorem; hair tops, roving, and yarns, not specially provided for, 6 cents per pound and 40 per centum ad valorem; hair press cloth, not specially provided for, 8 cents per pound and 40 per centum ad valorem; press cloth, tops, roving, and yarns, of which camel's hair is the component material of chief value, 36 cents per pound and 40 per centum ad valorem, manufactures of human hair, including nets and nettings, or of which human hair is the component material of chief value, not specially provided for, 35 per centum ad valorem."

It will be seen the foregoing minor changes made provision for the removal of raw human hair to the free list clarifies the otherwise confusing hair tops, roving, and yarn items and consistently gives to them the 2 cents less specific duty than hair press cloth, but properly and consistently gives to them the same ad valorem protection, as otherwise the items would relatively be out of balance; moreover, otherwise, the protection proposed would not be adequate to meet foreign competition. In the "hair-press-cloth" clause the "human-hair" phrase feature is likewise eliminated for specific simplification and to circumvent that "open-door" misapplication, which has been the cause of so much trouble previous tariff acts.

Regarding the camel's hair press-cloth item, the Ways and Means Committee proposal in paragraph 1523 effectually remedies a faulty feature in previous tariffs, which for many years has been a source of misapplication, annoyance, and terrific expense to the Government and all concerned. We are asking in the foregoing merely to add the press cloth camel's-hair tops, roving, and yarns items to the same clause coverage so as to circumvent efforts on the part of importers to unlawfully bring in these items under the preceding "hair tops, roving, and yarn" clause in the same paragraph, and which they would otherwise be sure to try to do as they have persistently done in the past.

In our brief to the Ways and Means Committee we asked for somewhat more protection than they gave us and our then requests were entirely based on the hoped-for certainty of raw human hair being restored to the free list, yet it will be seen in this appeal that we are willing to try out the measure of protection afforded in the House bill proposal, provided our appeal to you for freeing raw human hair is favorably met; otherwise, the Government importation records will show it is impossible for our successfully doing so. European competition get the raw material free, and it is shown by their own declarations for import valuations that their conversion costs are about one-fifth of what they are here. Moreover, it is conclusively shown in the attached exhibits to our Ways and Means Committee brief that certain importers entered hundreds of rolls of their alien product here at valuations amazingly less than the cost of the raw and uncleaned raw materials going into them. These valuations were made to stand by reason of the faulty valuation features of administration in the 1922 tariff act, though it was definitely known all along that those valuations were absurdly impossible and incorrect. This unbearable condition has now obtained for more than six years with great loss to the Government and the American manufacturers, and our only remedy and relief is to be had out of a favorable outcome of this tariff revision.

It has been tried and proven that there is no satisfactory way of reaching European manufacturing living standards and wage costs to contrast them with our own in worsted manufacture, but in France, where we find our chief competing nation, they seem from their valuation declarations to be about one-fifth of what they are here; then on such basis let us reason on to-day's cost of hair press cloth in that country. We understand they claim their product is made of a blend of near-by available Turkish goat hair and human hair, 50 per cent of each, which we must figure with an average dead loss of 10 per cent in cleaning, the goat hair shrinking somewhat less than human hair. The human hair average c. i. f. cost to-day is 28 cents per pound, black Turkish goat hair 32 cents per pound, this makes with their clean, blended, established conversion cost of 4 cents per pound a finished product hair press cloth cost of 33 cents per pound; add to this 8 cents specific and 40 per cent ad valorem United States customs duties, as is proposed, for protection, and you have about 54 cents per pound for the United States landed duty paid import cost; though please observe the record shows that these European competitors have not entered their product here at as high as 30 cents per pound for customs valuation for the past six years, during all of which time raw materials have averaged 33½ per cent higher in cost than to-day's market prices.

Against the foregoing the United States manufacturer must compete, with his human hair likewise costing him 28 cents per pound c. i. f., which with an actual 15 per cent dead loss in cleaning raw human hair, means 32 cents, to which must be added 22 cents per pound as admittedly a fair American average worsted manufacturing cost, and you have 54 cents per pound for the finished United States hair press cloth cost, just the same as the duty-paid landed cost of France for hair press cloth, based on present protection proposals. But this leaves the United States manufacturer to competitively figure his to be added profit against that of the manufacturer of France with his incomparable living standards, admittedly the lowest and cheapest in the manufacturing world. Thus it is to be seen, if honest dutiable valuations are not enforced, that we shall not have a competing chance, even with raw human hair restored to the free list, as asked for, and on which these figures as well as our hopes are based. Without raw human hair being restored to the free list, it is manifest we shall have to have a relatively greater measure of protection than present proposals offer in order to compete with Europe.

Congress wisely placed in the free list carpet wools for floor coverings but imposes a tax on raw human hair, not competitive with any fiber grown here and which is used in making the food essentials we eat.

Press cloth is a worsted fabric, costly and difficult to manufacture, and is carried through the same processes as suitings and dress goods on regular worsted machinery at about the same cost. It is used as an envelope container in modern hydraulic machinery, into which the cooked meats of seeds, minerals, and chemical metallic bases are discharged or fumed at high temperatures.

Eighty per cent of the press cloth supply of the Nation is now made of raw human hair and all further enlightenment sought to be had bearing on the statements made in this brief can be found in our brief to the Ways and Means Com-

mittee with full official statistics and exhibit proofs accompanying, and which for convenience we attach hereto and make a part hereof, we earnestly inviting your full consideration of the whole.

Dated June 24, 1929.

Respectfully submitted.

JOHN S. RADFORD,
Houston, Tex.

Representing Southern Press Cloth Manufacturing Co., Augusta, Ga.; the Werk Press Cloth Manufacturing Co., New Orleans, La.; Oriental Textile Mills, Houston, Tex.

FUR-FELT HATS

[Par. 1526]

STATEMENT OF SYDNEY H. STERN, REPRESENTING THE STERN HAT CO., CLEVELAND, OHIO

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

Senator KEYES. Will you state whom you represent?

Mr. STERN. I represent the Stern Hat Co., of Cleveland, Ohio. I am going to speak with regard to paragraph 1427.

Senator KEYES. Describe your business.

Mr. STERN. Importer of men's fur felt hats, under paragraph 1427 of the old bill.

Senator THOMAS. From what countries do you import these hats?

Mr. STERN. Principally from Italy.

Senator THOMAS. What is the amount of the importations annually?

Mr. STERN. Of ours, or the total?

Senator THOMAS. Both, if you can give them.

Mr. STERN. Our importations will run about 3,000 dozen of these hats from Italy. The total imports in 1927 of men's hats was around 27,000 dozen, between 27,000 and 28,000 dozen. According to the figures of the census of the Department of Commerce, the census of the hat industry of the United States, for every dozen hats made in the United States one dozen were imported, of felt hats.

Senator WALSH. Felt hats?

Mr. STERN. Yes, sir; men's fur felt hats. The hat industry in this country enjoyed a protection of 59.3 per cent on the average. The Government derived in 1927 from men's fur felt hats a revenue of \$1,350,000.

Senator COUZENS. How many workmen did that put out of business?

Mr. STERN. According to the report for the year 1927 of the Department of Commerce approximately 350 men could produce the hats imported.

The figures that the Department of Commerce gives in the census report for 1927 are rather interesting in that in two years they employed 770 more men over 1925, but were able to produce over \$19,000,000 worth more of merchandise, and they made 317,689 dozen more with 770 more wage earners.

There were that many over 1925. In 1914, according to the Government report, there were employed 21,000 wage earners. They only produced \$37,000,000 worth of hats. So the hat industry is in a

pretty good position in this country, when you stop to consider there were only brought in one dozen hats for every hundred dozen made in this country. There are certain conditions in the hat industry in the past few years which are very interesting. Hat prices have gone up and men are having their hats cleaned.

Senator THOMAS. Perhaps better hats are being made to-day than formerly.

Mr. STERN. They are buying better hats. The price per unit in retail stores has gone up. One of our competitors wrote a letter to the president of the Hat Institute on June 17. There was a dinner given for the president of the Hat Institute and he wrote him a letter and told him what a nice dinner had been given in his honor, and during the course of the letter he mentioned that he did not think the stand of the Hat Institute was right with regard to the tariff. I would like to read the second paragraph of the letter. He said:

I appreciate very much your kind letter of the 10th instant in regard to the dinner recently tendered me. It is nice to know that one was so honored, and I will remember the occasion for a long time to come. I thought of you when I spoke of the tariff, and a company importing hats would undoubtedly feel as you do with regard to it. When business is not as brisk as we would like to have it, it is a very natural thing to look for alibis, and most people to-day say that the importation of hats is hurting the domestic manufacturer. Whether it is the importations or lack of more aggressive selling on the part of the industry, it is hard to tell. Most of us feel a higher tariff will help. While it may curtail somewhat the imports of cheaper hats, I doubt very much that it will have any influence on so well managed a business as that of your company.

Very truly yours,

F. H. MONTGOMERY.

In other words, because the hat business is not so good as they would like to have it, they would like to stop the importations of hats.

Senator WALSH. What kind of business is this?

Mr. STERN. That is the head of this fur manufacturing hats.

Senator WALSH. But he mentioned the business of some person he was writing to.

Mr. STERN. This letter is addressed to Mr. William Kiple.

Senator WALSH. What kinds of hats do they import?

Mr. STERN. They are importers of men's hats.

Senator WALSH. What kind of men's hats?

Mr. STERN. The same as we are?

Senator WALSH. In other words, they are higher class hats than the average?

Mr. STERN. Yes, sir. In other words, there would not be imported into the United States anything except these high-class hats. On the other side they range from \$24 to \$36 a dozen.

Italy, from which most of men's fur felt hats come, has been scratching our backs very nicely, or they have tickled us with the purchase of men's hat leathers. A great many of those leathers come back to us sewed inside the hats.

In five years one firm in Philadelphia sold \$483,000 worth of hat leathers to one firm in Italy. That is a pretty nice customer.

Another firm, which has only been in the export business of men's hat leathers in the past three years, sold \$282,000 worth of leather.

We will not argue that imports of hats have not increased. But the increases have been in women's hats. Therefore, the figures

that may be shown to you in regard to the increase will show that the increase was largely due to women wearing more of those fur hats.

I should like to take the figures given to the Ways and Means Committee by the Hat Institute. Taking a dollar cost for the manufacture of hats in this country, and using 54 cents on the other side—and I am using their figures—you can not sell that hat until it is landed in New York, and there are certain expenses in connection with that. That includes the overhead, duty, and freight, so that the total cost of landing that hat in New York is \$1.13 as against a dollar.

Senator WALSH. Exclusive of the tariff?

Mr. STERN. With the tariff. In order that we might compete with that and land that hat in New York, we can not sell it in Italy. The figure is \$1.13 as against \$1 here. We there have a disadvantage of \$1.

Senator THOMAS. To what extent do we export hats?

Mr. STERN. I believe the figures for the past year will show that our exports are about equal to our imports, and we export hatters' machinery and leathers and trimmings, materials that go to make up the hats.

Senator THOMAS. In other words, American hats are about as common in foreign countries as foreign hats are in America.

Mr. STERN. Yes, sir.

Senator THOMAS. As a matter of fact, the better grades of foreign-made hats are about as expensive in foreign countries as the best grades of American hats are in America?

Mr. STERN. Do you mean our American hats in Europe are as expensive as foreign hats.

Senator THOMAS. No; the best grade of hat in Italy and France and Great Britain costs about as much there as the best grade of hat costs in this country?

Mr. STERN. Yes, sir. The Scott hat costs anywhere from around 48 shillings up at retail, which is about \$12, and that is about the price of a good American hat.

I will file a brief, Mr. Chairman.

[Telegram]

Senator HENRY KEYES,

Chairman Finance Subcommittee, Senate Office Building:

It has been brought to my attention that I failed to make definite recommendations relative to men's fur felt hats in my plea before your committee yesterday. This was deliberate on my part, for it is so clearly apparent and must be even more so to you and the committee that the American manufacturers who now enjoy a healthy prosperous ratio of 100 to 1 do not need more protection, but less. I suggest paragraph be changed to classify men's hats separately and to carry an ad valorem duty on 50 per cent only. Increased duties will surely legislate importers out of business.

SYDNEY H. STERN

(For the Stern Hat Co., Cleveland, Ohio).

(Mr. Stern submitted the following brief:)

BRIEF OF THE STERN HAT CO., CLEVELAND, OHIO

FINANCE COMMITTEE,

United States Senate, Washington, D. C.:

- (1) The American hat industry has enjoyed steady growth and is profitable.
- (2) The present tariff rates are now stifling imports.

(3) Should the proposed rates become effective, this would act practically as an embargo.

(4) We recommend a change in this paragraph, viz, a separate classification of men's hats and a flat 50 per cent ad valorem duty only on this commodity.

The trend and facts concerning the hat industry and the importation are herewith presented.

Chart 1 shows how largely the production of men's hats in America completely outstripped imports in 1927. The ratio is 100 to 1. Figures available at this time for 1928 permit the same ratio to exist.

In 1927, according to figures furnished by the Department of Commerce, the American men's hat factories did a gross business of \$94,500,000 (women's hats excluded), against which there was imported a mere \$800,000 of men's hats, or not even 1 per cent, so illustrated by Chart 2.

(The charts above referred to have been filed with the committee.)

In the January 21, 1929, issue of the Daily News Record of New York City there appears this news item:

"Cavanagh-Dobbs report net profit \$910,589 for year.—Net earnings of Cavanagh-Dobbs (Inc.) for the fiscal year ended October 31, 1928, after deducting depreciation and taxes, amounted to \$910,589, equal, after preferred stock dividends, to 2.90 per share of common stock. The balance sheet shows current assets of \$6,041,070 and current liabilities of \$838,031, a ratio of more than 7 to 1."

This firm is one of the leading American manufacturers. They did in 1928, according to figures which are on file with various financial offices, a gross business of a little over \$9,000,000. They therefore were able to net on their sales a net profit of 10 per cent. Other hat manufacturers did equally as well or better. So that the American manufacturers are in a healthy, prosperous condition against the foreign competition which they claim is hurting their business.

As to the workers who are employed in the hat industry of American hat factories, taking the figures as furnished by the Department of Commerce on the hat industry for the year 1927, every man, woman, and child earned an average of \$1.437 for the year.

They have, by improved methods in America, been able to increase production by over \$19,000,000 in two years. In 1925 gross value of products totaled around \$80,000,000, while in 1927, two years later, gross value of products totaled \$99,000,000, or a net gain of around \$19,000,000. This tremendous net gain for American manufacturers was accomplished by adding to their pay roll only 771 more wage earners. With the natural result American manufacturers have increased their profits in 1927 to 25½ per cent. From these figures we stress this point: The American factories and wage earners are enjoying at present a most favorable protection of 50½ per cent.

In figures presented in the brief by the Hat Institute to the Ways and Means Committee of the House of Representatives they have not used figures to give a true comparison. Under paragraph 1427 of the present tariff law men's and women's hats are classified together. Up to January 1, 1929, the Treasury Department did not ask for a separate classification on entries, so that men's and women's hats, while carrying the same rate of duty, were not shown separately as to the total units or the total values imported.

Women for the past five or six years have worn hats made from hoods or bodies of fur felt. As European manufacturers are more adept and more proficient in making light-weight bodies, which are suitable for women's wear, this class of trade has gone to Europe—that is, the major portion of it—with the result that imports from Europe on this class of goods have tremendously increased.

The figures that the Hat Institute used to show their increase in imports under paragraph 1427 have been the combined figures of both men's and women's hats. They have made no effort of discriminating between these two. However, in signing their brief, these manufacturers are all men's hat manufacturers. So that they have not acted fair in presenting figures which will leave the impression that men's hat imports have tremendously increased.

Beginning the first of this year the Treasury Department are classifying in their statistical bureau, the imports of both men's and women's hats under paragraph 1427. So that some time in July a more comprehensive figure, showing the actual imports of both men's and women's hats will be available.

The importer, due to increasing foreign prices plus the present high rates on men's fur felt hats, is at a distinct disadvantage. Hatters fur prices have

gone up. Foreign manufacturers must pay these increases, as well as domestic manufacturers. Costs of labor in Europe have also advanced, with the result that foreign prices have shown a gradual increase. With the result that the landed costs of foreign hats in this country are perceptibly higher.

Under the present methods of hand-to-mouth buying American retailers hesitate to buy foreign-made hats, which in most instances must be ordered four to five months in advance of the time needed. Because of the better method of this merchandising, they prefer to buy domestic hats which can be bought more closely and therefore give them a more rapid turnover. For these reasons, the past few years has seen, due to higher prices and causes just mentioned, a decrease in the number of units of men's fur felt hats imported.

The kind of men's hats imported into this country are only of the better grades to retail from \$10 each up. The sale of this class of goods is therefore limited, due to the number of people who are paying these prices for their hats and these hats can only be sold by importers, profitably to the retailers in the larger cities, because of the cost of doing business and the volume, which can only be secured in the larger cities.

The manufacturers in Europe have produced a particular fine type of hat and they have not tried to flood this country with cheap merchandise, but they have tried for excellence and quality and have been an important factor for the selling of better hats by American manufacturers.

We and every other importer of men's hats, by industry and hard work, have been able to establish a business, predicated on the principles of protection and revenue.

Should the proposed schedules become a law, American manufacturers will enjoy more protection and the Government less revenue, because importers of men's hats would cease to exist and approximately \$600,000 of revenue which the men's hat importers give annually would not be forthcoming.

It is interesting to check once more the figures of the Department of Commerce on the per dozen production of each wage earner in the men's hat industry for the year 1927. If all the hats imported were to be made in this country instead only 350 more wage earners would be employed. But it is doubtful if the Treasury Department or business in general would benefit to the amount that the Government collected in revenue.

In conclusion, we strongly protest the proposed rates, believing that they will act as an embargo upon the importation of men's fur felt hats in this country and recommend a change in paragraph 1526, to be so written that there shall be a separation of men's hats from women's hats and that a flat 50 per cent ad valorem duty only be assessed on this commodity.

Respectfully yours,

THE STERN HAT CO.,
SIDNEY H. STERN, *Treasurer.*

CLEVELAND, OHIO, June 28, 1929.

STATE OF OHIO,
County of Cuyahoga, ss:

Sworn to and subscribed before me, a notary public in and for said county and State, this 28th day of June, 1929.

[SEAL.]

CHAS. H. LONGO, *Notary Public.*

My commission expires March 23, 1931.

BRIEF OF BILL & CALDWELL (INC.), NEW YORK CITY

To the SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

We respectfully protest against any increase on men's fur felt hats paragraph 1526.

First. Because the proposed tariff will act as an embargo on men's fur felt hats and will practically legislate us out of business.

Second. Because domestic manufacturers are amply protected at present and need no further protection (this is definitely true, because total imports of men's fur felt hats into the United States represent but a very little over 1 per cent of the number of men's fur felt hats manufactured in the United States).

Third. Because domestic manufacturers are doing a prosperous and profitable business at the present time under existing rates of duty and need no further protection.

Fourth. Because present costs of hats imported into the United States already exceed costs of comparable domestic manufacture.

We make the following request and suggestions:

The present specific rates up to \$16 per dozen, which seem absolutely necessary in the eyes of domestic makers (although most burdensome to importers) to remain as now written, paragraph 1427, tariff 1922.

On men's trimmed and blocked hats of a foreign value over \$15 per dozen, 10 per cent ad valorem in addition to these specific rates; on men's trimmed and blocked hats of a foreign value not over \$15 per dozen (to remain as par. 1427), 25 per cent ad valorem in addition to the specific rates.

As to other hats, which means particularly women's hats, we have no knowledge, either from an importing or a manufacturing standpoint, so make no suggestion. However, if it is decided that the present specific duties are to remain on them, we would suggest that whatever ad valorem duty you decide is the proper one could be inserted in the place now designated—in the revised wording of the paragraph now submitted for your approval—the new paragraph to be phrased exactly as the present paragraph 1427, except eliminating the last 13 words and adding changed ad valorem rates, so the closing part will read:

"* * * valued at more than \$48 per dozen, \$16 per dozen; and in addition to these specific rates there shall be paid ad valorem rates as follows: On blocked and trimmed hats for men's wear, valued at not over \$15 per dozen, 25 per cent on blocked and trimmed hats for men's wear valued at over \$15 per dozen, 10 per cent; on all other articles mentioned in this paragraph, — per cent."

Please refer to attached brief, which was presented to the Ways and Means Committee of the House of Representatives by Bill & Caldwell (Inc.), wherein is contained full detail and data together with authority for statements made above.

(The brief here referred to is printed in full in the House hearings, pp. 7412-7427).

Respectfully submitted.

BILL & CALDWELL (INC.),
By WILLIAM COE BILL, *Vice President.*

New York, June 29, 1929.
[SEAL.]

WILLIAM TELLER, *Notary Public.*

STATEMENT OF PHILIP S. COHEN, NEW YORK CITY, REPRESENTING THE AMERICAN ASSOCIATION OF FELT AND STRAW GOODS IMPORTERS AND OTHERS

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

Mr. COHEN. I am taking the place of Mr. A. N. Dodge who is unable to be here. I am representing the American Association of Felt and Straw Goods Importers, and the Milliners' Association of America, and about 24 manufacturers of ladies' hats.

We suggest a subdivision be made in paragraph 1526, and to insert the word "trimmed." I have in my brief here what I suggest and what it is now as put before the House Ways and Means Committee.

Senator KEYES. You will file the brief with us?

Mr. COHEN. Yes. We believe this paragraph in this form will be more equitable to both men's and women's hat manufacturers. I say that because many of the trimmed hats come in under the men's but not the women's.

Senator WALSH. What duty do you want placed upon trimmed hats?

Mr. COHEN. We are perfectly satisfied to let the duty remain as suggested by the domestic manufacturers but on the untrimmed we would like the duty to remain the same as it has been in the law.

Senator WALSH. What are the duties suggested by the manufacturers on trimmed?

Mr. COHEN. A raise of about \$1 and \$4 per dozen, according to the bracket it comes under.

Senator WALSH. The untrimmed are \$6 per dozen?

Mr. COHEN. All untrimmed are with that bracket. But we would suggest and we would like the duty to remain the same. The domestic industry manufactured in 1927 approximately \$99,000,00 worth of unfinished fur and felt hats against \$2,500,000 of the imported.

Senator WALSH. When you say two and a half million dollars, what year?

Mr. COHEN. That was in 1927. That is the cost price on the other side—two and a half million dollars. There is no way of stating how much of that came in from the other side, whether men's or women's. They can not find any record of that. Our industry here employs approximately 60,000 men and women.

Senator WALSH. You say your industry. You are representing importers, are you not?

Mr. COHEN. Importers and the Milliners' Association of America, who are distributors and manufacturers of ladies' hats in this country throughout the West and South, and about twenty-odd manufacturers in New York City.

Senator WALSH. When you refer to the number of men and women—60,000 employed—that refers to what?

Mr. COHEN. To the entire country. Of the cheaper price fur-felt hat that comes into this country, it is impossible to compete with the domestic manufacturers for this reason. The cheapest hat that we can import cost 72 cents apiece on the other side. It lands here at approximately \$14 per dozen. The domestic hat manufacturer is producing a hat here selling for \$9 and \$10.50 per dozen. It is impossible for us to compete with that.

On the higher-priced hats of the domestic manufacture the importer has no competition, for the reason that the domestic manufacturer can not produce as good a hat as the importer can bring over here.

Senator THOMAS. Did you just say that you can not import a hat to compete with the home product?

Mr. COHEN. The cheaper hat in the lower brackets.

Senator THOMAS. Is that the answer?

Mr. COHEN. Is it the answer? The importer under that duty can not compete with the cheap fur-felt hat.

Senator THOMAS. As I understand, that is what this witness says, to the effect that they can not compete with the domestic products.

Mr. COHEN. We can not. We do not even try.

Senator THOMAS. As far as you are concerned the end is attained in seeking to prevent importation of certain classes of goods?

Mr. COHEN. Yes.

Senator WALSH. In other words, the present duty protects the cheaper hats?

Mr. COHEN. Yes. The domestic manufacturer has the advantage over the importer in this way. He can produce and manufacture many thousands of dozens of the raw fur-felt and keep them there until the times comes when the hat manufacturer wants this or that color, and style plays a very important part in this industry.

Senator WALSH. What is this class of goods manufactured from? What is the raw material?

Mr. COHEN. Rabbit hair.

Senator WALSH. Where does that come from?

Mr. COHEN. England, Scotland, Belgium, Russia, and Saxony.

Senator WALSH. If a satisfactory tariff is placed on imported or rabbit fur, that would help out the thing you are for. It would raise the price of the finished product in America made from the foreign raw material?

Mr. COHEN. There is a duty on the raw fur cut, not on the skin, but cut off the skin, a duty of 35 per cent.

Senator WALSH. Why not put a duty on the raw skin uncut? It is on the free list now. That will build up in this country a very extensive industry. That is the purpose of this class of legislation. Do you object to that?

Mr. COHEN. I will answer in this way: The kind of hair we use to manufacture these hats can not grow in this country--the rabbit itself. It is a different kind of hair. I will continue and show that the importer must order his merchandise anywhere from 8 to 12 weeks in advance of the season, and then he has to guess at the colors. If a color comes in vogue in this country, the importer's hands are tied, for the reason that he can not order and wait 12 weeks for the merchandise. He has to sell the colors that he has. If he is unfortunate enough not to guess the right colors his merchandise is left there at the end of the season and he tries the best way he can to get rid of that, generally at a sacrifice. Therefore styles are important, and it seems to me the manufacturer has the advantage.

Senator KEYES. Does not the domestic manufacturer have to do some guessing, too?

Mr. COHEN. No; because he makes his fur-felt or stump in the raw, and he waits for the vogue to come in and he can dye his merchandise within 24 hours, dye and deliver within 24 or 48 hours.

Senator KEYES. They are quite efficient.

Mr. COHEN. Yes; they are. It is a stimulus for the domestic manufacturer to receive samples of novelties from the other side, and I repeat, what we do receive amounts to only about 3 per cent of what we use in this country. The importer gives us new ideas on imported hats. Consequently, if the tariff were raised any more, it would break up and close the market for the importer. I will repeat what was said by the domestic manufacturer in his brief when he testified before the House Committee on Ways and Means.

Senator KEYES. Who are you referring to?

Mr. COHEN. Mr. McLachlan. He testified yesterday afternoon. He said the present duties were protective but not prohibitive and that the American manufacturers were satisfied with them.

So all I ask you gentlemen is to leave that duty as it is.

Senator KEYES. As it is in the present law?

Mr. COHEN. As it is in the present law and make a subdivision where the trimmed hats come in, as I indicate in this brief which I am now filing. We are willing for the duty to be raised to whatever you think is just, because as I say that affects the men's hats and not women's. The men's hats often come into this country trimmed. Practically none of the women's hats come into this country trimmed.

Senator THOMAS. In other words, on a product you are not interested in you do not care what the duty is?

Mr. COHEN. We are interested in our own industry.

Senator WALSH. If I understood Mr. McLachlan's testimony, he favored the provisions in the House bill rather than the present law. Is that true?

Mr. COHEN. In the House bill there was a slight increase in the duty of \$3.

Senator WALSH. He favored that and advocated other brackets.

Mr. COHEN. Yes; changed the brackets a little bit. Those 50 or more per cent of hats that come into this country come in the brackets from \$24 to \$36, and he wants an increase there of \$3 per dozen, that is specific.

Senator WALSH. Over other imports where the value is less than \$24 a dozen?

Mr. COHEN. Yes. It practically means if we imported and bring a hat into this country at less than \$15 cost on the other side the importer can not compete with the American manufacturer. He does not try, as a matter of fact.

Senator THOMAS. Do you know of any other industry where the importer can not compete with the domestic manufacturer in any other class of goods?

Mr. COHEN. Not offhand; no, sir.

Senator THOMAS. You may file your brief.

Mr. COHEN. This is my brief.

(The brief referred to is as follows:)

BRIEF OF THE AMERICAN ASSOCIATION OF FELT AND STRAW GOODS IMPORTERS AND OTHERS

COMMITTEE ON FINANCE

United States Senate:

We respectfully suggest that paragraph 1526 read as follows:

"Hats, caps, bonnets, hoods, and capelines for men's, women's, boys', or children's wear including bodies, hoods, plateaux, forms, or shapes for hats or bonnets composed wholly or in chief value of fur of the rabbit, beaver, or other animals, valued at not more than \$4.50 per dozen, \$1.50 per dozen; valued at more than \$4.50 and not more than \$9 per dozen, \$3 per dozen; valued at more than \$9 per dozen and not more than \$15 per dozen, \$5 per dozen; valued at more than \$15 and not more than \$24 per dozen, \$7 per dozen; valued at more than \$24 per dozen and not more than \$36 per dozen, \$10 per dozen; valued at more than \$36 and not more than \$48 per dozen, \$13 per dozen; valued at more than \$48 per dozen, \$16 per dozen, and in addition thereto, on all the foregoing, 25 per cent ad valorem."

We suggest that a subdivision be made of paragraph 1526 to read as follows:

"Hats, caps, bonnets, hoods, and capelines for men's, women's, boys', or children's wear, trimmed, composed wholly or in chief value of fur of the rabbit, beaver, or other animals, valued at not more than \$4.50 per dozen, \$2 per dozen; valued at more than \$4.50 and not more than \$9 per dozen, \$4 per dozen; valued at more than \$9 and not more than \$15, \$7 per dozen; valued at more than \$15 per dozen and not more than \$24 per dozen, \$9 per dozen; valued at more than \$24 and not more than \$36, \$12 per dozen; valued at more than \$36 and not more than \$48, \$13 per dozen; valued at more than \$48 per dozen, \$16 per dozen, and in addition thereto, on all the foregoing, 25 per cent ad valorem."

We believe this paragraph in this form will be more equitable to both men's and women's hat manufacturers and American labor than it is in its present form, as these bodies constitute raw material which is used by the hat manufacturers who employ American labor in making the finished hats.

The growth of the domestic fur-felt industry of 24 per cent from 1925 to 1927 suggests no hardship. Attention is called to the fact that one firm making only good quality hats for men only (this statement appeared in the American Hatter) states their shipments during February, 1929, to all parts of the world will be over \$2,500,000. This shipment of but one firm alone is for one month

only, whereas the total value of imports for the year 1928, both men's and women's, is only \$3,356,048. Of this total approximately two-thirds are unfinished hat bodies, which are sold by the importers direct to American hat manufacturers as their raw material.

Imports of fur-felt hats, classified according to value, entered in the United States during the years 1923, 1925, and 1927

| Fur-felt hats valued at— | Rate of duty | Quality | Value | Equivalent ad valorem of duty paid |
|--|------------------------------------|------------------|------------------|------------------------------------|
| 1923 | | | | |
| | | Number | | |
| Not over \$4.50 per dozen..... | \$1.50 per dozen and 25 per cent.. | 1,668 | \$491 | 67.46 |
| Over \$4.50 but not over \$9 per dozen.. | \$3 per dozen and 25 per cent.... | 12,385 | 7,617 | 40.65 |
| Over \$9 but not over \$15 per dozen.... | \$5 per dozen and 25 per cent.... | 7,010 | 7,512 | 33.91 |
| Over \$15 but not over \$24 per dozen... | \$7 per dozen and 25 per cent.... | 53,575 | 101,247 | 30.87 |
| Over \$24 but not over \$36 per dozen... | \$10 per dozen and 25 per cent... | 138,115 | 308,915 | 34.59 |
| Over \$36 but not over \$48 per dozen... | \$13 per dozen and 25 per cent... | 27,605 | 94,145 | 34.27 |
| Over \$48 per dozen..... | \$16 per dozen and 25 per cent... | 11,690 | 61,121 | 50.93 |
| Total..... | | 242,239 | 581,048 | |
| 1925 | | | | |
| Not over \$4.50 per dozen..... | \$1.50 per dozen and 25 per cent.. | 3,731 | 1,030 | 70.28 |
| Over \$4.50 but not over \$9 per dozen.. | \$3 per dozen and 25 per cent.... | 5,753 | 4,059 | 69.43 |
| Over \$9 but not over \$15 per dozen.... | \$5 per dozen and 25 per cent.... | 37,668 | 29,874 | 63.59 |
| Over \$15 but not over \$24 per dozen... | \$7 per dozen and 25 per cent.... | 162,066 | 298,294 | 58.81 |
| Over \$24 but not over \$36 per dozen... | \$10 per dozen and 25 per cent... | 215,457 | 549,057 | 37.70 |
| Over \$36 but not over \$48 per dozen... | \$13 per dozen and 25 per cent... | 63,112 | 234,197 | 56.81 |
| Over \$48 per dozen..... | \$16 per dozen and 25 per cent... | 46,263 | 272,589 | 40.09 |
| Total..... | | 532,639 | 1,389,000 | |
| 1927 | | | | |
| Not over \$4.50 per dozen..... | \$1.50 per dozen and 25 per cent.. | 32,888 | 8,361 | 74.17 |
| Over \$4.50 but not over \$9 per dozen.. | \$3 per dozen and 25 per cent.... | 54,699 | 39,017 | 60.04 |
| Over \$9 but not over \$15 per dozen.... | \$5 per dozen and 25 per cent.... | 184,548 | 202,492 | 62.97 |
| Over \$15 but not over \$24 per dozen... | \$7 per dozen and 25 per cent.... | 287,313 | 506,562 | 58.09 |
| Over \$24 but not over \$36 per dozen... | \$10 per dozen and 25 per cent... | 389,042 | 1,019,085 | 56.81 |
| Over \$36 but not over \$48 per dozen... | \$13 per dozen and 25 per cent... | 80,287 | 278,791 | 56.20 |
| Over \$48 per dozen..... | \$16 per dozen and 25 per cent... | 56,905 | 344,959 | 46.99 |
| Total..... | | 1,065,672 | 2,399,267 | |

While the trend of imports during the last six years has been, in common with other articles of wearing apparel, upward, owing to the demand developed in this country because of greater efforts on the part of importers for a better knowledge and appreciation of certain makes of imported hats, of recognized merit, they are still, however, far from being a factor in the fur-felt hat consumption in this country.

In 1925, for instance, according to the census figures, 1,733,000 dozens of fur-felt hats and 953,000 dozens fur-felt hat bodies and hats in the rough, valued respectively at \$62,224,000 and \$14,401,000, were manufactured in the United States. Against these figures but 44,917 dozens of fur-felt hats were imported, which increased to 94,833 dozens in 1927, valued respectively at \$1,405,000 and \$2,451,000. In other words, imported fur-felt hats represented in 1925 but 1.63 per cent of the quantity manufactured in this country.

In 1927 the total of fur-felt hats manufactured in the United States rose, according to the American Hatter, to 2,050,580 dozens, valued at \$90,209,048, an increase of 20 per cent in number and 24 per cent in value in comparison to 1925. Imports represented but 4.62 per cent of the total fur-felt hats manufactured in 1927.

A further analysis of imports since 1923 shows the fact that from about 50 to 70 per cent of the imports are represented by hats of the last three more costly classes (over \$24 to \$48 per dozen), namely, by high quality hats paying from \$10 per dozen plus 25 per cent up to \$16 per dozen plus 25 per cent duty.

Fur-felt hats are termed "fashionable articles." The domestic manufacturers have every facility whereby they are enabled to take orders for delivery on as short a notice as 24 hours, while importers can not obtain hats from abroad in less than 8 to 12 weeks, and that under most favorable conditions. The importer must order his goods at the beginning of the season, have them here early, and can never order any large quantity on account of change in style, shape, demand, color, etc. Also he can not reorder throughout the season on account of the length of time it takes to receive goods from abroad.

Bureau of Statistics, customhouse, New York, examined records of imports entering New York under paragraph 1427 for May, 1928 (in the course of a year 80 per cent of all imports under paragraph 1427 entering this port), and their report for that month was that both in quantity and value 95 per cent of imports were women's and 5 per cent were men's. In 1927, of the entire imports of fur-felt hats, 70 per cent were women's hats (which are bodies which are manufactured into finished hats).

The report of the Department of Commerce shows that in 1928 the value of domestic production of fur-felt hats and bodies was close to \$100,000,000, and that the total importations were valued at \$3,353,048. The representative of the Hat Institute who testified before the Committee on Ways and Means, House of Representatives (p. 6530), confirmed these figures.

It is hardly necessary to point out at length to your committee that an American industry, which, under the present high rates of duty (60 to 75 per cent), controls about 90% per cent of the business, is not in need of further protection. Practically all the imported hat bodies are of a kind which are not and admittedly can not be manufactured in the United States. They differ materially in the method of treatment of the raw material, finish, style, etc. It is for this reason alone that relatively few are imported under the present high rate of duty.

The representative of the Hat Institute stated to the House committee (p. 6538) that the application for increased rates was limited to the so-called middle brackets, which are valued at more than \$15 and not more than \$24 per dozen, \$7 per dozen; valued at more than \$24 and not more than \$36 per dozen, \$10 per dozen; and, in addition thereto, on all the foregoing 25 per cent ad valorem. As to the hats and hat bodies covered by the lower and higher brackets, he stated that the present duties were "protective, but not prohibitive," and that the American manufacturers were satisfied with them. The fact is that the rates in the lower brackets are prohibitive and few, if any, hats falling within them are imported. As to the higher brackets, also, the present rates of duty have prevented importation except of certain grades of expensive hats which are not, and can not be, manufactured in this country. The quantity of these hats imported is very small. Of the total imports for 1928 approximately two-thirds are unfinished hat bodies, which are sold by the importers direct to American hat manufacturers as their raw material. These American hat manufacturers manufacture the imported bodies into finished hats. This work, which is practically all hand labor, is done by American working men and women.

Respectfully submitted.

AMERICAN ASSOCIATION OF FELT AND STRAW GOODS IMPORTERS,
By A. N. DODGE

And the following:

Hyland New York, Farrington & Evans (Inc.), E. H. Sherman & Co. (Inc.), G. Howard Hodge (Inc.), Riche Hat Co. (Inc.), Hunken Neale & Forbes, Gage Bros. & Co., Aitkin Son & Co., French Trading Co., Samuel D. Lasdon & Co., Harry Solomon, Tuxedo Hat Body Corporation, and Lou I. Luben Co., all of New York City; F. W. Sibell (Inc.), Werzberger & Co. (Inc.), DeMarinis & Lorie, Nathan Schrieber, Kurz Bros. (Inc.), L. G. Meyerson (Inc.), Crosby Kenney Co. (Inc.), Frank W. Abbott Corporation, Vell Hat Co., Bowlo Bros., D. B. Fisk & Co., Chicago.

Millinery Association of America, of which the following are the members:

Atlanta: N. Bodenheimer & Bro., M. Kutz Co., J. Regensteln Co., Ernest L. Rhodes Co. Baltimore: The Armstrong-Cator Co., D. S. Wallerstein. Birmingham: Markstein Bros. Millinery Co. Boston: Clapp & Tilton Co. Buffalo:

Gerber, Nott & Co. Chicago: The Ascher Co., Ascher-Green Co., C. R. Millinery Co., Chicago Bargain House (Inc.), Signe Choulnard, Empire Hat Co., Fa Lane, D. B. Fisk & Co., Gage Bros. Co., Globe Hat Co., Frank P. Hellman Co., Edson Keith-Chicago Mercantile Co., Klemperer, Cline & Redstone, Madison Hat Works, Merit Hat Co., Opple Hat Co. (Inc.), Ornstein & Schoenberg, Rainbo (Inc.), The Richter-Friedlander Co., Speigel Bros., Stern, McGivney & Co., T. N. Thompson & Co., Wagner-Gaepel Co. Cincinnati: The Jos. Lazarus Co. Cleveland: The Hart Co. Dallas: Baron Bros. Millinery Co., Dallas Hat Manufacturing Co., Fox Coffey Edge Co., Goldstein Hat Manufacturing Co., Higginbotham Millinery Co., Lichtenstein-Mittenthal Co., Milliners' Supply Co., Rosenfield Rosen Millinery Co. Denver: Armstrong-Turner Millinery Co. Des Moines: Lederer, Strauss & Co. (Inc.). Fort Wayne: The Hollywood Co. Grand Rapids: Du Bois-Munn Co. Indianapolis: Fuhnley & McCrea Millinery Co., O'Hern Bros. (Inc.), Star Millinery Co. Kansas City: Frankel Frank & Co., Hirsch Millinery Co., Liebstadter Millinery Co., Lyon Bros. Millinery Co. Louisville: David Baird & Son, Pope-Maloney Millinery Co. Milwaukee: Blumenfeld, Locher Co., M. Helman & Co., The Miller-Genz Co. Nashville: L. Jous & Co. Oklahoma City: Hayes Wholesale Millinery Co., Jericho Millinery Co. Omaha: M. Spleberger & Son Co. Philadelphia: Kohn, Adler & Co., Smith & Hartnett. Portland, Oreg.: Lowengart & Co. Quincy: Crooks Bros. Millinery Co., Davidson Millinery Co. Richmond: M. Oughton, Kaufmann & Co. Savannah: Victor Bros. Seattle: Staadecker & Co. St. Joseph: Englehart-Davison Mercantile Co. St. Louis: Bronx Hat Co., Edwin Hat Co., Frankel Bros. Millinery Co., Goldman-O'Brien-Nassauer Manufacturing Co., Ralph Goldsticker Hat Co., Goluber Millinery Co., P. W. Judah Hat Co., Levis-Goodbar-Lloyd Co., Levis-Zukoski Mercantile Co., Martha Hat Works, Progressive Hat Manufacturing Co., Rosenthal Sloan Millinery Co., Schieber-Laycob Hat Co., Stein Poulson Manufacturing Co. Wheeling: S. M. Rice & Co.

DISTRICT OF COLUMBIA. ss:

Philip S. Cohen, being duly sworn, deposes and says that he has read the foregoing brief and knows the contents thereof; that the facts therein set forth are true to the best of his knowledge, information, and belief.

PHILIP S. COHEN.

Subscribed and sworn to before me this 25th day of June, 1929.

[SEAL.]

ROBERT N. PATTERSON,
Notary Public, District of Columbia.

**STATEMENT OF HARRY McLACHLAN, DANBURY, CONN.,
REPRESENTING THE HAT INSTITUTE**

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

Senator WALSH. What is the name of your concern?

Mr. McLACHLAN. H. McLachlan & Co.

Senator WALSH. How large is your concern; how many employees have you?

Mr. McLACHLAN. From 350 to 375.

Senator WALSH. Do you represent your own concern, alone?

Mr. McLACHLAN. No; I represent the Hat Institute, which constitutes 90 per cent of the hat industry of this country.

Senator WALSH. How many hat industries are there?

Mr. McLACHLAN. They are scattered all over the country in, I think, 20 different States.

Senator WALSH. Manufacturers of hats?

Mr. McLACHLAN. Yes, sir.

Senator THOMAS. What is the present duty on hats?

Mr. McLACHLAN. It is about 53 or 54 per cent.

Senator THOMAS. What does the bill before us propose in the way of duty?

Mr. McLACHLAN. The bill we proposed to the Ways and Means Committee was not any great advance, but we have a specific and ad valorem duty on hats that covers different brackets from \$4 up to \$36. There were some of those brackets where we felt that we were not properly taken care of. In some of them the brackets were readjusted, and in one of the brackets we lowered the duty and in three other ones we increased it from \$2 a dozen to \$3 a dozen, and that means that 25 cents a hat is the highest increase.

Senator THOMAS. Is the hat industry reasonably prosperous at this time?

Mr. McLACHLAN. Not at the present time. We are not making hats in this country as we did in 1909.

Senator THOMAS. There are some elements that go into that that are patent. In the first place, a large part of our population do not wear hats any more.

Mr. McLACHLAN. I am sorry to say that is so, but our population has grown considerably in this country in the last 20 years. We can not really account for it except in the change of styles. At that time there were more stiff hats worn; to-day there are more soft hats, which I think will last longer than the stiff hats.

Senator THOMAS. Then you are making a better hat to-day than formerly?

Mr. McLACHLAN. A much better hat to-day than some years ago.

Senator THOMAS. And the condition of the people in some parts of the country is such that they can not afford to buy hats as often as they used to?

Mr. McLACHLAN. That is true. The price of hats to-day is largely caused by the increase in the price of the raw material. Everything that enters into a hat is imported. You take the rabbit fur that we get; we import most of it from Australia; some of it comes from France and some from Germany and some from England and some from Scotland. Say we have to bring that material in and prepare it to make hats, and the price of fur in the last 10 years has increased over 400 per cent, and that is largely the cause of the increase.

Senator THOMAS. Is there any duty on rabbit fur?

Mr. McLACHLAN. Not on the raw material. There is on the manufactures.

Senator THOMAS. There has been a request presented for a duty on rabbit fur; do you favor that?

Mr. McLACHLAN. I do not see why we should do that, because it will only increase the cost of our hats again. The production of American rabbits is not so very great.

Senator THOMAS. Do you agree that the tariff on rabbit fur would very greatly stimulate the rabbit industry in this country?

Mr. McLACHLAN. Rabbit fur in this country is not suitable for all types of hats, but only for certain types of hats. It can not be used for certain types. The importations of hats, according to the statistics we have from the Government Department of Commerce show that in 1922, when the present tariff went into effect on hats, the imports amounted to less than 20,000 dozen that year. In the year 1928 there were 127,000 dozen.

At that time the importers claimed that if the duty was raised they would have to go out of business, but apparently they did not go out of

business, because imports have been increasing every year from less than 27,000 dozen up to 127,000 dozen last year, according to the statistics.

There have been statements made regarding men's hats and ladies' hats that we can not verify. We are unable to get those figures from our Government. They all come in one bracket as hats, whether they are ladies' hats or men's hats, and we have tried to get the Department of Commerce to segregate them, but up until lately we have not been able to do that. When anybody says there are so many ladies' hats and men's hats that come in he is making a statement that he can not verify.

We make ladies' hats as well as men's hats. Our industry makes both types of hats.

We have also been affected by the number of wool hats coming into this country that the ladies have been wearing. There were over three million dozen more hats brought into this country last year.

Senator WALSH. Do we make any in this country?

Mr. McLACHLAN. Yes; and the great majority of them are made in Massachusetts. Some are made in New York State and some in Pennsylvania.

If those hats were not brought into this country at the prices at which they have been brought in the hat industry would be more prosperous, because we would be making fur instead of wool, and the fur factories would be getting some of the business.

Senator WALSH. Are the hats that are imported comparable to the domestic hats?

Mr. McLACHLAN. Practically so.

Senator WALSH. There are no specialties?

Mr. McLACHLAN. There are no specialties. We can make anything that is imported into this country. We can duplicate it.

The price of fur is one of the causes for the increase in prices. That has gone up 25 per cent.

Senator WALSH. Are there any increases in this bill levied on your so-called raw products?

Mr. McLACHLAN. No; they remained the same.

There has been another statement made here that the export of hats is equal to the import of hats. We have statistics that show that the export of hats amounted to around \$2,000,000 and the import of hats amounted to over \$6,000,000.

Senator WALSH. That was in a given year, was it?

McLACHLAN. In 1928.

Senator THOMAS. What is the authority for that statement?

Mr. McLACHLAN. The Department of Commerce; that is where we get our figures.

Senator THOMAS. Do you do any exporting business?

Mr. McLACHLAN. No, sir. The largest part of that business is done by one concern in Pennsylvania that specializes in certain types of hats not made in other countries.

Senator THOMAS. Do you know of any American hat concerns that have established hat factories abroad?

Mr. McLACHLAN. No, sir, there are none. I do not know of any American hat manufacturer that is affiliated with any foreign manufacturer.

Senator WALSH. Not even in Canada?

Mr. McLACHLAN. Not even in Canada, no, sir.

Senator THOMAS. Are the hat factories fairly well organized?

Mr. McLACHLAN. How do you mean.

Senator THOMAS. Almost every other line of business is organized; they have a national association and have meetings.

Mr. McLACHLAN. We have the Hat Institute, which covers 90 per cent of the hat manufacturers of this country. It takes care of some of the other trades like straw hats, and they try to keep in touch with matters pertaining to the industry, and we are going to get the allied trades into the Institute.

Senator THOMAS. Is the manufacture of hats largely the result of machine work, or of hand labor?

Mr. McLACHLAN. Both. There are more machines now than there were years ago.

Senator THOMAS. Does that work require a high degree of skill?

Mr. McLACHLAN. Yes, sir.

Senator THOMAS. What sort of wages do those employees receive?

Mr. McLACHLAN. The average wages of men run from \$44 to \$60 a week. They are one of the best paid industries in our State.

Senator THOMAS. Do you employ many women?

Mr. McLACHLAN. Quite a few women. The women make from \$25 to \$35 a week. They do the trimming on the hats.

The increase we have asked for, if it is granted us, only means 25 cents a hat as the highest increase. It is just merely a revision of the brackets in the specific duties. The ad valorem duty remains the same.

We found that about 70 per cent of the imports of hats were coming in these brackets, and that is where it affected us the most.

Senator WALSH. Is the House provision satisfactory to you?

Mr. McLACHLAN. Yes, sir.

Senator WALSH. You want no changes in that?

Mr. McLACHLAN. No.

Senator WALSH. The changes they made in the brackets are satisfactory?

Mr. McLACHLAN. Absolutely; yes, sir.

JEWELRY

[Par. 1527]

STATEMENT OF DAVID J. GALLERT, NEW YORK CITY, REPRESENTING NOVELTY JEWELRY DISTRIBUTORS

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

Senator KEYES. State whom you represent.

Mr. GALLERT. I represent a group of 15 distributors of novelty jewelry. Mr. Chairman and Senators, I use the term distributors of novelty jewelry advisedly, because while these gentlemen are all importers, they are also all jobbers of the American-made product. This dual connection is necessary on account of the nature of that business.

Senator KEYES. You testified before the Ways and Means Committee?

Mr. GALLERT. I did.

Senator KEYES. I noticed that because I read your testimony. We are short of time.

Mr. GALLERT. I will not give you anything I said to the Ways and Means Committee.

Senator KEYES. If you have anything to add to what you stated to the Ways and Means Committee we will be pleased to hear you.

Mr. GALLERT. I mean to give my statement in that way. The novelty jewelry is distinguished or differentiated from other jewelry in the fact that novelty jewelry has very little intrinsic value in proportion to its cost.

Senator KEYES. Did you state that before the Ways and Means Committee?

Mr. GALLERT. Yes; but that is only an introduction in order that the committee may understand.

Senator COUZENS. Are you going to file a brief now?

Mr. GALLERT. Yes.

Senator COUZENS. Are you going to read what you are going to file?

Mr. GALLERT. Only to a very slight extent. It is purely a style proposition, and 80 per cent of the attempts to hit the current style vogue are unsuccessful in this group. Only 20 per cent are successful. It is necessary to try these things out in small quantities. When small quantities are made they can be made to sell abroad, but when the demand is sufficient and we make the machinery and dies the American product drives out the foreign product entirely from the market.

Senator THOMAS. Can the American manufacturers of novelty jewelry compete with the foreign product in price when a particular article is in vogue?

Mr. GALLERT. In many cases he makes it actually cheaper than it can be bought abroad. In all cases that have been called to my attention, and hundreds of cases have been called to my attention, he makes it much less than 80 per cent and when the dies and machinery are made the foreign article is absolutely driven out of the American market. I have some cases in here. That raise of duty on this product from 80 to 110 per cent by that phrase is very peculiarly worded. This was alluded to yesterday by the representative of Dunhill. He quoted the phrase from memory, but did not quote it quite correctly. The paragraph first puts in a duty of 80 per cent on articles made of gold and platinum.

Senator THOMAS. What section is that?

Mr. GALLERT. Paragraph 1627 (a); valued at 20 cents per dozen pieces, 1 cent each, and in addition thereto three-fifths of 1 cent per dozen for each 1 cent the value exceeds 20 cents per dozen, and 50 per cent ad valorem.

That looks like it is very complicated, but if you puzzle over that and work it out mathematically, you find that it is a straight 110 per cent ad valorem duty, and I think the reason why it was put in this form is because the domestic manufacturers realized that the industry was not in shape to require any additional duty. As one of those who presented the figures of imports and domestic production before the Ways and Means Committee, I took a classification

of jewelry made by the Department of Commerce and called their attention to the fact that domestic production in 1927 was \$164,865,000; imports, \$2,087,000; and exports \$1,177,000.

Senator COUZENS. All of which is in the brief you are filing?

Mr. GALLERT. I will explain that the domestic manufacturers objected to that because they claimed that to get a fair differential you should add to these imports the jewelry imports which are classified under metal articles for personal use and adornment which would make the combined imports for 1927, \$1,476,000, which metal articles being used in adornment include articles other than what are classified as jewelry, and classified under jewelry under the figures of domestic production. For example, the cigar lighter put in yesterday evening would come in the import classification, whereas in the domestic production figures they would not consider in articles of manufactured beads of various kinds, and in those figures the imports only bear 3 per cent proportion of the amount of domestic price.

Senator THOMAS. You have testified before several subcommittees, have you not?

Mr. GALLERT. I testified before the Ways and Means Committee. I testified on pearl beads before this committee.

Senator THOMAS. How many different schedules are you personally interested in?

Mr. GALLERT. Only these two, and those are practically the same group of people. In fact, my people are interested in pearl beads.

Senator THOMAS. Have you read the bill carefully?

Mr. GALLERT. Only the section I am interested in.

Senator THOMAS. You referred to section 1527, stating that it contained language which was designated yesterday "Legislation through hidden meaning." Do you know of any other sections in the bill that contain similar hidden meanings?

Mr. GALLERT. I know of no other section.

Senator THOMAS. Are you familiar with paragraph 1513?

Mr. GALLERT. I am not. I wanted to put in a few samples to prove my statement that since dies and machinery were made, the foreign article was driven from the American market. Exhibit 1 is an imported brass necklace which cost the importer \$54 a dozen landed. Exhibit 1-A is an American modification of the same thing that cost the consuming public from the American manufacturer \$12 a dozen.

Senator THOMAS. Do you know of any case where American manufacturers of cheap jewelry are exporting their goods?

Mr. GALLERT. I know of one case where they are exporting to Canada.

Senator THOMAS. The European countries are literally filled with cheap jewelry, and I was just wondering if that was manufactured in America, and to what extent?

Mr. GALLERT. The figures show \$1,177,000 exported in 1927. I know of one concern that regularly exports to Canada, and I think he was anxious to export to other countries.

Exhibit 2 is a European necklace which cost the importer landed \$28.44 a dozen. Exhibit 2-A is an American article made of sterling silver, whereas the other is composition, which costs the consuming public from the American manufacturer \$12 a dozen.

Exhibit 3 is a European article with the stones pasted, not set, that cost the importer landed, \$5.40 a dozen. Exhibit 3-A is the American-made article of much heavier material, a metal, with a safety catch, which costs the consuming public \$3.93 a dozen from the American manufacturer.

Senator THOMAS. Do these prices serve to keep out importations of this class of goods, if such prices prevail generally?

Mr. GALLERT. Once the dies and machinery are made that is what happens. The importer does not hope to get more than the first season. He very seldom gets the whole first season if the articles prove successful.

Senator THOMAS. Do you mean by that to say that most of them are invented and fabricated abroad?

Mr. GALLERT. The designs are made abroad, but once they come over here the American gets one and modifies it, and they modify them to an incredible extent. Sometimes it is very difficult for the layman to see the effect of the original from the fiftieth modification, but people in the trade know that it is so.

Exhibit 5 is a European article made of base metal that costs the importer \$18 a dozen. Exhibit 5-A is the American article made of sterling, which costs the manufacturer \$9 a dozen.

Senator KEYES. Don't you think those will be sufficient in the way of exhibits?

Mr. GALLERT. I will not give any more exhibits with the sole exception that I want to show you domestic stuff that I bought at a 10-cent store at retail.

Senator WALSH. Are these imported at less than 20 cents a dozen that you are now showing?

Mr. GALLERT. These are not imported. They are the domestic.

Senator WALSH. Anything that competes with that would have to come under the classification of 20 cents a dozen.

Mr. GALLERT. My understanding is that this is American stuff made here. There is very little of the cheap stuff imported. We submit that when an industry can make merchandise like this to retail at 10 cents apiece that it does not need any further protection than it is getting.

Senator WALSH. The duty does not begin to run against jewelry unless it is more than 20 cents a dozen. Am I right?

Mr. GALLERT. No; it is a lower rate.

Senator WALSH. Very much lower?

Mr. GALLERT. A very much lower rate.

Senator WALSH. There is practically no competition in that line?

Mr. GALLERT. There is just one more question I will call to the attention of this committee because it has come up. In their brief to the Ways and Means Committee the domestic manufacturers refer to the fact that they were obliged to get their stones from Czechoslovakia, that on account of secret processes of generations of skilled workers they get their stones there. And I call attention to the fact that they compete mainly or largely on the finished product with the country from which they get their stones.

Now, it has come to our knowledge that since this bill was reported to the House that the jewelry manufacturers of Czechoslovakia, believing with the American manufacturers that these stones must

be obtained from them, are agitating a reprisal in the shape of an 80 per cent export duty on those stones, and have taken the matter up and have pushed it with their government at Prague. Having this information we call it to the attention of the committee and it seems to us that would have a bad effect on the industry because it is necessary for both manufacturers and importers to a certain extent to make goods to retail at certain prices, but we are afraid that the effect of this export duty if it is passed would be to increase the price of some of these articles so much as to limit not only the imports, but the domestic production.

(The brief filed by Mr. Gallert is as follows:)

BRIEF OF DISTRIBUTORS OF NOVELTY JEWELRY

This brief is presented on behalf of distributors of novelty jewelry, who are both importers and also jobbers of the American made product. They all assemble and reconstruct the foreign product in this country and are therefore American manufacturers. Many of them are financially interested in various ways in American factories of novelty jewelry. There is not one of them who, in addition to importing foreign merchandise, does not also either job or manufacture American made novelty jewelry. In fact the conditions in the industry are such, as will be explained later, that a distributor is obliged to be interested both in foreign merchandise and in domestic merchandise.

In the prior tariff acts and in the Government statistics, no division has been made between novelty jewelry and other jewelry. As a matter of fact the line is, however, well drawn and well recognized in the trade. The distinction may be generally stated as follows: Jewelry, as it is generally known, is usually manufactured from precious metals and/or precious stones and has a large intrinsic value in proportion to its cost. Novelty jewelry is characterized by the absence of any appreciable intrinsic value and derives its worth mainly from its style and appeal to the current fashion.

Point I: The provision in the House bill is a deceptive provision.

The rate of duty in the House bill (par. 1527), which affects novelty jewelry, is expressed as follows: "valued above 20 cents per dozen pieces, 1 cent each, and in addition thereto three-fifths of 1 cent per dozen for each 1 cent the value exceeds 20 cents per dozen, and 50 per cent ad valorem."

After one has puzzled over this peculiar wording and worked it out mathematically he discovers that this provision is only another way of saying that the duty on novelty jewelry shall be 110 per cent ad valorem. The duty will always be exactly 110 per cent. It is not a compound duty, the amount of which varies with the value of the article; it is a straight 110 per cent ad valorem duty. But why did the House bill not say so? Why say a very simple thing in a complicated way?

The answer would seem to be that the Ways and Means Committee was misled; that, as the imports in 1927 were less than 3 per cent of the amount of the domestic product in 1927, the industry not only does not need a 110 per cent duty but does not need any increase of duty over the present rate of 80 per cent and that this increase could be obtained only if it were concealed.

Point II: Inasmuch as under the present duty the imports of jewelry are less than 3 per cent of the value of the jewelry manufactured in this country, the jewelry industry needs no further protection.

The Department of Commerce gives the following statistics (in round figures) in regard to jewelry:

| Year | Value of domestic manufactured product | Imports | Exports |
|-----------|--|-------------|-----------|
| 1925..... | \$166,816,000 | \$1,183,000 | \$975,000 |
| 1927..... | 164,865,000 | 2,087,000 | 1,177,000 |

The domestic manufacturers claim, however, that all metal articles for personal use and adornment should be added to the imports of jewelry in order to get a fair comparison. This would make the imports as follows: Year 1925, \$2,001,000; 1927, \$4,476,000, which shows that, even if these metal articles for personal use and adornment are considered as jewelry, nevertheless the imports are less than 3 per cent of the amount of the domestic product and that there were exports in 1927 of \$1,177,000 in the industry.

It is true that in 1928 the imports of jewelry and of such metal articles of adornment reached the round figure of \$5,489,000 with exports of jewelry alone of \$1,033,000, but the figures for domestic production for 1928 are not available. It is well known, however, that 1928 was a very prosperous year for the American manufacturers, and it is believed the domestic product will show a proportionate, if not greater, increase. Inasmuch as, therefore, under an 80 per cent duty the imports are less than 3 per cent of the amount of the domestic product, the present rate of duty would seem to be entirely sufficient. In fact, it is hard to conceive how any tariff could be more effective and produce more desirable results from the point of view of the domestic manufacturers than the present one, unless it is the intention and aim to build a Chinese wall around the United States; and such a policy would not only bring in its train international complications but, in respect to this particular class of merchandise, would actually work harm to the domestic manufacturers by depriving them of a necessary stimulant and source of inspiration.

Point III: An increase of duty on novelty jewelry would work detriment to the domestic industry.

Small as the imports are in amount, as compared with the amount of jewelry manufactured in this country, yet they are of overwhelming importance to the industry, an importance far in excess of what would be the first impression, when the amount of the imports and of the domestic manufacture are compared. There are three fundamental truths in regard to this industry which should be realized and considered in any tariff revision in respect thereto:

First. That the industry is essentially and primarily a style or fashion industry; that the prosperity of the industry is dependent not at all on the intrinsic value of the articles sold but on what is the fashion. What do the women of America want to wear for personal adornment?

Second European countries have a great advantage when the articles are made in small quantities, but when the demand for the articles is sufficient to warrant the making of dies and machinery the United States has such an advantage over every other country in the world that the moment it starts to produce in this way the European articles are completely driven out of the American market.

Third. That the American manufacturers have not been able as yet to create new designs, but that once these new designs are obtained from Europe they not only are copied and imitated here, but they can be and are modified to a tremendous extent. Thousands of American modifications of one European design are not unusual.

Once these three conditions are recognized the actual condition of the industry is a logical result therefrom. The whole question of whether or not an article of novelty jewelry will sell depends upon whether the women of the United States will take it up. We submit that it ought to be universally admitted that no man was ever born who could sit in his office or could sit in the office of a Parisian manufacturer or in the salesroom of a Czechoslovakian factory and successfully decide whether or not a particular article would go with the women of America.

The only feasible way to ascertain this is the way that has actually been adopted in practice. The importer buys a comparatively small quantity of the novelty, but this quantity must be large enough to determine the demand. What must be ascertained is not what the Fifth Avenue purchaser requires nor even what the One hundred and twenty-fifth Street purchaser demands, but what will appeal to the women of Main Street, the Main Street of Skowhegan, Red Oak, and Bakersfield. These novelties are, therefore, imported and given to the city salesman and to the road salesman and eventually find their way onto the shelves and counters of the retailer. Out of 10 such articles so imported, 8 do not go; 2 go. Whatever merchandise of the 8 articles that do not go, which the importer has left on hand, he sells for whatever he can get. The foreign cost of the articles may be \$1. It may have cost him \$2 landed and may have first sold for \$3, but after being tried out and found

not to appeal to the tastes of the American women it will be sold for anything the importer can get for it, for 10 cents if the importer can not get more. Conversely, he finds that one article, which has been offered for sale at \$3, goes. He raises the price to \$4 and cables the Czechoslovakian factory for more merchandise. The demand grows; he raises the price to \$5 and continues to cable, until one day, generally in the middle or toward the end of the first season in which he has imported the article, one of his salesmen informs him that a competitor is offering the very same article to the trade at \$1.50.

The importer knows what this means. It means that some American manufacturer has made dies and has started to produce the article in quantity. He finds out the name of the domestic manufacturer and buys the article from him for \$1, or he has his own factory, or a factory in which he is financially interested, make dies and the factory produces it for \$1. He sells the American-made article for \$1.50 to the trade, and whatever European articles he has on hand, which have cost him \$2, he sells for \$1.50. Then either the American manufacturer or the distributor concludes that because this particular article is going, a modification thereof will go, and one American manufacturer or distributor gets out one modification of it, then his competitor gets out another modification of it, and if the demand continues the modified articles will be sold to the trade at this new price of \$1.50, not only the original article itself but hundreds, and in some cases even thousands, of articles which are created in modification or in imitation of the original article. This goes on for some time.

The original importer does not do the amount of business in the article he formerly did because now everybody has it and he does not make as much profit on it as he did while he had the exclusive handling of it, but he sells a fair amount of it, on which he makes a fair profit and he is satisfied, but then some fine day some one reports to him that either the 25-cent stores or the 10-cent stores have a similar article and are actually selling it at retail at 10 cents or 25 cents and the article is killed as far as he is concerned.

The pertinent facts that stand out from this short résumé of a typical instance in the industry are:

First, that the American manufacturer would not have made the article at all unless the original article had first been imported and the trade had been sufficiently tested out to show that there was a sufficient demand for the article to warrant the making of the dies; and, furthermore, that while the original design was undreamed of by the American manufacturers, once having had the original design and having ascertained that it met popular favor, hundreds, and in some cases thousands, of other designs were created in the United States based upon this one original foreign design.

An increase of the duty from the present 80 per cent to the proposed 110 per cent would render it impossible for the importer to bring over many of the articles which he can bring over at present. The importer must meet certain price conditions. He must have articles that retail at \$1, articles that retail at \$1.50, articles that retail at \$2, etc. Every increase in price will prevent the importation of certain articles. This decrease in importation decreases the number of experiments which the importer can make, and, therefore, decreases the number of proven articles that the American manufacturer may safely make dies and machinery for.

The distributors are filing with the committee certain exhibits in proof of their claim that, when the demand is large enough to warrant the making of dies and machinery, novelty jewelry can be manufactured in the United States much cheaper than similar articles can be imported.

Exhibit 1 is an imported brass necklace which costs the importer landed \$54 a dozen. Exhibit 1-A is a domestic brass necklace made as a modification of Exhibit 1. Exhibit 1-A costs the distributor \$12 a dozen.

Exhibit 2 is an imported necklace made of brass with a plated catch; the plating is of a poor quality. Exhibit 2 costs the importer landed \$28.44 a dozen. Exhibit 2-A is a domestic product made of sterling silver and has a sterling-silver catch. This domestic product costs the jobber \$12 a dozen.

Exhibit 3 is an imported article which costs the importer landed \$5.40 a dozen. The stones are pasted, not set, and the article has no safety catch. Exhibit 3-A is a domestic product made in Providence of heavier metal with set stones and with a safety catch and this domestic product costs the jobber \$3.93 a dozen.

Exhibit 4 is an European article which costs landed \$4.50 a dozen. Exhibit 4-A is a domestic article made in Providence, which costs the jobber \$3.68 a dozen.

Exhibit 5 is an imported necklace made of brass which costs the importer \$18 a dozen landed. The article was successfully copied by the Abbot-Beeber Co. of Providence, and sold by it to the jobbing trade at \$10 a dozen.

Exhibit 6 is an imported ring which sells at wholesale for \$12 each less 3 per cent discount. Exhibit 6-A is a domestic copy of the same, which sells for \$9 each, less 15 per cent and 5 per cent, which brings the net price down to \$7.20 each.

Exhibit 7, Exhibit 7-A, Exhibit 7-B, Exhibit 7-C, Exhibit 7-D, Exhibit 7-E, Exhibit 7-F, Exhibit 7-G, Exhibit 7-H, Exhibit 7-I, Exhibit 7-J, and Exhibit 7-K are American-made articles which were purchased on June 7, 1920, in a Woolworth store in Atlantic City for 10 cents each. It is submitted that when an industry can produce articles like these to retail at 10 cents the industry certainly needs no further protection than it enjoys at present.

Point IV: The possibility of this increase of duty to 110 per cent has given rise to threats of a reprisal abroad, which may have an injurious effect on the American industry.

The New England manufacturing jewelers in their brief before the Ways and Means Committee stated as follows:

"A pertinent truth, to which we desire to call attention as having a distinct bearing on the question of rates is the fact that, except for a negligible percentage of the imitation stones required as material in the manufacture of medium and low-priced jewelry, all the imitation stones used by the New England manufacturers are imported and pay in some varieties 20 per cent ad valorem and in other varieties 60 per cent ad valorem duty. These stones are made in central Europe by secret processes handed down from generation to generation. Due to generations of skillful artisans, low wages, and secret methods prevailing in Czechoslovakia, they must be imported therefrom. America does not, and apparently can not, except in certain inferior types, produce these stones. Therefore, the situation exists wherein your American manufacturer must import and pay the indicated duties on an important part of his material from the very countries that are giving him the most serious competition on the finished product in his own market."

The statement that the majority of the novelty jewelry imported into the country comes from Czechoslovakia is correct. It has come to the knowledge of the distributors that the manufacturers of Czechoslovakia, believing that the American industry must have Czechoslovakian stones, as a reprisal to the increase contained in the House bill are agitating an export duty of 80 per cent on these stones and that they have already taken this matter up with the Czechoslovakian Government.

It is believed that such an export duty would have the effect of so increasing the price of many commodities now made by the American manufacturers that the amount of their sales would be considerably reduced.

Point V: United States valuation is impossible for novelty jewelry.

It is understood that a request will be made to this committee to change the basis of the assessment of the tariff on novelty jewelry from the foreign valuation to United States valuation, which we understand to be the wholesale selling price of the imported article in this country. This is impossible because the imported article must be appraised shortly after importation and at that time the wholesale selling price is not and can not be known. Eight out of the 10 articles imported will not take. These eight articles will, therefore, be sold for whatever they will bring. The ninth and tenth articles, however, go, and when this becomes manifest their price will be raised and the price of the eight will be reduced. In other words, two articles must pay not only for themselves but for the eight articles which do not go, and the prices will be raised and reduced from time to time according to the ratio between demand and supply.

In addition to the fact that the same house will from time to time change its wholesale selling price is the fact that different houses will have different prices of the same articles. There is a tremendous difference in the mark-up between the different concerns in its line. One class of concerns have very elaborate showrooms and sell in smaller quantities.

Another class of houses have showrooms which range from very modest showrooms to crude ones and they sell in large quantities. It is obvious that the mark-up of the former group must be considerably greater than that of the latter group. How, under these circumstances, the wholesale selling price of the article when it is imported can be ascertained would seem to be a puzzle.

The New York customs authorities, it is believed, are sufficiently familiar with the conditions of this business to realize the difficulty of administering United States valuation and the importers would respectfully ask that before any such change is recommended by this committee for this class of merchandise that it call the New York customs authorities, who are actually handling this line of merchandise, and ask them whether or not the customs administration would not actually break down if this burden were cast upon them.

The ascertainment of the wholesale selling price at the time of importation would seem, therefore, to be a puzzle and even if the customs authorities came out with a solution and named a certain price, it is obvious that such price would be nothing more than a guess and the result would be litigation. United States valuation on this class of merchandise would, therefore, mean:

First. Uncertainty; the importer would never know when he bought the merchandise what it would ultimately cost him, and it is a generally conceded fact that the greatest difficulty a merchant has to face and the greatest obstacle in business is uncertainty as to cost.

Second. Practically every importation would be valued by the appraiser not with certainty, but only as a matter of opinion, as to which there would inevitably be wide differences.

The result would be that practically every invoice would have to be protested and that would keep this business in constant litigation and the profits of the business would be transferred from the importers to customs attorneys.

Respectfully submitted.

GALLERT, HILBORN & RAPHAEL,
New York City.

Attorneys for: Cahn & Co., Herbert Cohn Co., Friedman & Co., Ben Felsenthal & Co., M. Gugenheim (Inc.), Lasner & Bamberger, Lippmann, Spler & Hahn, D. Lisner & Co., L. Mendelson Co., William Reichert & Co., Samstag Bros. & Hilder, Jacob Schorsch & Co., Jules Schwab & Co., Steinhardt Bros., Morris Hollander & Sons, distributors of novelty jewelry.

STATEMENT OF E. K. WILLIAMS, REPRESENTING S. H. KRESS & CO., NEW YORK CITY

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

Senator KEYES. Are you presenting a statement on novelty jewelry?

Mr. WILLIAMS. Paragraph 1527.

Senator KEYES. Proceed.

Mr. WILLIAMS. The proposed rates work a hardship principally upon items of that nature [indicating], 10 cents apiece.

Senator THOMAS. Identify that.

Senator KEYES. Is it numbered?

Mr. WILLIAMS. No. They are all one exhibit. They retail at 10 cents. If the 110 per cent duty goes in, they will probably be eliminated from the market.

Senator WALSH. You mean the present rate or the proposed rate?

Mr. WILLIAMS. As it is worded in there.

Senator THOMAS. Are these imports?

Mr. WILLIAMS. These are imported. There is no domestic supply.

Senator WALSH. What is the present rate on that?

Mr. WILLIAMS. Eighty per cent.

Senator WALSH. What is the proposed rate?

Mr. WILLIAMS. One hundred and ten per cent.

Senator WALSH. It works out 110 per cent ad valorem.

Mr. WILLIAMS. When that language was first published and came to our attention we tried to find out the reason why they put it in there. We went back through the hearings of previous years and found that they had this in the act of 1909, and the same people who

proposed it this year in their hearing before the Ways and Means Committee in 1919 advocated dropping the wording because they say here that the "particular character and almost endless variety of our products do not make practicable a specific rate of duty." So they really do not give any reason this year in their brief why they request this.

Senator THOMAS. What would be the effect on this class of merchandise if the rate is placed at 110 per cent besides that class of goods that is not made in America?

Mr. WILLIAMS. It will work two ways. It will have to be increased to the consumer. The jobbers that are importing the higher-priced goods, of course, are not affected so seriously, because they can just increase their cost to the public accordingly, but the 5 and 10 cent stores with limited prices would have to eliminate it.

Senator THOMAS. If there are no factories making that class of goods there would be no factory to be benefited by this increase.

Mr. WILLIAMS. No; I do not know of any in this country.

Senator KEYES. Where are they made?

Mr. WILLIAMS. In Czechoslovakia.

Senator KEYES. You sell those at 10 cents?

Mr. WILLIAMS. Yes; in 5 and 10 cent stores.

Senator THOMAS. If this duty is increased on that class of goods there will be no factory or workmen benefited in America, and the single result will be that the patrons who desire that class of merchandise will have to pay more for it?

Mr. WILLIAMS. Yes; that is our opinion. I will bring out one more point. In 1909 their workmen were producing \$2,710 worth of merchandise in a year, and he was paid 21.6 per cent of the production of that industry.

In 1925 their workmen were producing \$13,792 worth of merchandise in a year, and were paid 8 per cent of the production of that industry.

That is using their figures.

In the 1925 census which they quote in this year's hearings they are paying 8 per cent of their production for labor. In other words there is a difference there of 21.6 per cent down to 8 per cent, but they voice the same argument in their brief that they want to be protected against the cost of foreign labor.

Senator WALSH. In other words, substitute machines?

Mr. WILLIAMS. It is a machine industry. I have not brought them here because I know you are familiar with them. We can and have bought foreign items, novelty items, and if they sell well we turn them over to domestic manufacturers to have them produced here. They are very clever in that way.

Senator WALSH. I notice by the Tariff Commission's figures that the imports for 1927 were \$4,201,615.

Mr. WILLIAMS. That includes gold and platinum.

Senator WALSH. How much of this sum is represented in this cheap novelty jewelry?

Mr. WILLIAMS. Pencil sets, watch chains, and everything of that nature, and we tried to work out the amounts at the comparable figure with the domestic production of \$164,000,000, which would be about \$10,000,000. Those are the two comparable figures. If you

add every possible profit, the jobber's profit or anything that they must put in there, the imports of that class of merchandise amount to less than 6 per cent of the domestic production, according to our estimates.

(Mr. Williams submitted the following brief:)

BRIEF OF S. H. KRESS & Co., NEW YORK CITY

The following changes in this paragraph are suggested:

(a) After the words: " * * * Valued above 20 cents per dozen pieces * * * " strike out " * * * 1 cent each, and in addition thereto three-fifths of 1 cent per dozen for each 1 cent the value exceeds 20 cents per dozen and 50 per centum ad valorem * * * " and insert " * * * 80 per centum ad valorem * * * ".

(c) After the words " * * * or imitation pearls * * * " strike out " * * * 1 cent each and in addition thereto three-fifths of 1 cent per dozen for each 1 cent the value exceeds 20 cents per dozen and 50 per centum ad valorem * * * " and insert " * * * 80 per centum ad valorem * * * ".

REASONS

The New England Manufacturing Jewelers and Silversmiths Association (Inc.) of Providence, R. I., have according to their briefs, which read substantially the same each year, been establishing the classification, and the rates of duty as proposed by them, were enacted excepting possibly the tariff act of 1913. They have apparently been very fair in their requests and sincere in their desires to suggest the rate that would be equitable, still giving them the reasonable protection.

While we are reluctant to question their good faith, we are almost forced to do so in viewing their brief presented to the Ways and Means Committee, which were the rates adopted by the Ways and Means Committee in their proposed paragraph. They state in the brief this year that " * * * this association recommended the paragraph practically as enacted into law." That was in 1913 and again in 1921. But, they do not state why they again request the complicated wording of " * * * valued above 20 cents per dozen pieces 1c each plus three-fifths of 1 cent per dozen for each 1 cent above 20 cents per dozen and 50 per centum ad valorem " which means and is 110 per centum ad valorem plus an indefinite amount depending upon the number of pieces to the article. Why not express it in the language common to the balance of the act.

Of course, requesting an increase amounting to at least 37½ per cent over a duty of 80 per cent ad valorem would require certain radical changes in wording to submerge that fact.

They had this complicated wording in the tariff act of 1910 and in their brief filed before the Ways and Means Committee in 1921 on page 3320 of the printed hearings, they state, " * * * We also respectfully recommend an ad valorem rate of duty for the obvious reason that a specific rate would involve such an amount of verbiage as to necessitate the redrafting of the paragraph with the resultant abandonment of the favorable interpretation of the paragraph. In fact, the peculiar character and almost endless variety of our industry's product does not make practical a specific rate of duty." Of course, at that time they were requesting an increase from 60 per cent to 85 per cent ad valorem, or an increase of 15 per cent, which represents an increase of 25 per cent in the duty, although they were finally granted 80 per cent ad valorem.

While their 1929 brief is quite lengthy and descriptive, repeating substantially briefs submitted by them in previous years, nowhere in their brief do they give any pertinent reasons why they require a combination of specific and ad valorem duties. It is difficult to see the justification in enacting their proposal as written into a law.

While requesting this huge protective tariff, they do not contend that the industry is in serious straits, but it is interesting to note the results to the owners and the wage earners of the industries again citing the figures from their briefs of 1909 and 1925.

In their 1909 brief they state: 19,000 wage earners were paid \$11,138,000 to produce \$51,500,000 worth of sales, or each wage earner was paid \$586 per year to produce \$2,710 worth of merchandise, or labor was paid 21.6 per cent of the production.

In 1925: 12,095 wage earners were paid \$13,923,084 to produce \$166,816,370 worth of merchandise, or each wage earner was paid \$1,151 per year to produce \$13,792 worth of merchandise, or labor was then paid 8 per cent of the production.

In other words, in 17 years the laborer has been paid an increase of approximately 97 per cent, but has increased his productiveness approximately 400 per cent.

This certainly can not be attributed to the importation of merchandise, for such a tremendous increase in productiveness is only accomplished by the use of machinery, which, of course, embodies capital and will have to be taken with the labor charges, but it certainly does not appear that the industry is in dire straits or unhealthy with such a remarkable showing. When they asked for 85 per cent ad valorem duty to protect this labor they were paying labor 21.6 per cent of their production; now, in 1929, they voice the same argument, and according to their own figures were paying American labor approximately 8 per cent of their production after gaining the last tariff increase.

While the importations of 1927 according to the Summary of Tariff Information for items other than gold and platinum valued at more than 20 cents dozen, amounts in round figures to \$1,714,000 (40.8 per cent of \$4,201,000) which figures we assume include clasp necklaces, etc., this is the class of jewelry they request the increase on. They state in their brief that these importations "expressed in values of American manufacturers that were displaced, amounted easily to \$15,000,000." This is an exaggeration, but, taking the statistics given in the Summary of Tariff Information, 1927 production was \$164,865,057, with importations of \$4,201,615. Admitting that a maximum possible domestic value be \$10,000,000, it amounts to slightly over 6 per cent of the domestic production.

Though they use the wording but give no substantiating reason to prove that the industry is being subjected to "intense and injurious foreign competition." On the contrary, the industry can not be in serious condition considering its growth in volume, increase per capita production, which cost is but 8 per cent of its production for labor according to their figures.

There is no doubt the labor costs have been materially lowered and the per capita production greatly increased through the development of machinery and it strengthens the fact that domestic manufacturers can produce on as good or better basis in this country items which can be produced in quantity, but we contend that a small percentage of novelty items should not be excluded through a prohibitive tariff rate, which items if they prove popular can be produced in this country. We can show exhibits of items originally bought abroad which proved popular and which were later developed and manufactured in this country by machine.

This type of jewelry is usually valued by the popularity which it enjoys. Novel ideas and designs govern the sale more than the cost of production. The average domestic manufacturer is constantly soliciting ideas to produce novelty jewelry and there are several large manufacturers that follow closely the sale of items from foreign markets and where their popularity is proven they immediately get into domestic production, usually at lower prices.

The proposed act practically places an embargo on the importation of low-priced merchandise and vitally affects that sold by 5 and 10 cent stores who are limited in their selling prices and can not advance their selling prices to their customers as would be the case of high priced merchandise sold in stores that can fluctuate their price depending upon increase in cost. While the New England Manufacturing Jewelers and Silversmiths Association are excluding this class of merchandise by their request, of the 28 exhibits accompanying their brief there is but one foreign item costing 24 cents and one domestic item costing \$1.25 dozen submitted; all other items are those retailing at \$3 and upward. There is not a reasonable argument to exclude such items as glass necklaces which retail at 10 cents each, which have heretofore come under this paragraph.

In this particular instance clearly the burden of producing convincing proof to warrant such huge increased duty should rest upon those who advocate the increase, since the increased duties will inevitably result in increased cost to the consumer. They have certainly not produced such proof or have they given any reasons for retracting their opposition to a combination of duty given in 1921 and certainly no reason for entirely disrupting the small amount of importations of jewelry of this class, unless they offer more sound and convincing proofs.

E. K. WILLIAMS,
For S. H. KRESS & Co.
S. S. KRESGE Co.

BRIEF OF THE NEW ENGLAND MANUFACTURING JEWELERS' AND SILVERSMITHS' ASSOCIATION, PROVIDENCE, R. I.

The COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: The New England Manufacturing Jewelers' and Silversmiths' Association represents the manufacturing jewelry industry of Providence, R. I., the Attleboros in Massachusetts and contiguous territory.

We respectfully request the attention of the Committee on Finance to the brief filed by this association with the Committee on Ways and Means, during the recent tariff hearings, which appears on pages 7450-7457, inclusive, volume 14 of hearings before the Ways and Means Committee of the House of Representatives.

We respectfully refrain from trespassing upon the time of the Committee on Finance by restating herein facts and figures embodied in our brief referred to above and restrict our comments as follows:

Imports.—In the brief filed with the Ways and Means Committee by Gallert, Hilborn & Raphael, of New York City, representing the Novelty Jewelry Importers Association of that city, which appears on pages 7440-7445, volume 14, of the official hearings of the said committee are submitted the following import figures for jewelry during the years 1923-1927, inclusive:

| | |
|-----------|-----------|
| 1923..... | \$772,000 |
| 1924..... | 710,000 |
| 1925..... | 818,000 |
| 1926..... | 1,590,000 |
| 1927..... | 1,386,000 |

These figures, we claim, are utterly incomplete, erroneous, and misleading, as is proven by the statistics of the Department of Commerce as they appear in the publication entitled "Foreign Commerce and Navigation of the United States," and also by the official figures prepared by the Tariff Commission, appearing on pages 2008-2011 of the Summary of Tariff Information, 1929, on the act of 1922, Schedule 14, sundries.

The jewelry paragraph provides for "Jewelry commonly or commercially so known" and for "articles of adornment designed to be worn on apparel or carried on or about or attached to the person" such as chains, buckles, mesh bags, etc., which are in reality jewelry.

The importers, in their aforementioned figures for jewelry imports, have simply cited the figures for "articles of adornment designed to be worn on apparel or carried on or about or attached to the person" and have completely ignored or failed to discover the figures for "jewelry commonly or commercially so known."

The combined imports of "jewelry" and "articles" classified under the jewelry paragraph of the act of 1922, as shown in the Tariff Summary of 1929, are as follows:

| | |
|-----------|-------------|
| 1923..... | \$2,438,960 |
| 1924..... | 2,062,537 |
| 1925..... | 1,037,162 |
| 1926..... | 2,757,157 |
| 1927..... | 4,145,491 |

In addition to the above, we call attention to the imports for 1928, which amount to \$5,490,088. This means that the imports for 1928, expressed in the terms of the American manufactures they displaced in consumption, amounted easily to \$15,000,000. By far the greater part of these imports were medium and low priced jewelry, such as is manufactured in New England.

As regards classification, we unreservedly indorse the jewelry paragraph of the tariff bill (H. R. 2007) passed by the House of Representatives. It conserves the advantage to the Government of those decisions handed down by the United States Court of Customs Appeals interpreting the jewelry paragraphs of the acts of 1913 and 1922, and we submit that the interpretations of the paragraph by the said Court of Customs Appeals should, for the purposes of revenue for the Government and of protection for the jewelry industry, be conserved.

It will be noted in the jewelry paragraph of the House bill that for jewelry commonly or commercially so known, chain in lengths, and articles of adorn-

ment specified therein, of gold or platinum, an ad valorem rate as in the jewelry paragraph of the present act is provided, and that a compounded specific and ad valorem rate is provided for jewelry of other materials and for chain in lengths and articles of adornment to be worn on the person or apparel as specified, when of metal other than gold or platinum. It is in regard to this merchandise of other than gold or platinum that American capital and labor, engaged in this industry, is meeting in the American market such great competition as to imperil the industry.

The compounded rate of duty provided in the House bill for merchandise other than of gold or platinum is not adequate to prevent a strenuous competition for American labor and capital in the domestic market, but it should afford a measure of relief which will at least permit the industry to survive. Otherwise, the process of manufacturing jewelry concerns liquidating, which has characterized the industry during the last two years will be vastly accelerated.

We therefore indorse the jewelry paragraph of the House, both as respects classification and rates.

Respectfully submitted,

WALLACE D. KENTON,
Chairman.
WOODWARD BOOTH,
Secretary.

CITY OF WASHINGTON,
District of Columbia:

In the city of Washington on the 21st day of June, 1920, personally appeared Wallace D. Kenyon and Woodward Booth, to me known, and they subscribed the foregoing brief in my presence and made oath that all information and statements contained therein and in the brief filed by them with the Ways and Means Committee of the United States House of Representatives in 1920 are true and correct to the best of their knowledge and belief.

Before me,

[SEAL.]

CHARLES F. PAGE,
Notary Public, District of Columbia.

My commission expires February 18, 1931.

DIAMONDS AND OTHER PRECIOUS STONES

[Par. 1528]

STATEMENT OF WALTER N. KAHN, NEW YORK CITY, REPRESENTING THE IMPORTERS OF AND DEALERS IN DIAMONDS, PEARLS, AND PRECIOUS STONES

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

Senator KEYES. You testified before the Ways and Means Committee at some length?

Mr. KAHN. I did; yes.

Senator KEYES. We would appreciate it very much if you would give us any additional information that you might have with respect to this matter that you did not state to the Ways and Means Committee.

Mr. KAHN. The matter I am bringing up is a situation which has developed since that time.

Senator WALSH. In other words, you are objecting to the proposed change in the duty on diamonds as recommended by the House?

Mr. KAHN. I am objecting to the fact that it was not changed. Paragraph 1429 of the present law provides for a duty of 10 per cent ad valorem on rough diamonds and other precious stones, and for a duty of 20 per cent ad valorem on diamonds and precious

stones, cut but unset, and on loose pearls. Under these rates, the smuggling of these articles has increased to such an alarming extent that the honest merchants who deal in them are making a most urgent plea for the reduction of the 20 per cent rate to 10 per cent, and the placing of the raw materials on the free list, where they were before the Underwood bill was put into effect.

It was set forth to the Ways and Means Committee of the House that at least half of the diamonds entering the country to-day are being smuggled. I need not tell you how serious this situation is for the honest dealer, who is forced to compete with this tremendous quantity of bootleg merchandise. It was further graphically demonstrated that it is impossible to check this illicit traffic by any known means, and that the only remedy is a reduction of the duty to a point where smuggling becomes unprofitable, and the incentive thus removed. Inasmuch as the dishonest dealer pays the European smuggling groups from 6 to 8 per cent for the service of having his purchases brought into this country duty free, it is evident that the proposed 10 per cent rate on precious stones would remedy the situation.

It was also claimed that the Government would under the lower rates, derive revenue as great, if not greater than at present, and I firmly believe that the Treasury Department and the Government actuary, as well as the Tariff Commission will bear me out in this statement.

The situation is unique in that there is no issue here between the importer, manufacturer, and laborer. All unite in the plea for the proposed reduction, as none can exist and prosper under present conditions. Only the smuggler can deny that the reduction in tariff rates would benefit all concerned, including the Government.

Why then, you will ask, was the desired relief not granted by the House? I can think of but one answer—namely, that the Ways and Means Committee refused to make the change because they did not relish the thought of reducing the rates on a so-called luxury in the face of increases on foodstuffs and clothing. While I subscribe to the theory that precious stones are luxuries, I wish to state that to us who deal in them, they are not luxuries, but merely the medium through which we earn our living, and we feel entitled to protection from those that illicitly despoil us and our Government.

Senator WALSH. How do you think it would look to raise the duty on everything else and reduce the duty on diamonds?

Mr. KAHN. If that were the situation. I do not admit that is the condition.

Senator WALSH. You admit that this bill carries general increase in tariff duties on everything that it carries?

Mr. KAHN. I believe that the bill is trying to protect the American manufacturer and merchant as far as it conscientiously can. We too hope for protection that you will see here we are asking.

Senator WALSH. You admit that on the face of the statement it would look bad to raise the duty on everything else practically, and at the same time reduce the duty on diamonds. That is self-evident.

Mr. KAHN. I do not admit that. I think the House felt it might look bad.

Senator WALSH. It would all depend on who looks at it, but the great majority would look at it as I have stated. On the other hand, if it could be shown that the best interests of the country, or those dealing in diamonds, which is a considerable number of our population, if the best ideals and best business methods could be served by reducing diamonds, then I think no one would object if they understood.

Mr. KAHN. I believe that in refusing the request of this industry, the Ways and Means Committee unduly stressed the fear of adverse public opinion. For almost two years, articles on diamond smuggling have appeared in the newspapers throughout the country, almost daily, and I could show you a scrapbook containing innumerable news items and editorials, from coast to coast, dealing with this subject. I want to call your particular attention to the fact that in not a single one of these has there been even a hint of adverse criticism on the proposition to reduce the tariff on these items, as an anti-smuggling measure. We claim that the press as well as the public are well informed on this situation, and I firmly believe that the action of the Ways and Means Committee in refusing to relieve the situation because of political misgivings on the score of adverse public criticism was not justified by actual existing conditions.

When the House bill was passed, and it became known that the duty on diamonds had not been reduced there was a general rejoicing in the European diamond centers. The present rate suits them very well, but a rate that would put smugglers out of business would be unwelcome indeed to a great host of foreign diamond dealers.

In short, gentlemen, are you going to frame a precious stone paragraph that will please the foreign smuggling rings, who will laugh at us and our Government, or will you save an honest established American industry by heeding its sincere request?

Senator THOMAS. Is it your contention that at the present time that with a 20 per cent duty on diamonds, that those who desire to evade the law can form an organization to smuggle in these diamonds and give the smuggler a certain per cent profit on the 20 per cent and get their diamonds in at a less cost than would the honest importer?

Mr. KAHN. Absolutely. There are regular smuggling organizations in the European diamond market.

Senator THOMAS. It is your contention that the honest dealer in diamonds in America is forced to compete with a class of dishonest importers who get their product into America at a certain per cent less than the honest dealer can get his in?

Mr. KAHN. They can undersell the honest dealer by from 12 to 14 per cent.

Senator THOMAS. It is your further contention that by reducing the rate on cut diamonds 10 per cent, that would discourage the smuggling business very largely?

Mr. KAHN. We can, based on past experience.

Senator THOMAS. It is your further contention that a 10 per cent duty on all diamonds would derive the Government more revenue in dollars than the present system under which so much is smuggled?

Mr. KAHN. Not only in duty, but also in increased income taxes paid by the honest dealers, because the smuggler will not hesitate to evade the income-tax payments as well as the duty.

Senator WALSH. Do I understand the Government has found it impossible and altogether too expensive to destroy the business of smuggling?

Mr. KAHN. It would not be possible to subject every one landing in America to the rigid examination that they would have to resort to to find these articles. Before the Ways and Means Committee I demonstrated that thing by carrying 100 carats of diamonds in a cigar lighter which I shook out of it on the table and some \$10,000 or \$15,000 worth of diamonds in a fountain pen. There are innumerable ways of smuggling, and nobody knows who the carrier is, even if the carrier is pointed out. We have an organization that has pointed out a great number of carriers, and the Government and the Treasury Department has not been able to catch them.

Senator THOMAS. Give the committee an idea of what cut diamonds of average size, 1 carat, would be in bulk.

Mr. KAHN. The entire import of 1927, valued at \$52,000,000, I computed to weigh 301 pounds. That is, the imports passing through the customs, and an equal amount was estimated to have come in without passing through customs.

Senator WALSH. Are there certain retail diamond concerns in this country that get all their diamonds from smugglers?

Mr. KAHN. That, of course, is a difficult question to answer. There are a great many retailers who are not as careful as they should be where they make their purchases. They simply buy where they can buy cheapest, because if they did not buy cheapest, the man down the street may, with whom they have to compete.

Senator WALSH. In your testimony just given, one person returning from Europe with the average amount of baggage, consisting of a trunk and the average amount of bags, could bring into America the weight and bulk of the entire diamond importations of one year?

Mr. KAHN. Absolutely, you could put them under the back seat of a Ford and not even cause the springs to sag.

Senator WALSH. Would the lowering of that duty decrease the price of diamonds?

Mr. KAHN. I think it would, and I cite that as evidence of the sincerity of the dealers in coming before you with that request, because if you accede to it we will lose 10 per cent of our entire inventories at present, so we are sincere in asking a decrease because the evil is very tangible.

Senator WALSH. How many dealers do you represent?

Mr. KAHN. I represent the entire industry, importers and manufacturers. There is no issue between the importer and manufacturer, the wholesaler, retailer, and jobbers of the United States. From past experience when the duty was 25 per cent under the Wilson bill, at that time the smuggling was so terrific that three years later it was again reduced to the former rate of 10 per cent on polished goods, and that rate prevailed until 1918, and there was not any smuggling under the 10 per cent rate. Under the old 25 per cent rate there was a terrific amount. In 1914 war broke out. At that time diamonds were being used in the manufacture of ammunition, and exports were very carefully controlled by the British Government primarily, the Belgium and Dutch Governments cooperating, so that no package was shipped out of these countries without a

Government seal. The result was that there was no smuggling until after the war, but since 1922, when the ad valorem rate was maintained, this has developed to such a terrific extent that to-day the honest dealers are up against it.

Senator WALSH. What is the position of the Secret Service Bureau of the Customs Department?

Mr. KAHN. They have a very efficient bureau.

Senator WALSH. What is their attitude toward this subject?

Mr. KAHN. I can refer you to the brief before the Ways and Means Committee, and the report of the hearing held in January, 1928, was made part of that brief, in which you will find the testimony of Mr. Roberts, who is now the head of the diamond squad, and several other Treasury Department officials.

Senator WALSH. Do they concur in your judgment as to the extent of smuggling?

Mr. KAHN. All the departments of the Government concur in our testimony given to the Ways and Means Committee.

Senator WALSH. Does any one in this country oppose this reduction except for certain political reasons?

Mr. KAHN. Not on the merits.

Senator KEYES. Is that all?

Mr. KAHN. Yes.

(Mr. Kahn submitted the following brief:)

BRIEF OF THE IMPORTERS OF AND DEALERS IN DIAMONDS, PEARLS, AND PRECIOUS STONES OF THE UNITED STATES OF AMERICA

THE COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.:

1. The paragraph of the tariff act of 1922 in which this trade is interested is numbered 1420 and reads as follows:

A. "PAR. 1420. Diamonds and other precious stones, rough or uncut, and not advanced in condition or value from their natural state by cleaving, splitting, cutting, or other process, whether in their natural form or broken, any of the foregoing not set, and diamond dust, 10 per cent ad valorem.

B. "Pearls and parts thereof, drilled and undrilled, but not set or strung, 20 per cent ad valorem.

C. "Diamonds, coral, rubies, cameos, and other precious stones and semiprecious stones, cut but not set, and suitable for use in the manufacture of jewelry, 20 per cent ad valorem.

D. "Imitation precious stones, cut or faceted, imitation semiprecious stones, faceted, imitation half pearls and hollow or filled pearls of all shapes, without hole or with hole partly through only, 20 per cent ad valorem.

E. "Imitation precious stones not cut or faceted, imitation semiprecious stones, not faceted, imitation jet buttons, cut, polished or faceted, imitation solid pearls wholly or partly pierced, mounted or unmounted, 60 per cent ad valorem."

As printed in the tariff act, paragraph 1420 is not separated into the sections appearing above, which have been made in this brief solely for facilitating the presentation of our arguments.

In the act as passed by the House of Representatives (H. R. 2667), the paragraph is numbered 1528 and reads as follows:

"PAR. 1528. Diamonds and other precious stones, rough or uncut, and not advanced in condition or value from their natural state by cleaving, splitting, cutting, or other process, whether in their natural form or broken, any of the foregoing not set, and diamond dust, 10 per cent ad valorem; pearls and parts thereof drilled or undrilled, but not set or strung (except temporarily), 20 per cent ad valorem; diamonds, coral, rubies, cameos, and other precious stones and semiprecious stones, cut but not set, and suitable for use in the manufacture of jewelry, 20 per cent ad valorem; imitation precious stones, cut or

faceted, imitation semiprecious stones, faceted, marcasites and imitation marcasites, imitation half pearls not coated with fish-scale solution, and hollow or filled imitation pearls of all shapes, without hole or with hole partly through only, 20 per cent ad valorem; imitation precious stones, not cut or faceted, imitation semiprecious stones, not faceted, imitation jet buttons, cut, polished or faceted, imitations of opaque precious or semiprecious stones, with flat backs and tops, cut and polished, but not faceted, 60 per cent ad valorem; imitation solid pearls, unpierced, pierced or partially pierced, loose, or mounted, or whatever shape, color, or design, shall bear the same rate of duty as is applicable to imitation solid pearl beads."

2. In a brief which was handed up to the Committee on Ways and Means of the House of Representatives, and in a statement made by the chairman of the committee representing this industry, the earnest request was made to have clause "A" (covering diamonds and other precious stones, rough or uncut, etc.) removed from this paragraph, and placed on the free list; and have the rate of duty on the items covered in clauses B and C reduced from 20 per cent ad valorem to 10 per cent ad valorem. Clauses D and E were not discussed, as this part of the schedule was handled by another trade committee. The comparison of paragraph 1429 of the tariff act of 1922 with paragraph 1528 of H. R. 2607, indicates that the changes sought as outlined above were not made in the bill as passed by the House.

3. The dealers and importers of diamonds, pearls, and precious stones of the United States, are urging these changes in the paragraph, as the only means which will protect them from the competition of smugglers. The brief, which was handed up to the Committee on Ways and Means of the House of Representatives, is a matter of record (see pp. 7549 to 7507, 1929 Tariff Readjustment Hearings) and it is not necessary to repeat in detail arguments and facts contained therein, nor in the statement made by the chairman of the trade committee. It was demonstrated conclusively:

(1) That at least half of the diamonds which enter this country every year are smuggled, chiefly by European smuggling agencies, which charge the bootlegging dealer from 6 to 8 per cent for this service, and guarantee delivery here.

(2) That, by virtue of the small bulk of these precious items, it is impossible to check this illicit trade by any known means or agencies—(the entire imports for 1927, some \$52,000,000, weighed only 301 pounds).

(3) That the only salvation of the situation is the reduction of the rate of duty to a point where smuggling becomes unprofitable.

4. We feel confident that the Treasury Department will tell you that 10 per cent is the maximum duty which can be effectively collected on pearls and cut diamonds and precious stones, and we firmly believe that the Tariff Commission will confirm this statement. We further claim that the revenue under the lower rates will be greater than at present, and we have every reason to believe that the Government actuary, if consulted, would corroborate this contention.

Lastly, the entire industry—importers, diamond cutters, lapidaries, jobbers, manufacturing jewelers, retailers, and the Diamond Workers Protective Union, as well as the jewelry trade organizations of practically every State of the Union stand solidly behind this committee in making the request for the lower rate of duty.

5. And yet, the Committee on Ways and Means did not see fit to grant our request. We can not believe that their action was prompted by any valid argument that could possibly be conceived against the desired change—only the smuggler would have any good reason for opposing it. We must therefore conclude that the relief sought by this industry was denied because of the fear of possible criticism for reducing the tariff on articles which are commonly considered as luxuries, in the face of increases on many articles of food, clothing, etc. We do not believe that in arriving at this conclusion, the Committee on Ways and Means was fully cognizant of the facts.

The agitation against the diamond smuggler has been on foot for several years. In January, 1928, the State Department detained Consul General George W. Messersmith for some time in order to allow him to testify before a subcommittee of the Committee on Ways and Means at a hearing on diamond smuggling. At this hearing the Treasury Department was represented by men who were thoroughly informed on the subject—The Hon. Phillip Elting, collector of the Port of New York, Hon. E. W. Camp, Director of Customs,

and Mr. John W. Roberts, now head of the special diamond squad. Their testimony is part of the record before you, and you will find it both interesting and convincing. Newspapers throughout the country carried stories and editorials on the subject matter of this hearing and not a single voice was raised against the proposed reduction in tariff rates.

News articles covering the tariff hearing before the Committee on Ways and Means on February 16 of this year were carried in every newspaper of any importance from coast to coast and it is well worth noting that not a single adverse criticism appeared in any one of them.

Newspapers seem to consider diamond stories interesting reading and articles on smuggling are constantly appearing. As a matter of fact, many papers took it for granted that the Committee on Ways and Means would reduce the duty on precious stones. As late as the date preceding the publication of the tariff bill by the committee, the New York Journal of Commerce printed an article stating that the only reductions looked for in the bill were on diamonds and children's books.

The magazine "Liberty" with a circulation of over 2,000,000, printed a leading story on Diamond Smuggling in its issue of May 25. This article was not sponsored in any way by the industry. It told, in a very interesting way, of the tremendous traffic in smuggled jewels.

The Chicago Tribune during the month of May, 1929, printed a series of articles setting forth the ease with which diamonds could be smuggled and decrying the fact that the duty was not reduced. All this publicity has been voluntary and none has been paid for nor inspired by the industry.

We wish, therefore, to state most emphatically, that the gentlemen of the Committee on Ways and Means stressed fears which we believe were wholly groundless. The public throughout the country is well informed on the gem smuggling situation and understands it, as does the press. The American people and the press have always stood for fair play, and they will not raise their voice against any action which, without loss of revenue to the Government, will save an honest industry from destruction. Leaving the rate of tariff at its present level would simply be handing this entire business over to the smugglers, who not only defraud the Government, but take the bread out of the mouth of the honest merchant.

We feel confident that we can look to the Committee on Finance and the Senate for a fair consideration of our plea, solely on its merits, and on merit alone we have not the slightest doubt that the relief which is sought will be granted.

Respectfully submitted.

Committee on Tariff Schedule, Walter N. Kahn, (of L. & M. Kahn & Co.), chairman; Meyer D. Rothschild, honorary chairman; Arthur Lorsch, of Albert Lorsch & Co., treasurer; Benjamin Eichberg, of Eichberg & Co.; P. Irving Grinberg; Frank Jeanne, of Wm. S. Hedges & Co.; Henry I. Jacobson, of Jacobson Bros.; William F. Juergens, of Juergens & Andersen Co.; Andries Meyer, president Diamond Workers Protective Union of America; R. G. Monroe; Lee Reichman; of Reichman Bros.; Marcell N. Smith, of Smith-Patterson Co.; Nathan J. Stern, of Stern Bros. & Co.; Wilson A. Streeter, Mount Vernon, N. Y.; Lewis Van Wezel, of S. L. Van Wezel; and Otto D. Wormser.

LACES, EMBROIDERIES, ETC.

[Par. 1529(a)]

STATEMENT OF C. T. RIOTTE, NEW YORK CITY, REPRESENTING THE LACE GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

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

Mr. RIOTTE. I am president of the Chelsea Sales Corporation, New York City. I am representing the lace group of the National

Council of American Importers and Traders, and I am vice president of the Lace and Embroidery Association of New York.

Senator THOMAS. How many people are interested in the industry which you represent?

Mr. RIOTTE. I represent the importing interests. We have in our organization about 27 importing concerns.

Senator THOMAS. Scattered throughout the United States?

Mr. RIOTTE. No; they are all in New York City. They are all American concerns. They all employ American capital and American labor. They are not agents of any foreign concern.

Senator THOMAS. They have no foreign investments.

Mr. RIOTTE. They have no foreign investments.

Senator KEYES. You testified before the Ways and Means Committee, did you not?

Mr. RIOTTE. I did, sir.

Senator KEYES. Will you kindly confine your testimony at the present time to any additions that you may want to make?

Mr. RIOTTE. Yes, sir. We are requesting a reduction in the rate of duty.

Senator KEYES. You are now referring to paragraph what?

Mr. RIOTTE. 1529.

Senator WALSH. On what?

Mr. RIOTTE. On laces. I am to address myself, or intend to address myself, to laces, knittings, and embroideries. Our request for a reduction is not for the purpose of hurting the domestic industry but because we honestly believe a lower rate of duty would help them as well as ourselves. We are not opposed to the domestic industry at all. As a matter of fact, I believe every importer of laces buys from the domestic manufacturers of laces and sells their product.

Lace is an article of fashion and originates in France. I might qualify my statement by saying that any references I might make to-day to either laces or embroideries are confined exclusively to the machine-made article and have nothing to do with the hand made.

With too high a duty, such as is now in the present law, 90 per cent, the French designer is robbed of his incentive to produce for the American market. Furthermore, the catch-all clause that all articles wholly or in part of lace, or any of the articles enumerated in 1480 of the present act, or 1529 of the proposed bill, or the present bill, has the result that many fancy articles originating in Paris and destined for the United States contain no laces simply because of this high rate. If lace were used it would help popularize lace.

The lace business is good or bad, depending almost entirely on fashion. If fashion decrees that lace should be used, domestic manufacturers and importers will prosper.

The present high rate of duty of 90 per cent was adopted in 1922, and at that time it was the highest ad valorem rate which has ever been written in a tariff.

In 1922 the principal lace-making countries were suffering from postwar conditions, depreciated currencies, and low wages. The conditions then prevailing do not apply today. Currencies have been stabilized; conditions generally have adjusted themselves, and wages have increased so that they are now about double what they were in 1922.

Senator KEYES. Didn't you say all this to the Ways and Means Committee?

Mr. RIOTTE. No; not entirely, sir.

Senator KEYES. I read your testimony last night, and it sounds rather familiar.

Mr. RIOTTE. Well, I am leading up to a condition that I would like to put in, just for that purpose.

Senator KEYES. All right.

Mr. RIOTTE. No such increase, if any, has taken place in the wages of the machine-lace workers in the United States, so that if the 90 per cent rate was justified in 1922, as representing the difference in cost of production, which I do not dispute, the same conditions do not now apply.

Statistics show that Calais exports of lace to the United States in 1928 were but 32 per cent in value of what they were in 1922; Nottingham, 32¼ per cent; Clauen, Germany, 16½ per cent; and St. Gall, 63½ per cent.

United States Government statistics show that imports of laces, including lace curtains but excluding Barmen lace, which for statistical purposes was then treated as a braid, declined from \$25,000,000 in 1914 to \$13,000,000 in 1923. They show further that, commencing with 1923, when published statistics for machine-made laces and veilings were compiled, that the imports had declined from \$11,347,000 in 1923, to \$5,887,000 in 1927.

The domestic manufacturers before the Ways and Means Committee claimed importations of \$25,000,000, but the United States Tariff Commission issued a statement on January 2, 1920, that the imports amounted to but \$5,887,000. I am quoting from the United States Daily now.

If the principle is followed that adjustment upward of tariff rates is to be only in those cases where increasing imports threaten the existence of a domestic industry, then inversely did not the lower tariff rates take place where the existing rate is shown to be too high?

I might state that the article most in demand, as far as the lace business is concerned is lace of this general character [indicating]. These are all domestic laces.

Senator KEYES. All machine made?

Mr. RIOTTE. All machine made.

Senator KEYES. I think you stated that you appeared for them?

Mr. RIOTTE. Those laces we can not import in competition with the domestic article.

Senator THOMAS. Why?

Mr. RIOTTE. Because of the fact that the 50 per cent protection would be sufficient to protect it against foreign importation, and I believe that statistics of the United States Tariff Commission will bear out that statement.

I might state further that in 1923 the Tariff Commission instituted an investigation as to the cost of production on laces, but up to this time they have made no findings.

Senator THOMAS. What is the duty on that class of merchandise at the present time?

Mr. RIOTTE. Ninety per cent.

Senator WALSH. When did you say they began this investigation?

Mr. RIOTTE. I said in 1923.

Senator WALSH. And never have made a finding?

Mr. RIOTTE. Not yet.

Senator THOMAS. You say that the duty on this class of merchandise is now 90 per cent?

Mr. RIOTTE. Ninety per cent.

Senator THOMAS. What is it in the proposed bill?

Mr. RIOTTE. The bill holds it at 90. That, I might state, is the article most in demand in the lace industry to-day. The 90 per cent rate has excluded from importation laces of this character known as cluny [indicating]. They are heavier laces made of American yarns, and can not be imported and pay 90 per cent duty.

Senator THOMAS. So on this class of goods the present rate carried in the 1922 bill and proposed to be continued in this bill, constitutes a practical embargo on this class of merchandise?

Mr. RIOTTE. Upon the classes of merchandise, samples of which I present.

The term "lace" embodies a wide variety of styles. I want to show you several of those styles and show you what we can not import and what we can. Here are some laces of Barmen Corchon, also made of heavy American cotton and can not be imported in competition with the American article [indicating].

Now, the one imported article which has been in demand so far this season is what is known as alencon. It is really an imitation of alencon and not the real thing.

Senator THOMAS. Before leaving these, will you please identify them so that the reporter can carry the identification in his report?

Mr. RIOTTE. Yes, sir.

Senator THOMAS. Do it at this point, before you forget it.

Mr. RIOTTE. Black lace sample marked "B"; black lace sample marked "C"; ecru lace sample marked "A"; cluny lace sample and barmen lace sample marked "D."

I stated before that laces originate abroad and usually on the origination of new styles of lace the consumer demand is created on the imported article, and after that article has become established it can be and is copied in the United States.

I have here an exhibit showing some of these alencon laces. It shows by whom it was imported. The first item cost abroad 47.10 cents a dozen; landing expense amounts to 10 per cent; a duty of 90 per cent makes the landed cost 94.38 cents per dozen yards. This article is being bought from a domestic manufacturer at a price of 60.72 cents per dozen yards. On that particular item, in order to afford protection, a duty of 18¾ per cent would be all that is needed.

On the same set there are five domestic items as against five foreign items which are comparable. If they are not technically the same in construction, no one can deny that they are commercially interchangeable. I would like to submit that sample.

Senator KEYES. Is it marked so that we can identify it?

Mr. RIOTTE. I will mark it "E."

Senator KEYES. You have just stated that this class of merchandise originates, if not wholly very largely, abroad; that when it comes to America, if it proves to be popular and successful, it is copied and.

becomes more or less a standard product here. Now, if Congress placed a sufficiently high tariff to prevent a great number of these articles from coming to America, wouldn't our American population be deprived of all of that class of merchandise that has no chance to get in here and has no chance to become a sample for copying in this country.

(Other samples of lace were marked "F," "G," and "H.")

Mr. RIOTTE. Laces of this character never become staple. They are desirable only if fashion says so. If Paris decrees that laces of a certain type are fashionable, and the women of the United States want a fashionable article. The nearest thing to a staple item in laces is what is commonly known as val laces. They are laces of this description [indicating]. They are the cheapest laces to be found in the market. They are usually sold by the 5 and 10 cent stores, large mail order houses, and the general stores at the cross roads throughout the United States. They are not popular to-day as far as style is concerned, but they always will be more or less used by the poorer classes of people in trimming the cheaper garments of women and children.

Senator THOMAS. The continuation of high duties on this class of merchandise has the effect, does it not, of depriving the American manufacturers of making this class of goods and forces the patrons in America to patronize French manufacturers for the same class of goods?

Mr. RIOTTE. I do not quite follow you, Senator. If you will permit me to state that some of these goods are made in the United States; they are made on the same machine that makes these others, known as a lever or go-through machine. The reason that—and I have not said this before, but that is one item which would apparently justify a raised duty, possibly as high as 90 per cent. On all of the others a 60 per cent duty would be sufficiently high. On this low grade, this low quality of lace, most of that is imported because of the additional handwork which is necessary after the article leaves the machine.

Senator THOMAS. You have testified that a good part of this product is not imported for the reason that the tariff duty is too high.

Mr. RIOTTE. Quite so.

Senator THOMAS. If that is true, then does it not follow that goods made from this merchandise has to be made in foreign countries and sent to America, for the obvious reason that it can not be imported here for the basic product from which finished products are made?

Mr. RIOTTE. Well, these articles that I have referred to as not being able to be imported under so high a rate, are used in the manufacture of domestic wearing apparel, principally. Those goods, dresses, are made in the United States.

Senator THOMAS. I was trying to tie up my conclusion with your statement, made some time ago, that the design of this class of goods originated in France.

Mr. RIOTTE. Quite so.

Senator THOMAS. And that the rate was so high that we could not get them into this country.

Mr. RIOTTE. As a commercial proposition?

Senator THOMAS. And later you stated that this class of goods when it did come into this country was copied and used by American factories in the making of goods.

Mr. RIOTTE. The foreign lace is copied by the domestic lace manufacturers, and I have shown here samples of the original foreign lace and its domestic counterpart.

Senator WALSH. Are the domestic manufacturers represented here?

Mr. RIOTTE. I should say so. Now, referring to this item—and this is the one item on which the domestic manufacturers repeatedly harp as being the cause of their not being able to make a great deal of money—they requested that a specific or at least a compound duty be imposed. That request was made of the Ways and Means Committee, and as usual compound duties are the vehicles by which exorbitantly high rates are carried. It was admitted by them that this compound rate which they requested carried with it duties the equivalent of 200 per cent on the foreign valuation. The Ways and Means Committee did not accept that request. There may be a request, and inasmuch as I represent the importing interests and have not had an opportunity to know what the domestic manufacturers are going to ask, I want to say that if a request is made that laces be placed on the basis of United States valuation as a major method of appraisement, it is an absolute impossibility on such an item as lace. On the same identical day it might very well be that the same pattern of lace would be sold by different importers of lace at four or five different prices, based on the character of the concern to which the laces are sold.

I would like to address myself also to the matter of nettings. Nettings were referred to this morning by the representative of the domestic embroidery manufacturers when he presented a brassiere and stated that the raw material paid a 90 per cent duty. Now, we importers are interested in those nettings, and they are made on what is known as a rolling or double-locker machine. The nettings have trade names such as mosquito nets, table nets, cretonne or washed blondes, and are provided for at 90 per cent in the proposed bill. These nettings are a plain, unfigured, open-mesh fabric used for mosquito netting, yokes, and sleeves of dresses, bridal veils, curtains, and as a foundation for embroidery. There is some netting manufactured in this country but not a great deal. There are, all told, but 54 netting machines in this country, as against between 3,200 and 3,300 in Europe. The 54 machines are distributed in six mills, and in but one of them are nettings the sole article of manufacture. Unless one small mill can be termed an industry, there is no industry to protect. Furthermore, it has frequently been charged that this one mill has never been efficiently managed, due to the lack of experience of the organizers. Now, these organizers consisted of one salesman and several ex-police officers in New York City who were without any manufacturing experience at the time the plant was organized. The industry has made no progress, although the rolling or double-locker machines were introduced in the United States about 1895 and have received the benefit of the highest ad valorem rate in the tariff act.

Senator KEYES. You might give us the name of this concern, if it has a name.

Mr. RIOTTE. Which one?

Senator KEYES. The one you are referring to, about the ex-policemen and others.

Mr. RIOTTE. Well, it was formerly known as the Lackey Manufacturing Co. I believe now it is known as the Newburgh Manufacturing Co., located at Newburgh, N. Y.

Senator THOMAS. Is that the way these policemen were pensioned? [Laughter.]

Mr. RIOTTE. No, sir. Now, as to machine embroideries, my organization was at one time very much interested in machine embroideries from St. Gall, Switzerland, and it was a very important item to us. What was left of the industry in 1922 was effectually snuffed out by raising the rate from 60 to 75 per cent. To further increase this rate from 75 to 90 per cent means nothing to importers and less to domestic manufacturers to-day if they but realize it. A 60 per cent rate would permit the importation of foreign goods in competition with the domestic product; would stimulate the trade here with new ideas, new styles, new patterns, new merchandise, so that the domestic industry might be revived. As stated previously, raising the rate from 60 to 75 per cent in 1922 killed the industry; a further raise from 75 per cent to 90 per cent is like firing a further shot into a dead horse.

Senator KEYES. Is that all, Mr. Riotte?

Mr. RIOTTE. That is all, sir.

STATEMENT OF ERNEST MOSMANN, UNION CITY, N. J., REPRESENTING THE EMBROIDERY MANUFACTURERS' ASSOCIATION OF THE STATE OF NEW JERSEY

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

Senator KEYES. Will you state whom you represent?

Mr. MOSMANN. I represent the Embroidery Manufacturers' Association of the State of New Jersey.

Senator KEYES. You are addressing yourself to the same paragraph as the previous witness?

Mr. MOSMANN. Yes, sir; we take up embroideries in general, and we go to the three sections of paragraph 1529 of the new bill.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. MOSMANN. Yes, sir.

I am here to represent the Embroidery Manufacturers' Association. These manufacturers are engaged in the manufacture of embroideries and laces, made upon the multiple-needle-shuttle embroidery machines.

Since the relief we asked for before the Ways and Means Committee of the House has been granted, we are here only to call to your attention some of the wording in this new paragraph, which, in our opinion, seems to be subject to misinterpretation and may lead to litigation and to a negation of the protection intended.

I only want to speak briefly on these paragraphs in regard to some language which it seems necessary should be changed.

Senator KEYES. Go ahead.

Mr. MOSMANN. First, page 194, line 1, after the word "laces," we respectfully suggest that "lace window curtains, nets, and nettings" be added, and that the words "motifs, collars, and collarettes" be added and inserted immediately after the word "ornaments."

Since these articles are not mentioned among the other articles, there seems to have been an oversight, and we feel that these articles should have specific mention. The suggested language will tend to avoid misinterpretation and will aid in making the language clear, and it tends to make the paragraph more inclusive. Most of the articles are mentioned, and if we omit these articles when it comes to the construction of the paragraph it will be very significant that certain articles have been omitted, and it will tend to cause a misinterpretation.

Senator THOMAS. You say that this bill omits something?

Mr. MOSMANN. Yes, sir; it does, and that is why we are asking for this change. This is probably the most inclusive and most difficult paragraph in the whole bill. The bill is very clear. If you will study the matter I think you will find that after you have made this change that we recommend it will be a little bit more clear.

On page 194, line 7, in connection with the language, "ornamented with beads, bugles, or spangles," after the word "spangles" we suggest adding the following: "or other component articles." This additional language would make the language all inclusive and would provide for any ornamentation.

Senator KEYES. What is a bugle?

Mr. MOSMANN. A bugle is an ornamentation similar to a spangle, which is sewed upon the goods.

These things might be on the articles, but still if we did not include these things two years from now we could not come back and say you omitted some form of ornamentation. So we would like to have that changed.

Senator THOMAS. How far in the future are you protecting these articles?

Mr. MOSMANN. The style changes every few weeks. It is not any more a case of getting out samples once or twice a year, or to let them go into the next season. That condition does not exist.

Senator THOMAS. You want everything included that now is and everything that will be?

Mr. MOSMANN. No. This merely makes the paragraph more inclusive; that is all.

Now, as to page 194, line 10 and part of line 11, the provision, "not including one row of straight hemstitching adjoining the hem," this language seems to be unfortunate; that is, the word "adjoining," because it is very ambiguous. I have here a little sample of a hemstitched hem and the hem alongside. [Exhibiting samples.] This would apparently be adjoining the hem.

It is evident that it was the intent here to eliminate some particular article, but the language does not seem clear enough to us to eliminate just what may have been meant to be left out.

Therefore we suggest that in the interest of clarity this clause be stricken from the paragraph.

Senator KEYES. Did you make these suggestions to the Ways and Means Committee?

Mr. MOSMANN. No, sir; because the language was not written at that time. What I am taking up here is entirely new. I am speaking only upon the act as it has now been written by the House.

Senator KEYES. What about the present law?

Mr. MOSMANN. The present law satisfies us. It is merely the wording that we should like to have changed.

Senator THOMAS. You mean the present law or the present bill?

Mr. MOSMANN. The present bill as now written by the House, with the new paragraph 1529, which seems to be satisfactory to the embroidery trade.

Senator THOMAS. Do you know of anything we have or are liable to have in the next generation that would not be covered by your amendment?

Mr. MOSMANN. What the future holds I do not know. You can never tell what will be created in the next two weeks or the next 10 days; that is impossible to know.

There is an new article [indicating sample]; that is new embroidery, which may last two weeks or two months or two years. There are many different forms of it. Every new design will give a new effect in the shoe.

Senator WALSH. What fabric is that?

Mr. MOSMANN. You can use any kind of fabric for the wear. They are imported with any kind of thread that will run through a needle.

Senator KEYES. Where are those made?

Mr. MOSMANN. The embroidery is made in New Jersey.

Senator KEYES. These are not imported?

Mr. MOSMANN. No, sir; these are not imported.

Senator WALSH. Are not these taken care of in the cotton and rayon schedule?

Mr. MOSMANN. They are taken care of in paragraph 1505, which is excepted from paragraph 1530.

Taking page 193, line 13, it is here provided that articles mentioned in paragraph 1505 are exempted. We would suggest that this proviso be stricken out entirely. The embroidering of uppers for women's and children's footwear embroidered with cotton, silk, or rayon, to-day forms a very considerable item in the domestic embroidery trade. To our knowledge, this is an original American creation, and we fear that if "boots, shoes, or other footwear" embroidered, is not specifically mentioned in paragraph 1530, section (a), this article may in the future be made abroad and imported at 35 per cent ad valorem, as provided for in paragraph 1505. We therefore suggest that you add to paragraph 1529 (a), after "fabrics and articles embroidered," the clause "in any manner whatsoever, however small."

This is entirely an American creation, created by the American mind, and it seems that if footwear, boots, and uppers and ladies' slippers come in at 35 per cent ad valorem when they are embroidered, the others should come in at 90 per cent under paragraph 1530.

Senator THOMAS. If that should be done, could you not take a 35 per cent dutiable article and by putting a little stitching on it, you say, "however small," you could do that practically with no expense, and have the duty increased from 75 to 90 per cent?

Mr. MOSMANN. I imagine that the people who administer the tariff law use common sense. I do not think a few stitches—

Senator THOMAS. How many stitches do you think would come in under the clause "however small"?

Mr. MOSMANN. That is a matter of court construction. The courts would have trouble coming to a conclusion on that, and I would not be able to say.

Senator THOMAS. Under that language, if they found any stitching on it, would that affect it?

Mr. MOSMANN. I do not think so.

Senator COUZENS. It is the very opposite of what they would do to get it into the lower bracket.

Mr. MOSMANN. The tendency would be to leave that rather than to bring any article into the lower rate. The domestic manufacturer is not interested in putting embroidery on an article in Europe to make it come in here at a higher rate.

Senator WALSH. Are these for street use?

Mr. MOSMANN. No, sir; they are more or less for ballroom wear, or for wearing at children's parties. That is a luxury.

Senator THOMAS. Do you claim that the style on this class of goods for use around the home changes rapidly?

Mr. MOSMANN. That is not for use around the home. That is more for use at parties, these different parties. They play whist all the time, and they wear those at those little whist parties and at other parties, and once they are out of style, they are gone; you can not give them away.

As to the provision in line 14, page 194, the articles mentioned in paragraph 1514 are exempted from paragraph 1530 (a). Paragraph 1514 makes dolls and dolls' clothing, composed in any part, however small, of any of the laces, lace fabrics, embroideries, or other materials or articles provided for in paragraph 1530 (a) subject to 90 per cent ad valorem. Therefore it is useless to except paragraph 1514.

As to the provision on line 14, page 194, the materials and articles mentioned under paragraph 1519 are exempted. We feel that this exemption should likewise not be mentioned because it also calls for a 90 per cent ad valorem rate. If it is mentioned it will only tend to cause litigation, so we are trying to make things clear now.

Furthermore, in reference to line 14, page 194, the articles mentioned under the paragraph numbered 1705 are exempted. Paragraph 1705 refers to "junk, old." We suggest that this reference be stricken from paragraph 1530, because "junk, old" could have no reference to paragraph 1530 (a) by even the widest stretch of the imagination.

There is another clause that I want to refer to in this paragraph, line 18, page 194, with reference to the words "wholly or in chief value." It says, "when composed wholly or in chief value of filaments, yarns, threads, tinsel wire, lame, bullions, metal threads, beads, bugles, spangles, or rayon." We feel it would be just as well if you left that out, because if an article is embroidered, if there is embroidery upon cotton fabric or other, it is composed of something like that. It is our honest opinion that it will be most difficult to ascertain correctly and without consequent controversy, just what.

the meaning of "wholly or in chief value" is. Accordingly we recommend that this phrase be stricken from this paragraph so that there will be a greater degree of clarity and less chance of controversy. We think that condition in the clause would make the paragraph more indefinite or uncertain.

In reference to line 20, page 194, under component articles, we believe that laminette and chenille, which are quite extensively used in the embroidery trade, should have mention right after the word "spangles." This is probably an omission, and the suggested language will tend to make section (a) of this paragraph 1530 more inclusive.

In reference to (b), paragraph 1529, which section takes care of handkerchiefs, there you will find the higher-priced handkerchiefs that come into the United States, f. o. b. New York, at \$4, sold wholesale at \$8, and you will find there that the \$4 is paying a duty of \$2.08, which is decidedly less than the 10 or 15 cent handkerchiefs would pay.

So we ask that the higher price and more luxurious handkerchiefs be raised to a duty which is comparable to what the cheaper handkerchiefs would have to pay. We hardly believe that it was the intent here to admit the finer and the more luxurious handkerchiefs at a lower rate than the cheaper goods. So we have suggested that there be added to section (b) the following basket clause: "*Provided*, That none of the foregoing shall pay a lesser rate than 90 per cent ad valorem." That would tend to equalize the difference between the cheaper handkerchiefs and the more luxurious ones. There is no reason why fancy handkerchiefs should have a rate, or should come in at a rate, lower than the cheap handkerchiefs. We are interested chiefly in the high-priced handkerchiefs.

Now, in reference to section (c) of paragraph 1529, page 195, that section provides 60 per cent on brassieres, corsets, girdle-corsets, bandeau-brassieres, and so forth.

I would like to call your attention to the fact that some of these articles that are coming to us are embroidered, and some of them of net are coming in. Since net in itself, a component article, and embroidery also, are both subject to a 90 per cent rate of duty, we believe that a finished article of this kind should be likewise assessed, and therefore we suggest the addition of the following clause to section (c):

Provided, That any of the foregoing, when composed partly of lace, net or embroidery, shall be assessed at 90 per centum ad valorem.

The brassiere and the material for the brassiere is made on the embroidery machines. The one is plain net [exhibiting sample].

Senator KEYES. What is that supposed to be?

Mr. MOSMANN. That is a brassiere. This [exhibiting sample] is a bandeau-brassiere. That is made of net and it has lace on it, and we feel that in the case of all these articles made of lace, or nets, or embroideries, they should not come in largely in the manufactured form at a lesser rate than any of their component parts.

Senator THOMAS. Do you make those products?

Mr. MOSMANN. We make the embroidery and the laces for those products. As long as we have to buy nets there is no reason why

the finished article should be imported at 60 per cent when we have to pay 90 per cent on the imported net.

I would like permission to file this brief with the committee, and I will leave these samples with the committee.

Senator THOMAS. Have you suggested a reduction in the rates?

Mr. MOSMANN. No, sir; we are satisfied with the rate as it is now. We asked before the Ways and Means Committee that the rates be unified, in order to do away with litigation, and the House did that. They gave us a unified rate of 90 per cent, which was the rate before on laces and most of the embroideries, and the appliques, and things like that. Since that has been done, we are satisfied with the bill.

Senator WALSH. Does not the levying of a specific duty and an ad valorem duty usually work out to give you an advantage on the higher-priced article?

Mr. MOSMANN. I imagine that it does. There is an investigation on handkerchiefs going on now, and there is no need of doing anything definitely until the tariff investigation on them has been completed. I am merely pointing out here the injustice to the cheaper handkerchiefs.

Senator THOMAS. Where is your factory located?

Mr. MOSMANN. In North Bergen, N. J.

Senator THOMAS. How many people are employed in your factory?

Mr. MOSMANN. Normally we employ in our own plant about 20 people.

Senator THOMAS. Do you represent other interests besides your own plant?

Mr. MOSMANN. I represent the Embroidery Manufacturers' Association.

Senator THOMAS. What does that consist of?

Mr. MOSMANN. It is an association maintained by the manufacturers of shuttle machine-made embroideries.

Senator THOMAS. Where are these factories located in the country?

Mr. MOSMANN. In the main they are located in New Jersey. There are some factories in New York City. There are also factories throughout Pennsylvania and Ohio.

Senator THOMAS. How many people are employed in this industry?

Mr. MOSMANN. In this industry, in the shuttle embroidery industry, there are about 4,000 people, and in the embroidery industry altogether about 9,000 people.

Senator THOMAS. Is the industry reasonably prosperous?

Mr. MOSMANN. The industry is everything but reasonably prosperous.

Senator THOMAS. Is that, according to your judgment, due to the fact that the tariff protection is not high enough?

Mr. MOSMANN. No, sir; I would not say that. We did not ask for a higher rate. We deal with style, and when you deal with style you are dealing with a fickle mistress.

Senator THOMAS. Why not put an item in this bill to stabilize style?

Mr. MOSMANN. There is no need of asking for anything that can not be done anyway. It used to be you could put up a lot of samples twice a year and work on those samples for six months making up

another line. But to-day the samples change very quickly. Sometimes it helps and sometimes it does not.

(Mr. Mosmann submitted the following brief:)

BRIEF OF THE EMBROIDERY MANUFACTURERS ASSOCIATION (INC.), UNION CITY, N. J.

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

MR. CHAIRMAN AND GENTLEMEN: This brief is most respectfully submitted by us for the consideration of your committee. We urge the following wording of the paragraph covering articles, fabrics, and commodities now comprised in paragraph 1530 (a), (b), (c):

"PAR. 1530. (a) Laces, lace window curtains, nets, nettings, lace fabrics, and lace articles, made by hand or on a lace, net, knitting, or braiding machine, and all fabrics and articles made on a lace or net machine, all the foregoing, plain or figured; velis, veiling, flouncing, all-overs, neck ruffings, flutings, quillings, ruchings, tuckings, insertings, galloons, edgings, trimmings, fringes, gimps, ornaments, motifs, collars, and collarettes; braids, loom woven and ornamented in the process of weaving, or made by hand, or on a lace, knitting, or braiding machine; and fabrics and articles embroidered in any manner whatsoever, however small (whether or not the embroidery is on a scalloped edge), tamboured, appliqued, ornamented with beads, bugles, spangles, or other component materials, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork; all the foregoing, and fabrics and articles wholly or in part thereof, finished or unfinished (except materials and articles provided for in paragraph 920, 1006, 1111, 1504, 1500, 1524, or 1726, or in subparagraph (b) or (c) of this paragraph), by whatever name known, and to whatever use applied, and whether or not named, described, or provided for elsewhere in this act, when composed of filaments, yarns, threads, tinsel wire, lame, laminette, bullions, metal threads, beads, bugles, spangles, chenille, or rayon, 90 per centum ad valorem.

"PAR. 1530. (b) Handkerchiefs, wholly or in part of lace or net, and handkerchiefs embroidered (whether with a plain or fancy initial, monogram, or otherwise, and whether or not the embroidery is on a scalloped edge), tamboured, appliqued, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork, not including one row of straight hemstitching adjoining the hem; all the foregoing, finished or unfinished, of whatever material composed, 4 cents each and 40 per centum ad valorem; provided that none of the foregoing shall pay less than 90 per centum ad valorem.

"PAR. 1530. (c) Corsets, girdle corsets, step-in corsets, brassieres, bandeaux brassieres; corsets, girdle corsets, or step-in corsets, attached to brassieres or bandeaux brassieres; all similar body-supporting garments; all the foregoing, of whatever material composed, finished or unfinished, and all wearing apparel or articles to which any of the foregoing is attached, 60 per centum ad valorem; all the foregoing composed in whole or in part of elastic fabrics, 75 per centum ad valorem; elastic fabrics of whatever material composed, knit, woven, or braided, in part of India rubber, more than 12 inches in width, 60 per centum ad valorem: *Provided*, That any of the foregoing, if composed partly of lace, net, or embroidery, shall be assessed 90 per centum ad valorem."

The subject matter of this brief will be confined to the wording of paragraph 1530 (a), (b), and (c); the merits of the ad valorem rate having been gone into before the Ways and Means Committee of the House of Representatives, both orally and by brief, they will not now be repeated.

We wish herewith respectfully to submit to your committee certain changes in the phraseology of paragraph 1530, which we deem necessary both to the clarification of the intent of the paragraph and to the protection of the domestic manufacturer.

Paragraph 1530 (a), page 104, line 1: We respectfully suggest that "lace window curtains, nets, nettings" be added and inserted immediately after the word "laces," and that "motifs, collars, and collarettes" be added and inserted immediately after the word "ornaments."

It is our belief that since "lace window curtains, nets, nettings" and "motifs, collars, and collarettes" are not mentioned among the other articles in eo nomine designations that it has been an oversight and that therefore

these articles should have specific mention. The suggested language will further tend to avoid any misinterpretation and will aid in keeping the language and intent clear.

Paragraph 1530 (a), page 194, line 7: "Ornamented with beads, bugles, or spangles." After the word "spangles" we would suggest the addition and insertion of the following: "or other component materials." This additional language would make the clause all inclusive and would thereby provide for anything which may be used for ornamentation.

Paragraph 1530 (a), page 194, line 10 and part of line 11: "Not including one row of straight hemstitching adjoining the hem." "Adjoining" in this particular case was meant by the lawmakers a hemstitch or hem produced on a machine or by hand at the same time the material was turned under or over and was joined to itself. It is evident that it was the intent in this clause to eliminate some particular article from the operation of this paragraph, but in our opinion this language is not clear enough so that it will eliminate what may have been meant to be left out. Therefore, we would suggest to strike out entirely the proviso, "not including one row of straight hemstitching adjoining the hem."

Paragraph 1530 (a), page 194, line 13: It is here provided that materials and articles under paragraph 1505 are excepted. We would suggest that this proviso be entirely stricken out. The embroidering of uppers for ladies' and children's slippers—fabrics embroidered with cotton, silk, or rayon—to-day forms a very considerable item in the domestic embroidery industry. To our knowledge, machine-embroidered uppers for ladies and children's footwear are an original American creation, and we fear that as "boots, shoes, or other footwear" embroidered is not specifically mentioned in paragraph 1530 (a) this article may in the future be manufactured abroad and imported into the United States at 35 per cent ad valorem on the assessed value as provided for in paragraph 1505. We would therefore suggest to add to paragraph 1530 (a), after "fabrics and articles embroidered," "in any manner whatsoever, however small."

Paragraph 1530 (a), page 194, line 14: Materials and articles provided for in paragraph 1514 are excepted from paragraph 1530 (a). Paragraph 1514 makes dolls and doll clothing, composed in any part, however small, of any of the laces, lace fabrics, embroideries, or other materials or articles provided for in paragraph 1530 (a) subject to 90 per cent ad valorem. Therefore, it is useless to except paragraph 1514.

Paragraph 1530 (a), page 194, line 14: Materials and articles mentioned under paragraph 1519 are excepted. This exception should not be mentioned in paragraph 1530, as paragraph 1519 also provides 90 per cent for this commodity, and if paragraph 1519 is excepted in paragraph 1530 it will only tend to bring up litigation, so let us have it clear now.

Paragraph 1530 (a), page 194, line 14: Articles mentioned under paragraph 1705 are excepted. Paragraph 1705 reads as follows: "Junk, old." Webster's New International Dictionary defines "junk" as follows:

"Old iron or other metal, glass, paper, cordage, or other waste material, which may be treated or prepared so as to be used again in some form."

We suggest that the mention of this paragraph 1705 be stricken from paragraph 1530 (a), as this commodity could have no reference to this paragraph by even the widest stretch of imagination.

Paragraph 1530 (a), page 194, line 18: We feel that the following words "wholly or in chief value" are an unfortunate qualification. It is our honest opinion that it will be most difficult to ascertain correctly and without consequent controversy just what the meaning of "wholly or in chief value" is. Accordingly, we recommend that this phrase be stricken from this paragraph so that there will be a greater degree of clarity and less chance of controversy.

Paragraph 1530 (a), page 194, line 20: Under the component articles, we believe that "lamulette and chenille" should have mention right after the word, "spangles." This is probably an omission and will tend to make paragraph 1530 (a) more inclusive.

Paragraph 1530 (b), page 194, line 22: We beg leave to suggest to add after "lace" the following: "or net," as a great many net handkerchiefs are imported and it would be unfair to let them come in at a lower rate of duty than net would have to bear when not advanced in manufacture.

Paragraph 1530 (b), page 194, lines 21 to 25, inclusive, and page 195, lines 1 to 6 inclusive: We wish also to bring to your attention the fact that handkerchiefs of the finer grade, selling at retail at 50 cents each and up, would under the present language of this paragraph, be assessed at a considerably lower rate than those handkerchiefs which are retailed at 10 or 15 cents each.

A dozen imported handkerchiefs which are sold wholesale at about \$8, costing f. o. b. New York about \$4, would bring a duty of only \$2.08. We hardly believe that it was the intent here to admit the cheaper goods at a high rate and the finer and more luxurious goods at a much lower rate. Accordingly, we suggest that there be added to this section (b) the following basket clause:

"Provided, That none of the foregoing shall pay a lesser rate than 90 per centum ad valorem."

The addition of this clause would prevent the importation of the more luxurious goods at a much lower rate than the cheap goods have to bear.

Paragraph 1530 (c), page 195, lines 7 to 13: We beg leave to bring to your attention the fact that a great number of brassieres and bandeaux brassieres embroidered on net are subject to importation. Since net in itself, a component article, and embroidery also, are both subject to a 90 per cent ad valorem rate of duty, we sincerely believe that a finished article of this kind should be assessed likewise, and therefore we suggest the addition of the following clause to subparagraph (c):

"Provided, That any of the foregoing, when composed partly of lace, net, or embroidery, shall be assessed at 90 per cent ad valorem."

Respectfully submitted.

EMBROIDERY MANUFACTURERS ASSOCIATION (INC.).
ERNEST MOSMANN,
VICTOR EDELMANN,
Tariff Committee.

STATEMENT OF H. A. PHILIPS, REPRESENTING THE AMERICAN LACE MANUFACTURERS' ASSOCIATION AND THE AMERICAN FABRICS CO., BRIDGEPORT, CONN.

[Laces]

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

Mr. PHILIPS. Mr. Chairman and gentlemen, I represent the American Lace Manufacturers' Association and the American Fabrics Co. of Bridgeport, Conn., in particular. The American Lace Manufacturers' Association has a membership of a majority of the lace plants in this country. The plants are located in New Jersey, Pennsylvania, Ohio, New York, Rhode Island, Illinois, and Connecticut. Normally we employ approximately 8,000 people.

The capital invested in the industry approximates \$20,000.

Senator WALSH. What is the condition of the business?

Mr. PHILIPS. Very poor.

Senator WALSH. At what capacity are you running?

Mr. PHILIPS. We must be running on an average around 45 per cent of our normal capacity.

Senator WALSH. For how long has that been?

Mr. PHILIPS. That has been going on now for quite a few years. I would just like to give you a general picture, and it will not take long.

Senator WALSH. Is that due to importations or is it due to changes in styles, economic factors?

Mr. PHILIPS. That is largely due to changes in styles at the present time. The table of imports will bear that out, because after

the tariff act of 1922, when this terrific rate of 90 per cent went into effect, the imports still kept on increasing while fashions were with us, and after 1924 they began to gradually taper down, because the demand was not quite so heavy.

I would like to mention to you that the industry in this country and the capital invested in it, we believe was entirely invested at the instigation of Congress in 1909, through the tariff act, because the duty was raised at that time to 70 per cent and a clause in the machinery paragraph was inserted giving us machinery, the tools of production, free of duty, and that started all but two of our plants in this country.

Senator THOMAS. What finished products do you produce?

Mr. PHILIPS. Laces, just laces.

Senator THOMAS. Where do you get your raw material?

Mr. PHILIPS. We buy it in this country, and we buy some abroad. We have to buy some materials abroad that we can not buy here. The tendency is to buy more and more materials in this country. When we first started we bought practically all our materials abroad; as the spinning industry has developed we buy more here.

Senator WALSH. What do you buy abroad?

Mr. PHILIPS. The finer kinds of cotton yarn.

Senator WALSH. You pay a duty on that?

Mr. PHILIPS. We pay a duty on that; yes.

Senator WALSH. How much?

Mr. PHILIPS. In the last act of 1922 we paid 30 per cent; under the present act it is 37 per cent.

Senator WALSH. What else do you buy abroad?

Mr. PHILIPS. Tinsel yarn, metal yarn.

Senator WALSH. What duties do you pay on that?

Mr. PHILIPS. Six cents a pound and 35 per cent ad valorem; and under the new act, 6 cents a pound and 45 per cent ad valorem.

Senator WALSH. What else do you buy abroad?

Mr. PHILIPS. That is about all.

Senator WALSH. Now, you get your machinery abroad?

Mr. PHILIPS. We have been getting our machinery abroad; yes, sir.

Senator WALSH. You paid duty on that?

Mr. PHILIPS. We paid duty on that.

Senator WALSH. How much?

Mr. PHILIPS. Thirty-five per cent.

Senator WALSH. When was that increased?

Mr. PHILIPS. That was increased in 1911. In 1910 it came in free for one year, and after that the duty was put back again.

Senator WALSH. Was it increased in the 1922 act?

Mr. PHILIPS. I do not think it was. But it was only about 5 per cent.

Senator WALSH. How much is it in this proposed bill?

Mr. PHILIPS. It leaves machinery about the same as it was before.

Senator WALSH. So you are facing the future with increased duties levied in this bill upon your raw material?

Mr. PHILIPS. Yes. The new act gives us less protection than we have had in the past.

When the 1922 act of 90 per cent went into effect the lace-manufacturing industries of this country made the statement that the

protection was not sufficient. We had asked for more. We got 90 per cent, and subsequent events have exactly borne out what we stated, and the picture to-day is this: That the domestic production in 1927, according to accurate Government statistics, to which we as manufacturers subscribe, was \$11,552,000. Now, with that we compare imports landed in this country, including the duties, of \$20,802,000. In other words, the imports are almost twice as much as the domestic production.

Senator THOMAS. In that connection I have a Summary of Tariff Information for 1929, a publication by the Tariff Commission. On page 2032, under the title, "Competitive Conditions," I find the following:

Since 1924 imports of machine-made laces have receded in value until in 1927 domestic production exceeded imports in value.

Is that correct?

Mr. PHILIPS. No; that is not correct when you compare the correct figures. Our figures are taken from those, but the statements in this book are misleading from our standpoint. We must compare like with like. In other words, if I take an imported article and compare it with an article made in this country I must compare its value in New York and not its value in Europe.

Senator WALSH. In other words, you say there are produced in this country some laces that are not comparable with laces that are imported? Just what have you in mind?

Mr. PHILIPS. We claim that the figures mentioned in the Tariff Commission's report, the figures in themselves are correct; in fact, we base our's on theirs, you see, but when you come to say that our domestic production in 1927 was \$11,552,000, and that the imports in 1927 were \$20,000,000, include in those imports the duty that is paid on those goods to bring them into New York, because that is where our competition starts, you see.

Senator THOMAS. You base, then, your competition on the American valuation?

Mr. PHILIPS. On the American value of the goods; yes, sir.

Senator WALSH. If you took off that duty they would be about equal?

Mr. PHILIPS. Yes; if you take off the duty and the landing charges they are about equal. And if you did that we would not have any domestic production whatsoever.

Senator WALSH. Is it true that the domestic production has been increasing?

Mr. PHILIPS. No; the domestic production has been declining, the same as imports have been declining, subject to economic conditions.

Senator WALSH. Which has been declining most?

Mr. PHILIPS. Imports.

Senator THOMAS. What use is made of your finished product?

Mr. PHILIPS. Our finished products are sold to a thousand different varieties of merchandise. They are sold over the counter in the store; they are sold on outside dresses; they are sold on undergarments; they are sold for window decorations and for decoration of apartments. In fact, there is no limit to where they can be used, as long as fashion decrees that laces should be used.

Senator WALSH. I suppose the removal of laces from trimming women's hats has been very detrimental to the business, has it not?

Mr. PHILIPS. It has been on that class of lace generally used for that purpose. Now, paragraph 1929 as now written provides less protection.

Senator WALSH. That is, less than 90 per cent?

Mr. PHILIPS. No; provides 90 per cent now, and it provides less protection for our industry than we have had in the past.

Senator WALSH. In what way?

Mr. PHILIPS. On account, first, of the increased duties on some of our raw materials which we must buy abroad.

Senator WALSH. Which you brought out in the questions I asked you?

Mr. PHILIPS. Yes, sir. Then, through the illogical phraseology of the paragraph. The paragraph as it reads now starts with laces, lace fabrics. As to laces, we would like to have inserted the words "imitation laces," for the reason that there are many articles that may be classed in another classification, but they are actually imitation laces, and they should remain in the lace paragraph under 90 per cent.

Senator THOMAS. What do you mean by "imitation lace"?

Mr. PHILIPS. Articles like this [indicating].

Senator WALSH. Identify that, if you will, for the reporter.

Mr. PHILIPS. This is an article of imitation lace.

Senator WALSH. What is it called?

Mr. PHILIPS. It is called a lace scarf.

Senator THOMAS. Identify it, if you will, so the reporter can get it.

Mr. PHILIPS. We will call it "Philips Exhibit A."

Senator WALSH. I am trying to run through my mind the ad valorem duty which you have to pay on your machinery and your raw product. Have you figured up the total amount? Is it over 100 per cent?

Mr. PHILIPS. It is over 100 per cent; yes. Now I shall not read the rest of that paragraph until I come down to the section.

Senator THOMAS. Do you claim that the paragraph as read contains what has been alluded to here as "hidden legislation"?

Mr. PHILIPS. No; I would not call it that. I call it inconsistency. I do not believe that anybody would try to put anything into a paragraph intentionally that does not belong there.

Senator THOMAS. You say it never has been done?

Mr. PHILIPS. Well, I don't know of any case personally. I know of a great deal of legislation under paragraph 4030, and I know something of paragraph 4030 was written there that was not done intentionally, and it actually reacted to our detriment by a great many laces coming under 75 per cent instead of 90. The court decisions since have ruled differently from what we expected them to do.

Under "exceptions" in paragraph 1529 it states—

except materials and articles provided for in paragraphs 015, 020, 1000, 1111, 1504, 1505, 1513, 1518, 1523, 1530 (e) 1702, or 1721, or in subparagraph (b), or (c).

We want all of (c) stricken out, for the reason that in subparagraph (a) we provide for a duty of 90 per cent on all articles on which laces are used, and then in subparagraph (c) we simply take

it away again and take it down to 60 per cent on all articles—namely, on corsets, girdle corsets, step-in corsets, brassieres, bandeaux brassieres; corsets, girdle corsets, or step-in corsets, attached to brassieres or bandeaux brassieres; all similar body-supporting garments; all the foregoing, of whatever material composed, finished or unfinished, and all wearing apparel or articles to which any of the foregoing is attached. That means that all wearing apparel or articles to which any of the foregoing are attached, whether made of lace, for which a 90 per cent provision is made, is simply reduced down to 60 per cent.

Senator THOMAS. Seventy-five per cent, is it not?

Mr. PHILIPS. No; it is 60 per cent.

Senator THOMAS. The last line on page 195 limits that to "in whole or in part of elastic fabric. 75 per cent."

Mr. PHILIPS. Yes, sir. But just before that it says 60 per cent.

Senator THOMAS. You want the entire section stricken out?

Mr. PHILIPS. No; that would not be necessary. There should be added after the phraseology "and all wearing apparel or articles to which any of the foregoing is attached," the words "except materials and articles provided for in subparagraph (a) of this paragraph." That is what we would like to have added in that paragraph, because that brings the duty back to where it should be and where it was intended it should be.

Senator THOMAS. It would broaden the provisions of the bill, would it not?

Mr. PHILIPS. It broadens the provisions of paragraph 1529 and makes 1529 effective. In fact, we first mention all these articles in 1529 (a), what we want protected, what is intended to be protected, and then in subparagraph (c) we take part of it off again. Now, Mr. Hobbs yesterday, of the wool people came in here and spoke on that same thing, because it does the same thing to woolen materials. Woolen wearing apparel comes in under certain duties, and then this paragraph makes that void.

Now, we come to the most important point of our request. We requested the Ways and Means Committee for additional duties, and those additional duties we requested for the reason that we ought to give employment to the people and the capital that is invested in the industry; therefore, we ask, in addition to the 90 per cent ad valorem, that in addition thereto, on all laces up to and including 3 inches in width, and wider laces permitting of conversion into laces of 3 inches in width or narrower, half a cent per yard for each half inch of width or fraction thereof. In other words, on all narrow laces that are narrower than 3 inches, which are the bread and butter of the industry, for which our plants were established, we ask for an additional duty and a specific duty.

Senator COUZENS. Are you not working now?

Mr. PHILIPS. We are not working—we are practically not working on that class of merchandise.

Senator WALSH. You said the industry was only running about 45 per cent.

Senator THOMAS. You just stated that you are requesting that rates sufficiently high be enacted to take care of the capital invested in your industry and the labor employed. Would you want the bill to follow that principle with regard to all industries in America?

Mr. PHILIPS. I am only making the request for the lace industry.

Senator THOMAS. You are one of those that will be satisfied if you get what you want and have no concern with what the other fellow gets?

Mr. PHILIPS. No; the other manufacturer has to take care of his industry. I only want to take care of our own.

Senator THOMAS. That is another rule, then, that is very evident here.

Mr. PHILIPS. Well, I can not appear for the other manufacturers of this country.

Senator THOMAS. Well, you think that Congress should follow that rule of placing rates sufficiently high to take care of money invested in a given industry and to keep the people employed, irrespective of whether or not there is too much money invested or too many people employed?

Mr. PHILIPS. Not irrespective of whether there is too much money invested, but the people of this country have to find employment, and they can only find employment under the proper protection of these industries.

Senator THOMAS. Do you think that Congress should find employment for all people?

Mr. PHILIPS. Absolutely.

Senator THOMAS. How many men are unemployed now?

Mr. PHILIPS. I haven't any idea.

Senator THOMAS. I thought there were several million unemployed, so that in that case Congress has some job on its hands?

Mr. PHILIPS. If that can be done through legislation, especially through legislation of this kind, it is my opinion it should be done, because, if our own people are employed, then we have no unemployment in this country; but if they are unemployed because of foreign goods coming in that certainly is a calamity.

Senator THOMAS. Don't you believe that Congress, in order to make effective the principle just enunciated, should have complete information as to the profits being now made by the manufacturing interests?

Mr. PHILIPS. The Congress has the right to ask for anything they want, and if you want it from our industry, we will be very glad to furnish it to you. We have been investigated on that score by the Tariff Commission. Our business is open.

Then, further, we ask that a specific duty be placed on all net and nettings, in addition to the 90 per cent ad valorem; three-fourths cent per square yard on all nets having less than 50 holes to the square inch. I don't want time to read it all, because it is exactly what we asked before the Ways and Means Committee.

Now, we want to ask you to give that your reconsideration, and in explanation I want to say to you that the 3-inch laces pertain only to those narrow ones that the previous witness mentioned, namely, this class of goods [indicating]. They are the bread and butter of the industry, for which purpose this industry was established. We can not make them because they can be made so cheap in France. They come in very cheap, and similar goods, the heavier goods, come in from Germany and China, and we can not manufacture goods here as cheap as China can, as cheap as Europe can.

And I don't think that anybody wants to buy those goods without any protection for American labor.

When the tariff act of 1922 was passed, the American Fabrics Co., of Bridgeport, Conn., was purely an American manufacturer. We had to maintain ourselves and stay in business, and we went into the importing business and there is our import line [indicating a book containing samples of lace]. We carry to-day a larger import line than our own manufactured products that we make here in this country.

Senator WALSH. Are they a cheaper class of laces or higher priced?

Mr. PHILIPS. These are mostly higher-priced laces. A previous witness said that these silk laces were not imported. There they are in our book. We import them because we can import them cheaper from abroad than we can make them here, of certain styles.

Senator WALSH. These are all machine made?

Mr. PHILIPS. These are all machine-made laces.

Senator COUZENS. In what country are those black ones made?

Mr. PHILIPS. They all come from France. France has got labor that is only one-quarter as expensive as ours, and for that reason 90 per cent does not protect us. Now, we are asking 90 per cent on all laces specific duty, in addition to the 90 per cent on all laces over 3 inches wide, and the rest stay at 90 per cent.

Senator COUZENS. What would that bring the ad valorem to on those 3-inch laces?

Mr. PHILIPS. The ad valorem on 3-inch laces? The ad valorem on all 3-inch laces will be 260 per cent. The average ad valorem on all laces 3 inches and narrower will, according to the best calculations that we can make, be around 160 per cent, and on all laces, if you take them all combined, I believe your average will be around 120 per cent, because all the laces practically, all of these over 3 inches in width, will still come in under the rate of duty of 90 per cent.

Senator WALSH. With what class of laces is your competition with importers the sharpest? In what class of laces is your competition with import laces sharpest?

Mr. PHILIPS. On this class of goods, on the narrow goods, because there is more labor in narrow goods than there is on the wide goods, on account of the hand finishing.

Senator WALSH. And I suppose these narrow laces are used more extensively in decorating ladies' garments than the larger laces?

Mr. PHILIPS. Yes; mainly for undergarments. They are used for all kinds of purposes. You find them on outer garments, you find them on neckwear, you find them on undergarments, you find them on curtains, you find them on doilies and things of that kind.

Senator WALSH. Can you give us any idea of the extent or volume of the smaller laces that are produced in America and imported, compared with the wider laces?

Mr. PHILIPS. The previous witness made the statement this morning that practically the laces on which the domestic production was the largest were those wide laces. In the previous testimony before the Ways and Means Committee he said that 95 per cent of all the imports consisted of that narrow lace.

Senator WALSH. Now, will you describe that?

Mr. PHILIPS. Ninety-five per cent consisted of narrow Val laces. Now, those may have been general figures, but I should say that it is just about half and half, you see. In other words, if we could make these narrow laces under 8 inches in width, under sufficient protection, we would have everyone employed in our American industry.

(Mr. Philips submitted the following brief:)

BRIEF OF THE AMERICAN LACE MANUFACTURERS ASSOCIATION, NEW YORK CITY

Notwithstanding that our industry in testifying before the Ways and Means Committee at its recent hearings and in briefs and other documents submitted to that committee pointed out their absolute need of additional protection over and above the rates provided in the law of 1922, paragraph 1529 of H. R. 2007 as passed by the House of Representatives, affords not only no additional protection to our industry but actually places it in an even less favorable position by levying additional duties on a large part of our raw materials, to wit, on cotton yarns and metal threads.

We are desirous of assuring your committee that mention of the increase given to raw materials is not set forth here as any objection to the granting of such duties but rather to point out to the committee that no compensatory duties were afforded our industry in lieu of the increased duty on raw materials.

Congress in the enactment of the tariff act of 1922 sought to protect our industry by a flat rate of 90 per cent ad valorem. It was evident at that time and subsequent events have fully demonstrated that this rate was wholly inadequate to enable the industry to operate on the staples or "bread and butter" lines of merchandise—namely, narrow laces and nets. The result has been that in the seven years' operation of the tariff act of 1922 our mills for the most part have been unable to resume manufacturing these products.

As further evidence of the inability of our industry to compete with the foreign manufacturers on these items, let it be noted that despite the fact that narrow laces and nets are in no sense, and never have been, an item of fashion, the plain net machines in the plants of this country in the last seven years have never been able to operate more than 20 per cent. The demoralized condition of our industry to-day is due almost entirely to the destructive foreign competition through imports of narrow laces and nets, adequate protection for which is denied in the present paragraph 1529.

The domestic production of laces during the year 1927 according to statistics of the United States Department of Commerce was \$11,552,046, as compared with imports during the same period of \$10,401,468 foreign value, which means a value of \$20,802,936 landed in New York duty paid, including landing charges. It will be seen that in comparing the value of the domestic production with its competing merchandise from abroad the value of the merchandise landed in New York must be taken as the figure for such comparison. Of the \$20,802,936 of imports a vast majority represents narrow laces and nets, showing conclusively the inadequacy of 90 per cent ad valorem as a means of protection. On narrow laces practically 60 per cent of the cost of manufacture represents labor, and the bulk of the merchandise imported is of a type wherein the labor cost is the dominating factor. Thus the inadequacy of the protection afforded through 90 per cent completely estops our American industry from producing these laces for which we have in this country ample machinery, plant equipment, and talent.

The lace industry in America represents an investment of over \$20,000,000 and normally employs approximately 8,000 people. Its mills are distributed throughout the States of Rhode Island, New York, Connecticut, New Jersey, Pennsylvania, Ohio, and Illinois. These plants were established primarily for the manufacture of the very items which to-day, for the most part, we are estopped from manufacturing because of the destructive foreign competition and inadequate tariff protection.

The story of adjusting our need for protection is not complicated when a comparison of the labor costs abroad are made with the labor costs here, as illustrated by the following:

Salaries and wages paid

| | Wages paid in United States | Wages paid in France, principal competing country |
|----------------------------|-----------------------------|---|
| Lace weaver..... | \$55.00 | \$14.00 |
| Warpers..... | 42.00 | 9.00 |
| Brass bobbins winders..... | 30.00 | 7.50 |
| Slip winders..... | 22.50 | 7.00 |

Of course, it is to be remembered also, in discussing the differences in the cost of production, that a large part of the raw material used in the manufacture of laces must be imported and bear a duty.

To illustrate the inadequacy of paragraph 1520 as a means of protecting our industry against foreign invasion, we refer you to the following:

Subdivision C, paragraph 1529: Subparagraph (c) as now appearing in the bill reduces the protection on lace-trimmed corsets, brassieres, bandeaux brassieres, etc., from 90 to 60 per cent. This is most unfortunate, because great quantities of laces are used in the production of these articles. As a matter of fact, in most seasons brassieres are made almost entirely from lace or are lace trimmed, and there can be no logic in the proposition of assessing 90 per cent duty on all lace articles, with the exception of brassieres, corsets, bandeaux brassieres, etc. Our industry suffers as much from destructive foreign competition on these particular articles as it does on any other lace article.

In subparagraph C there appears the following: "And all wearing apparel or articles to which any of the foregoing is attached, 60 per cent ad valorem." This phrase makes possible the importation of lace dresses or any other articles which should bear a duty of 90 per cent under subparagraph (a), under a duty of but 60 per cent by attaching thereto a cheap or inexpensive brassiere or body-supporting device. It would seem wholly illogical to assume that Congress intended that a lace dress should bear a duty of 90 per cent, but that the same dress when containing or having attached to it a body-supporting device should bear a less rate of duty. Notwithstanding, this is precisely what subparagraph (c) provides.

It is therefore suggested in order to correct these illogical provisions and provide additional protection on narrow laces and nets that paragraph 1529 be written and corrected as follows:

"PAR. 1520. (a) Laces, imitation laces, lace fabrics, and lace articles, made by hand or on a lace, net, knitting, or braiding machine, and all fabrics and articles made on a lace or net machine, all the foregoing, plain or figured; veils, veillings, flouncings, all-overs, neck ruffings, flutings, quillings, ruchings, tuckings, insertings, galloons, edgings, trimmings, fringes, glimps, and ornaments; braids, loom woven and ornamented in the process of weaving, or made by hand, or on a lace, knitting, or braiding machine; and fabrics and articles embroidered (whether or not the embroidery is on a scalloped edge), tamboured, appliquéd, ornamented with beads, bugles, or spangles, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork, not including one row of straight hemstitching adjoining the hem; all the foregoing, and fabrics and articles wholly or in part thereof, finished or unfinished (except materials and articles provided for in paragraphs 915, 920, 1008, 1111, 1504, 1505, 1513, 1518, 1523, 1530 (e), 1702, or 1721, or in subparagraph (b) of this paragraph, by whatever name known, and to whatever use applied, and whether or not named, described, or provided for elsewhere in this act, when composed wholly or in chief value of filaments, yarns, threads, flaxel wire, lame, bullions, metal threads, beads, bugles, spangles, or rayon, 90 per centum ad valorem, and in addition thereto on all laces, up to and including three inches in width and on wide laces permitting of conversion into laces of three inches in width or narrower one-half cent per yard for each half inch of width or fraction thereof.

"On all nets and netting in addition to the 90 per centum ad valorem: Three-fourths cent per square yard on all nets having less than 50 holes per square inch; 1½ cents per square yard on all nets having from 51 to 100

holes per square inch; 1½ cents per square yard on all nets having from 101 to 150 holes per square inch; 2½ cents per square yard on all nets having from 151 to 200 holes per square inch; 3½ cents per square yard on all nets having from 201 to 250 holes per square inch; 5 cents per square yard on all nets having from 251 to 300 holes per square inch; 6½ cents per square yard on all nets having from 301 to 350 holes per square inch; 7½ cents per square yard on all nets having from 351 to 400 holes per square inch; 8½ cents per square yard on all nets having from 401 to 450 holes per square inch; 10 cents per square yard on all nets having 451 holes and more per square inch.

"(b) Handkerchiefs, wholly or in part of lace, and handkerchiefs embroidered (whether with a plain or fancy initial, monogram, or otherwise, and whether or not the embroidery is on a scalloped edge, tamboured, appliqued, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork, not including one row of straight hemstitching adjoining the hem; all the foregoing, finished or unfinished, of whatever material composed, 4 cents each and 40 per centum ad valorem.

"(c) Corsets, girdle corsets, step-in corsets, brassieres, bandeaux brassieres; corsets, girdle corsets, or step-in corsets attached to brassieres or bandeaux brassieres; all similar body-supporting garments; all the foregoing, of whatever material composed, finished or unfinished, and all wearing apparel or articles to which any of the foregoing is attached, except materials and articles provided in subparagraph (a) of this paragraph, 60 per centum ad valorem; all the foregoing composed in whole or in part of elastic fabric, 75 per centum ad valorem; elastic fabrics of whatever material composed, knit, woven, or braided, in part of India rubber, more than twelve inches in width, 60 per centum ad valorem."

Respectfully submitted.

AMERICAN LACE MANUFACTURERS ASSOCIATION,
H. ALBERT PHILIP, *President*.

New York, June 24, 1929.

Imports of laces

[From figures of the United States Tariff Commission, with duty and landing charges added]

| | 1923 | 1924 | 1925 | 1926 | 1927 | 1928 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Machinemade laces..... | \$21,310,352 | \$25,690,998 | \$17,526,774 | \$12,172,278 | \$11,641,238 | \$11,303,460 |
| Net, nettings, veils, and veilings..... | 4,857,570 | 3,836,072 | 3,404,224 | 3,371,731 | 3,871,498 | 5,505,236 |
| Burnt-out laces, etc..... | 3,413,144 | 3,152,952 | 1,810,600 | 2,437,142 | 2,557,060 | 2,022,598 |
| Handmade laces..... | 4,821,722 | 4,635,838 | 3,654,503 | 2,392,806 | 2,733,140 | 1,613,224 |
| Total..... | 34,402,788 | 37,335,870 | 26,296,306 | 20,363,970 | 20,802,936 | 20,444,518 |

Domestic production

[From figures of Bureau of Census]

| | 1914 | 1919 | 1921 | 1923 | 1925 | 1927 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Cotton laces..... | \$3,681,042 | \$4,607,546 | \$3,058,120 | \$8,029,404 | \$4,847,830 | \$4,262,031 |
| Silk laces, nets, veilings, etc..... | 1,324,933 | 3,825,359 | 2,844,602 | 2,892,812 | 1,325,617 | 570,120 |
| All other cotton nets and laces..... | 2,902,857 | 3,922,185 | 6,630,662 | 4,307,825 | 4,189,027 | 3,547,185 |
| All other products..... | 685,742 | 1,055,336 | 141,554 | 198,671 | 992,773 | 1,171,810 |
| Total..... | 8,595,574 | 19,410,426 | 13,665,238 | 15,428,712 | 13,045,247 | 11,552,046 |

From the above figures of imports of laces have been omitted the following items which come in direct competition with the product of the American lace manufacturer, viz., "Lace window curtains, handkerchiefs of lace, wearing apparel of lace, other articles in part of lace." The landed cost of these items has averaged over \$5,000,000 per annum from 1923 to 1928.

STATEMENT OF HENRY S. BROMLEY, REPRESENTING THE NORTH AMERICAN LACE CO., PHILADELPHIA, PA.

[Lace curtains]

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

Mr. BROMLEY. I represent the North American Lace Co., Philadelphia, Pa.

Senator KEYES. You are manufacturers?

Mr. BROMLEY. I am a manufacturer, yes, sir; of laces in this country.

Senator WALSH. Are you a member of the association for which the last witness spoke?

Mr. BROMLEY. Yes. On our lace looms we produce lace curtains, and in the tariff act of 1922 lace curtains were specifically mentioned in the act; the new act as it came from the House does not specifically mention lace curtains. The Customs Court has ruled that where an item is stricken out in a later bill, which has been in a previous bill and has been specifically mentioned in that previous bill, it was the intent of Congress to specifically leave out that item, and on account of this ruling of the Customs Court I ask that the words "lace curtains" be put back in the act.

Senator KEYES. That is in the present act, I understand?

Mr. BROMLEY. Lace window curtains are in the present act.

Senator KEYES. Is that all you ask?

Mr. BROMLEY. That is all I ask for.

Senator THOMAS. Is your business fairly prosperous at the present time?

Mr. BROMLEY. No, sir.

Senator THOMAS. What is the reason, in your opinion?

Mr. BROMLEY. Well, I think there are a number of reasons. One thing is that laces are not in demand. I think competition in the industry is very severe also in this country.

Senator THOMAS. What do you mean, domestic competition?

Mr. BROMLEY. Yes; and I think importations have a certain amount to do with it.

Senator THOMAS. Are importations one of the major factors, in your opinion?

Mr. BROMLEY. I don't know whether they are a major factor. I would hardly express it that way, but I think they are an important factor.

Senator THOMAS. It is not a fact, then, that general demand for this product is the main cause of the unprosperous condition of the business?

Mr. BROMLEY. Well, that is rather hard to answer. It unquestionably has an effect on it. If you have a greater demand, of course, you will be very much busier.

Senator WALSH. It is becoming more the tendency to wear plain clothes, plain dresses without lace, is it not?

Mr. BROMLEY. That is the tendency; yes.

Senator KEYES. Is that all Mr. Bromley?

Mr. BROMLEY. Yes, sir.

**STATEMENT OF ALBERT REDFERN, REPRESENTING THE RED-
FERN LACE WORKS, SOMERVILLE, N. J.**

[Laces]

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

Senator KEYES. You wish to address the committee on paragraph 1529 of the law.

Mr. REDFERN. I represent the Redfern Lace Works.

Senator WALSH. How large a plant is that?

Mr. REDFERN. In what way?

Senator WALSH. The number of employees and the amount of money involved.

Mr. REDFERN. About 300, and three quarters of a million dollars. I have had 52 years' experience in lace manufacture, twenty-odd years in Calais, France, and came to this country to manufacture Valiens laces.

Senator WALSH. Are you satisfied with the present House bill?

Mr. REDFERN. I am not. It is utterly impossible for us to compete under the present conditions.

Senator COUZENS. Did you hear the other witnesses this morning?

Mr. REDFERN. I did.

Senator COUZENS. Have you anything different to say?

Mr. REDFERN. From Mr. Phillips?

Senator COUZENS. Yes.

Mr. REDFERN. Yes. I wanted to show a line of goods here that are equaled in foreign countries, and all our machines are idle.

Senator COUZENS. That is substantially what Mr. Phillips testified.

Mr. REDFERN. That is what Mr. Phillips testified to this morning.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. REDFERN. I did not. I would also like you to look over some of our orders to show you the red ink. I do not come here to try to mislead. This is taken by the American Audit Co. of New York City. Since 1922 every inventory is the same thing, red ink.

Senator KEYES. You may file those with the committee.

Mr. REDFERN. I can not file this. It would not be for publication anyway. I am glad for any of you to look this over.

Senator KEYES. I can not stop to look them over now.

Mr. REDFERN. The reason we can not compete on this narrow goods is the cost of hand labor in Calais and hand labor in this country. Besides the Calais manufacturer during the last two or three years is at a greater advantage than I am, inasmuch as in the past he has been getting his raw material from the same source—that is, Manchester, England. But to-day the Fine Spindle Association of Manchester can not send a pound of cotton yarn into France. They are producing the yarn much cheaper in France than in Manchester. I took this matter up with the Fine Spindle Association in Manchester. They told me they have invested capital in France in order to get yarns in there, but we can not get the yarns from France and will have to compete with the Calais market. We can not get it from there, because the fine spindles, the fine spinners, immediately put the same price on as they do in Manchester, in order to protect their English industry.

The rate of duty has been advanced, as I understand it, on cotton yarns. I think it is only fair to the spinners in this country that they should have the same protection, but we must have something to counteract it.

Senator COUZENS. What do you recommend?

Mr. REDFERN. I recommend on all these narrow goods half a cent. They are of every variety.

Senator COUZENS. The same as Mr. Phillips?

Mr. REDFERN. The same as Mr. Phillips.

Senator COUZENS. You do not need to duplicate his testimony.

Senator KEYES. You heard his testimony and absolutely agree with him?

Mr. REDFERN. I absolutely agree.

Senator KEYES. Is there anything you want to add that he did not state?

Mr. REDFERN. Only that we are losing money for the last five or six years. I can not continually go to our board of directors and ask them to put their hands in their pockets if we can not compete.

Senator KEYES. Are you running your plant on full capacity now?

Mr. REDFERN. We can not run at 15 per cent.

Senator KEYES. What are you doing?

Mr. REDFERN. We are just trying to keep a few employees, because we must have expert labor in case an order should come on a particular piece of goods that we sell of this group, and we have to sell at a loss.

Senator THOMAS. How many employees have you now?

Mr. REDFERN. We have about 120 at the present time.

Senator THOMAS. What is your normal employees' list?

Mr. REDFERN. About 550.

Senator THOMAS. How long have you been running that 120?

Mr. REDFERN. It varies. Sometimes we do not have 60.

Senator THOMAS. And sometimes you have how many?

Mr. REDFERN. In the last five not more than 120 to 130.

Senator THOMAS. At one time?

Mr. REDFERN. At one time.

Senator THOMAS. Do you think if the rates in the present bill are incorporated into law, that it will increase the demand for your goods sufficiently to allow you to employ more labor?

Mr. REDFERN. I am positive of it. In fact, Mr. Riotte this morning testified it was a fact, and he is an importer. That is the bread and butter of the industry.

Senator THOMAS. It was testified this morning that the reason for the lack of prosperity in your line of business was very largely due to change of styles and the demand for new vogues in your features that you manufacture.

Mr. REDFERN. I believe Mr. Riotte also testified that there were about 90 per cent imports of those goods.

Senator COUZENS. On these narrow ones.

Mr. REDFERN. And we can not sell a yard that we make of this; we sell at far below cost.

Senator THOMAS. You do not do that as a rule?

Mr. REDFERN. Sometimes we have to move it. We may not have some capital, and, as I said before, I can not go before our board of

directors constantly and ask for money put into the business that brings no returns.

Senator THOMAS. You do not deliberately make anything to sell that way but expect to make a profit.

Mr. REDFERN. We always try to make something we can break even on.

Senator THOMAS. Do you make stylish articles at a particular price, on which later the demand changes, and naturally that lessens your profit, and leaves you with a supply of the finished product?

Mr. REDFERN. We avoid going into such products if we can.

Senator THOMAS. In case that happens you sell for what you can get for it?

Mr. REDFERN. Absolutely.

Senator THOMAS. As soon as you discover you have a quantity of stuff that is getting out of style.

Mr. REDFERN. Do anything with the article; sometimes take the price of the yarn.

Senator THOMAS. That is one of the hazards of the business in which you are engaged?

Mr. REDFERN. In all business.

STATEMENT OF CLEMENT J. DRISCOLL, NEW YORK CITY, REPRESENTING AMERICAN LACE MANUFACTURERS' ASSOCIATION

[Laces]

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

Mr. DRISCOLL. I represent the Liberty Lace and Netting Works and the American Lace Manufacturers' Association. I do not intend to duplicate any of the testimony and I will be very brief. That is the reason I asked Mr. Redfern to speak.

Senator THOMAS. State again the interests you represent.

Mr. DRISCOLL. The American Lace Manufacturers' Association, which is 90 per cent of the lace industry, employing about 8,000 when it is going; capital, \$20,000,000.

Senator THOMAS. Scattered throughout the United States?

Mr. DRISCOLL. Yes.

Senator THOMAS. And the business is not prosperous?

Mr. DRISCOLL. Business is not prosperous; in many instances, almost bankrupt.

Senator THOMAS. To what do you attribute that in the main?

Mr. DRISCOLL. Partly to the falling off in that trend of business, and the increase in importations, and for this reason, that in 1927 there was \$20,000,000 worth of laces came into this country. In that same period our mills capable of manufacturing to produce nearly the American demand, manufactured under \$11,000,000 worth. Both of these amounts, imported and domestic, were very low. That low ebb was because of the trend of fashion, but nevertheless had we had protection sufficient to protect our industry on that \$20,000,000 that came into this country, our industry would have gotten a proportionate share, which would have left us not in the depressed condition we are in to-day. That is what it means. That is the reason I asked Mr. Redfern to testify, because he manufactures almost exclusively the narrow lace, commonly called Valiens laces, which form

the largest part of the laces that come into this country, as Mr. Redfern told you.

Just this word of history when you are considering our plight, because we are in a sad plight, and we are not here crying for a prohibitive duty. The reason that Mr. Redfern brought these figures to you was at my suggestion. It was suggested this morning in the hearing by Senator Thomas, whether or not we would show our prices, and I promptly asked Mr. Redfern if he had his with him if he would like to offer those in evidence. In addition to the other figures we have the financial statement which has been thoroughly examined by the Tariff Commission and gone over by the accountants in accordance with the act under 315.

Senator THOMAS. Have you that data with you now?

Mr. DRISCOLL. The only actual data I have is Mr. Redfern's financial statement. He will be glad to turn it over to the committee, and I do not know that they ought to be made part of the record because it is his private financial figures, but I am perfectly willing and he is if the committee desires it, to put them into the record.

Senator THOMAS. When an industry comes before Congress and asks for relief on the basis of nonprosperity, do you not think that the figures should be published in the record?

Mr. DRISCOLL. We are willing to have the committee examine these figures. I asked Mr. Redfern was it customary for him to sell goods at cost, and as he testified, sometimes they have to sell below cost.

Senator THOMAS. That can not exist indefinitely.

Mr. DRISCOLL. Of course, it can not.

Senator THOMAS. Either relief must come or they will have to close their business.

Mr. DRISCOLL. You will find information of that character in the Tariff Commission reports. I may say it would not be difficult to file with this committee also the number of bankruptcies in the lace industry in the country.

Senator THOMAS. That would be part of your case.

Mr. DRISCOLL. On this little historical sketch, the reason we emphasize it and ask here for an increased duty on narrow laces is probably this. This industry is the only line that manufactures that type of lace. It is what we call the bread and butter of the line for this reason, that it is one end of the trade where novelty and style enter least into it. In other words, it is used from the cradle of the infant to the casket in which you are laid away. These laces rarely ever go completely out of fashion. It includes these little trimmings on the baby's cap all the way to the casket. That is the type of lace. The item of fashion does not enter into that so much. These machines were brought to this country primarily to make that type of lace on the theory that it was staple, the same laces that Mr. Riotte showed you this morning in the point of view of the novelty trade.

Early in the history of the lace industry France had the complete novelties in that particular kind of laces, and subsequently by our efficiency and the protection the United States Congress gave, we were able to get on a footing with that particular kind of lace. The fact is this: You can take a small group of laces that go into thousands of items. Our present Tariff Commission, in our investigation, were unable to get to a finish because of the enormity of these figures,

almost physically impossible, under 315 to function in our industry. The Tariff Commission has practically told us our relief would be here, because they never could get a good comparable cost basis with America on that huge line of merchandise.

When they develop that you get this picture. As we are now protected in that small section of the higher novelties with which we are able to compete, to-day at 90 per cent, the point is because they are novelties, and colors come into them. If Mr. Riotte, who is an importer, goes to France and can not get a certain color, the protection is greater. There is the distinction, inerey because of the style on a particular group like that. Mr. Riotte showed you these goods which went to Washington in that grade of narrow lace, and there is 60 per cent actual labor, because where the weaver in France gets \$9 or \$10 a week the weaver in my mill gets \$65 or \$70 a week, and when I am running full time, as high as \$90 a week.

All I am asking and what we are asking in perfect honesty—we are not here to burden the record of this Government with enormous duties—is an opportunity to compete on the basic end of the line. Mr. Riotte referred here to what the importers call bobbinette nets. May I say to you there is the bread and butter line of the net industry that we are not able in this country to tackle for a moment because purely of the lack of protection. The net machines making this bobbinette in America because of the lack of protection are required to make a very costly item. The gentleman told you in disparaging terms that there was one mill in America efficiently managed by an ex-policeman. That ex-policeman is dead and is not able to say to you gentlemen what I am going to say to you. That ex-policeman was 22 years in the lace industry. He had as fine a mill as there is in the world for the manufacture of nets, and the only reason that ex-policeman did leave an estate almost blank to his family was because the Government did not give him the protection necessary. That mill in Newburg is making this net and to-day the United States Government is his only customer, the United States Army, and I tell you, when you talk about efficiency the regulations of the United States Army do not countenance inefficiency in the manufacture of a product.

On subparagraph (c), referring to what Mr. Phillips and Mr. Hobbs said, there is obviously an error, and I will give you this one little picture which the other gentlemen did not make clear. The difficulty with that paragraph is that a man can take a lace dress which you have in subparagraph (a), giving us 90 per cent, take that little thing called a brassiere, a body-supporting garment, a 15-cent body-supporting garment, made with the brassiere, ship it in, and it comes into this country at 60 per cent, while it is clearly the intent of subparagraph (a) to give us 90 per cent on that fabric. As Mr. Riotte pointed out yesterday, that does not only apply to laces. They can take a woollen garment, a sweater, anything they want, and insert on a little body-supporting garment, and bring it at 60 per cent. That would not be a novelty product. The dress manufacturers in America to-day are using these body-supporting garments as an added attraction, as a selling device. It is not the intent, and I hope you will change that wording to conform to the suggestion of Mr. Hobbs yesterday, to correct the injury or error that now exists in that paragraph.

Senator WALSH. Will you or some other lace man explain to me why certain language was added on the floor of the House to the House bill that was drafted by the Ways and Means Committee. In the bill introduced by the Ways and Means Committee on May 7, 1929, H. R. 2667, paragraph 1530, now 1529, began with this wording:

Par. 1530 (a). Laces, lace fabrics, and lace articles, made by hand or on a lace, net, knitting, or braiding machine, and all fabrics and articles made on a lace or net machine, all the foregoing, plain or figured, etc.

The above language was apparently carefully drawn to include all laces and imitation lace and articles made thereof. On the floor of the House there was inserted in paragraph 1529 after the lines above noted, the following words from the act of 1922, the old paragraph 1430:

Vells, veillags, flouncing, all-overs, neck ruffings, sluting, quillings, ruelings, tuckings, insertings, galloons, edgings, trimmings, fringes, gimps, and ornaments.

The necessity for the insertion in the bill of these trade terms is not apparent, as they are all evidently covered in the wording of the bill of May 7. Usually it has been considered advisable to exclude trade terms and to employ inclusive phraseology, and this was done in the wording of the lace paragraph of the bill as introduced.

I am curious to know why the trade terms were added after the bill was introduced. Are they not surplusage?

Mr. DRISCOLL. I will answer you this way. When the original bill was drafted the Tariff Commission experts recommended simplicity in the language. As a matter of fact, if the tariff act were interpreted by our Supreme Court or other courts of record, we could write a tariff bill in very few words, because there we get a regular legal construction, but our laws on the tariff are interpreted by the Customs Court, which takes a different course than what would be followed by our courts of record.

Senator WALSH. Do the manufacturers recommend that which was put in on the floor of the House, that recommendation?

Mr. DRISCOLL. Yes.

Senator WALSH. It was put in on the floor of the House.

Mr. DRISCOLL. And for this reason, that our customs lawyers advised us this way, based on the precedents. You can take the decisions of the Customs Court, and wherever you write a tariff bill and leave some word or phraseology that was in last year you will invariably find your decision reading that it was clearly the intent of Congress that this was not intended to be included in this item, no matter how your language generalizes or puts catch-all phrases in. The thought in the mind of the customs judge is that Congress purposely left that out, and we want to use wordings and phraseology in the paragraph so that they will not say to us every time that some language was left out, and that was the intent of Congress.

Senator THOMAS. That is the usual interpretation in all laws on matters of that character.

Mr. DRISCOLL. If you sat yesterday through the toys story, you will see the difference between this Customs Court and a court of equity.

Senator THOMAS. When a law seeks to specialize in any item and then stops specializing, it is construed by the court or tribunal that it is the intent of the writer of the law not to include that.

Mr. DRISCOLL. If you read the lace paragraph, everything made of lace is not less than 90 per cent, and to the mind of the layman the ordinary interpretation would be made on the language used in the paragraph, but yesterday on brassieres that the importer says there are very many lines known as brassieres, but the Customs Court says because this language is used that it comes under the old rate. We have 72 or 73 decisions along this line.

Senator THOMAS. The point I was making is that the interpretation by the Customs Court is no different from that of other courts.

Mr. DRISCOLL. I am sorry to disagree with you. I do not believe our courts of equity would determine these matters in that way, for instance, the donkey that Senator Walsh referred to yesterday.

Senator WALSH. If it was an elephant they might.

Mr. DRISCOLL. That is all I have to say.

STATEMENT OF ROBERT S. BENAPE, REPRESENTING THE HAND EMBROIDERED DECORATIVE LINENS ASSOCIATION

[Hand-embroidered linens]

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

Senator KEYES. Will you state whom you represent?

Mr. BENAPE. I represent the Hand Embroidered Decorative Linens Association, rather than Leacock & Co. That was a mistake in the listing.

Senator THOMAS. Just describe the line of business you represent, directly and also indirectly.

Mr. BENAPE. The association I represent consists of 40 concerns manufacturing and importing from abroad such noncompetitive items as hand-embroidered tablecloths, napkins, luncheon sets, scarfs, sheets, pillows, towels, and other similar items generally known as household linens.

Senator THOMAS. Importing from what countries?

Mr. BENAPE. From Germany, Italy, Spain, Portugal, China, and a few from Russia.

Senator THOMAS. Do you not include Belgium?

Mr. BENAPE. Belgium and France, all over the world, any country in which there is a well-developed hand industry.

Senator THOMAS. Are these foreign factories financed by American capital?

Mr. BENAPE. They are. My own company, Leacock & Co., has four factories entirely financed by our own capital.

Senator THOMAS. Where are they located?

Mr. BENAPE. There is one in Funchal, Madeira; one is in Chefoo, China; one is also in Florence, Italy; and a small one in Santa Cruz Palma, in the Canary Islands, and we also have one in Porto Rico.

Senator THOMAS. The managers of these factories are Americans?

Mr. BENAPE. With some exceptions. The traveling managers are.

Senator THOMAS. The business managers are evidently Americans?

Mr. BENAPE. Yes, sir.

Senator THOMAS. And the technical workers are all local employees?

Mr. BENAPE. Yes; they are all local employees.

Senator WALSH. Do Philippine embroidered linens come in free of duty?

Mr. BENAPE. Yes, sir.

Senator WALSH. How about Porto Rico?

Mr. BENAPE. They come in free of duty. There are very few Philippine table linens at the present time. There are a great many made in Porto Rico by my concern.

Senator WALSH. So you get your linens free of duty from Porto Rico, while on the linens from other countries you have to pay duty?

Mr. BENAPE. Yes, sir.

Although hand-embroidered decorative linens are strictly non-competitive items, they have been assessed under the Payne-Aldrich bill at 60 per cent; under the existing law paragraph 1430, 75 per cent, and under the present House bill they are classed with laces in paragraph 1529 (a) at 90 per cent. We ask that they be continued under the existing rate of 75 per cent, inasmuch as they have a distinct trade classification.

The 15 per cent increase proposed in the House bill came as a complete surprise to a business that had already assimilated one substantial increase in duties to a relatively high figure; more so, because no domestic organization had asked the Ways and Means Committee for any protection against the importation of hand-embroidered linens.

You have just heard a gentleman representing the domestic embroidery association. He does not mention hand-embroidered linens.

Senator THOMAS. Do you know how that increase came about—through what influence?

Mr. BENAPE. A close study of the hearings before the Ways and Means Committee reveals that two domestic associations were dissatisfied with the wording and the interpretation of paragraph 1430. They both asked that the paragraph be rewritten to correct those abuses.

First, to quote from the statement of the Embroidery Manufacturers' Association, a statement made on their behalf by Mr. Mosman, who has just testified before you. In his statement before the Ways and Means Committee he said:

Returning to paragraph 1430, I want to say that the unification of that paragraph is particularly necessary because of the various adverse decisions of the Board of Appraisers and Customs Court, which assessed duties so that commodities plainly included in the 90 per cent section of this paragraph under the 75 per cent section. Even articles specifically mentioned as coming under the 90 per cent section have, by this interpretation, been put under the 75 per cent clause. The reference to that is *United States v. Smith* (12 Ct. Cust. Appls. 384). That dealt with slounces, which were particularly mentioned in the 90 per cent section, and were placed by this decision in the 75 per cent section.

Then I also desire to quote from the statement by Mr. H. A. Philips, representing the American Lace Manufacturers' Association, before the Ways and Means Committee, as it appears—7531 of the Ways and Means Committee hearings. He said:

Shortly after the enactment of this law, litigation arose over the phraseology by reason of alleged ambiguity of the language. The Government, through the appraisers' examiners, assessed 90 per cent duty on certain types of alleged embroidered laces, while the importers claimed that these laces were embroidered

and should be assessed at 75 per cent. The decisions of the Customs Court in these cases established the precedent for future importations, with the result that a large percentage of laces are now being entered at 75 per cent instead of 90 per cent, thus by judicial determination reducing the rate of duty which Congress sought to give to the lace industry from 90 per cent to 75 per cent.

Therefore, our association, regardless of the question of rate of duty, urges that paragraph 1430 be rewritten so as to remove therefrom the alleged ambiguity and to provide a paragraph concise in its phraseology, clear in its meaning, and capable of simple administration.

You can see, from the wording of these requests, it is clear that they were rightly seeking protection from abuses arising from the importation of certain machine-made laces and trimmings, and other items made on lace machines, all of which had been classified by judicial decision as embroideries. They were not concerned with hand-embroidered linens, nor are we concerned with the protection rightly asked by these organizations. The machine embroidery and lace industries should have such protection as they need. All that they were looking for was more protection; they did not seem to care whether it hurt the innocent bystander, and in this case the innocent bystander happened to be the 68 manufacturers and importers of over \$5,000,000 worth of these goods.

Senator COUZENS. Would it not simplify the matter if it were all in one paragraph at one rate?

Mr. BENAPE. It would simplify the matter, but we would be penalized. We would be worse off by the difference between 75 and 90 per cent through the simplification.

Senator COUZENS. But you have very favorable decisions from the Customs Court to assist you at 75 per cent.

Mr. BENAPE. We were satisfied at 75 per cent. But the lace industry would take a piece of lace and insert a small piece of applique in it, and they would bring in great quantities of that material under the 75 per cent clause.

Senator COUZENS. If you put them all under the 90 per cent clause it eliminates that.

Mr. BENAPE. It does, but it raises the embroidered-linen industry from a 75 per cent to a 90 per cent rate, and it is strictly a noncompetitive industry.

Senator THOMAS. What do you mean by that?

Mr. BENAPE. There is no domestic article that competes with it at the present time.

Senator THOMAS. There are no flax articles made in this country.

Mr. BENAPE. There is some flax, but we are not so much concerned with the basic material of linen as we are with the effect on the industry.

These requests, however, were granted in the House bill by the simple expedient of putting all embroideries, whether competitive or not, under the 90 per cent classification. Obviously, this was the easiest, but the most unfair way of solving the difficulty, which is an economic difficulty.

Our products, as we have shown in our brief, are wholly non-competitive, except with plain table linens and damask linens from Czechoslovakia, Ireland, and Belgium, which products are dutiable and at 40 and 45 per cent.

Furthermore, we contend that our product is no longer strictly a luxury and that an addition to the present high rate of duty will undoubtedly curtail both the importations and revenue.

There is no question but that it will work great hardships on the branch of trade where that hardship is unmerited and will mean an added burden to thousands of housewives who purchase our products.

Gentlemen, as an alternative, we request an additional subparagraph, which will apply solely and distinctly to hand embroidered decorative linens, relieving the present rate of 75 per cent.

The suggested subparagraph and a full outline of the reasons therefor are contained in the brief which we respectfully submit. Such a paragraph would meet all the requirements of the domestic lace and embroidery industry, without penalizing needful and wholly noncompetitive importations.

Senator THOMAS. If there is no competition, why not reduce the tariff substantially?

Mr. BENAPE. It could be, and in our first brief we suggested a reduction of 60 per cent; that was the rate that it had under the Payne-Aldrich tariff bill.

Senator THOMAS. Would you object to that proposition?

Mr. BENAPE. It is as bad to change a duty downward as upward; it disturbs the business.

Senator WALSH. What about the public; would not they benefit by a reduction?

Mr. BENAPE. They would.

Senator WALSH. What is the average price per piece of embroidered linens imported into this country?

Mr. BENAPE. It is pretty hard to say, because they run from 6-inch doilies up to 4-yard tablecloths. But Sears-Roebuck, Montgomery-Ward, the J. C. Penny Stores, and all the chain stores handle imported linens.

Senator THOMAS. You have suggested a paragraph to cover your particular line of business?

Mr. BENAPE. Yes, sir.

Senator THOMAS. What would be the practical effect if that should be reduced to 50 per cent?

Mr. BENAPE. We would undoubtedly welcome it.

Senator THOMAS. Would there be anyone in America hurt by that reduction?

Mr. BENAPE. I do not think so; it was reduced to 25 per cent. As to machine-embroidered linens—

Senator THOMAS. There would be no one injured, but the more it is reduced the more people would be benefited?

Mr. BENAPE. Right.

Senator THOMAS. In any event, any reduction would help a lot of people?

Mr. BENAPE. Yes, sir.

Senator COUZENS. Does that mean that that would not take the place of some product manufactured in America?

Mr. BENAPE. It takes the place of no product.

The current demand is for hand embroideries; you can not sell the average housewife machine-embroidered products. She wants hand-embroidered linens.

Senator COUZENS. If this stuff came in free of duty the demand would be greatly accentuated, and it would be substituted for an American product?

Mr. **BENAPE**. It would be, and it would be substituted for by Belgian and Irish table linens, which come in at 40 and 45 per cent and are sold at a distinctly lower price.

Senator **COUZENS**. It can not be generally said that goods coming from foreign countries on which there is no tariff do not take the place of an American product in many instances.

Mr. **BENAPE**. Probably it would eventually. At present, I think it is a luxury tariff.

Senator **THOMAS**. The present high duty has not stimulated or helped the growth of any industry, or stimulated or built up any new industry?

Mr. **BENAPE**. No, sir.

Senator **THOMAS**. If it was possible for American interests to enter this line of business profitably, they would already have done so.

Mr. **BENAPE**. They would.

Senator **COUZENS**. They could not do that on handwork, could they?

Mr. **BENAPE**. We manufacture both in Porto Rico and in France, and under the 75 per cent section we are amply protected in Porto Rico; we can manufacture the same article down there.

Senator **THOMAS**. Inasmuch as they are not trying to compete with this class of goods, and evidently they can not, what good purpose does this high rate of duty serve except to force the American consumer to pay much more for a product, in the manufacture of which no one is being injured and no one is competing?

Mr. **BENAPE**. I do not say that it has done anything of that kind. It is recognized simply as a luxury tax.

Senator **WALSII**. Are there any linen tablecloths and towels produced in America that are unembroidered?

Mr. **BENAPE**. Yes; the Cannon and the Dundee mills produce very coarse toweling and dish-cloths, and things of that kind.

Senator **WALSII**. Any tablecloths?

Mr. **BENAPE**. No, sir.

Senator **WALSII**. There is no tablecloth industry in America—that is, linen tablecloth industry, that you know of?

Mr. **BENAPE**. No, sir; I would not say that there is. There are damask and mixed cotton cloths.

Senator **WALSII**. All linen tablecloths come from abroad, whether they are embroidered or unembroidered, and they pay a duty of from 45 to 55 per cent, and under the pending bill it is 90 per cent?

Mr. **BENAPE**. Yes, sir.

Senator **THOMAS**. Your suggestion, if incorporated into the bill, substantially reduces the rate, and would enable the average person and the person below the average to have a higher quality of article at the same price than they are paying for an inferior quality?

Mr. **BENAPE**. Yes, sir.

Senator **WALSII**. Can you give us any idea of the average price of an embroidered tablecloth?

Mr. **BENAPE**. This is perhaps the most commonly used tablecloth [exhibiting sample], with four napkins, which is commonly called a bridge set. They are being retailed in practically all department stores throughout the country, made of Belgian or Italian linen, at \$2.95.

Senator WALSH. Is that embroidered?

Mr. BENAPE. Yes, sir; that is embroidered.

Senator WALSH. What is the comparable linen not embroidered selling for?

Mr. BENAPE. One made in Belgium, with colored stripes would probably retail at a dollar and less; they have retailed as low as 69 cents. Of course, that is much less attractive.

Senator KEYES. Does the matter of embroidery have quite an effect on the price?

Mr. BENAPE. Yes, sir. I ask permission, Mr. Chairman, to file this brief.

Senator KEYES. That may be filed.

(Mr. Benape submitted the following brief:)

BRIEF OF HAND-EMBROIDERED DECORATIVE LINENS ASSOCIATION

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

GENTLEMEN: This brief is filed by an association of American firms engaged in the manufacture and importation of hand-embroidered decorative linens comprising such items as luncheon cloths, table scarfs, napkins, towels, luncheon sets, bridge sets, dollies, sheets, and pillowcases. These goods are manufactured in and imported from abroad.

There is no domestic production of the same or similar linens, nor is there a domestic industry whose product these linens replace. In competing for the favor of the consumer, our only competitors are the importers of damask linen and plain hemstitched linens from Ireland, Belgium, Czechoslovakia, and other countries, which products are dutiable at 40 and 45 per cent in the proposed Hawley-Smoot tariff.

Inasmuch as there is no domestic industry to protect, we respectfully suggest that hand-embroidered decorative linens be given separate consideration, and a more reasonable rate of duty applied thereto.

Our linens at present (being embroidered) are assessed under paragraph 1430 at 75 per cent and in the proposed Hawley-Smoot tariff under paragraph 152) at 90 per cent. This paragraph subdivision (a) includes laces, embroidered nets, flouncings, and other miscellaneous embroidered items. We believe that hand embroideries which are totally dissimilar to most of the above-enumerated articles which are practically all machine-made goods, excepting the particular articles which our association members import, should be in a class by themselves.

We are not concerned with the amount of protection needed by domestic manufacturers of machine-made laces and machine-made embroideries. If as they point out the imports of such machine-made goods cause serious injury to their business, then a protective rate of duty should be applied to such imports. But why, may we ask, should this same protective rate be applied to imported articles of a totally different nature, which in no way compete with such machine-made embroideries and upon which no protection is asked?

It will be noted that in answer to the question (p. 7524, hearing—Tariff Readjustment, 1929) "You do not represent any hand-made laces or embroideries," Mr. Mossman, who appeared before the Committee on Ways and Means representing a number of manufacturers of machine-made laces and embroideries answered "No; we do not. Our machine is a multiple-needle machine. Can I show you the distinction?" Thus it will be seen that a clear representing a number of manufacturers of machine-made laces and embroideries, and hand-embroidered decorative linens. Obviously if there is no manufacturer of hand-embroidered linens here, and such linens are totally different from the machine-made goods, and do not compete with them in the open market, but with other goods which are also imported, then a protective rate of 90 per cent is unreasonable.

At the hearings before the Ways and Means Committee, two organizations appeared representing American embroidery manufacturers. These were as follows:

First. The Hand Machine Embroidery Association of America (pp. 7546 to 7549, hearings—Tariff Readjustment, 1929) who state that they embroidered only handkerchiefs and asked for rates of duty which were given to them in paragraph 1529, subdivision (b) of the new bill. With this we have no concern.

Second. The Embroidery Manufacturers Association (Inc.) (pp. 7523 to 7530, hearings—Tariff readjustment, 1929), who manufacture machine-made laces and machine-made embroideries for the embellishment of women's dresses, underwear and similar garments. They asked for a duty of 60 per cent on the United States value basis. This duty is asked for on a comparative basis, in which they compare the labor costs of machine embroideries in Germany and Switzerland with those of the United States. In the proposed bill, paragraph 1529, they have been given 90 per cent. With this rate for the protection of their industry, we also have no concern inasmuch as they deal with only machine-embroideries of a totally dissimilar nature to those which we manufacture and import.

In support of our recommendation that "hand-embroidered decorative linens," be separated from the miscellaneous items provided for under paragraph 1529 subdivision (a), and specially provided for in a suitable subdivision, we respectfully submit the following:

1. There is no competitive domestic industry but ourselves. Some of the firms in our association, manufacture hand-embroidered decorative linens in Porto Rico, but due to the scarcity of labor capable of producing these goods, the supply from that source is extremely limited. Because of the changed standard of living in the United States the desirability of hand embroideries has continued to increase, and to supply that demand we find it necessary to import such embroideries from European and Asiatic countries.

2. Our only competition is with the damask linens, or hemstitched linen tablecloths, napkins, luncheon sets, and similar articles, from Ireland, Germany, and Czechoslovakia all of which have been provided for at 40 and 45 per cent under paragraph 1013 and 1014 in the proposed bill.

3. Our goods which consist chiefly of fancy embroidered napkins, luncheon sets, bridge sets, scarfs, and similar articles are widely used throughout the length and breadth of the land in the homes of people in all walks of life because of their beauty and practicability; they being small in size and easier and less expensive to launder than the old-fashion large tablecloths. To-day hand embroideries can not be classed as a luxury and should not be taxed as such. In view of their extensive use they are a necessity. The distribution of this association extends into practically every town in the United States. Any increase in duty without benefit to a domestic industry would be a direct and needless tax on a great body of householders.

4. The phrase, "Hand-embroidered decorative linens," has a very definite trade meaning and can neither directly nor by implication cover the embroidered handkerchiefs or miscellaneous embroideries for dresses and wearing apparel covered by paragraph 1529 subdivision (a) and (b) in the proposed bill.

5. Any increase in duty will be productive of less wholesale distribution through price resistance, hence less importations would be made and no direct increase in revenue from that derived under the present rate would result from such increase.

6. The addition of a subparagraph for the hand embroidered decorative linens would eliminate the need for paragraph unification by eliminating the danger of adverse decisions of the Customs Court under the 90 per cent section, without needlessly penalizing noncompetitive importations.

We respectfully submit the following paragraph to be added to paragraph 1529 as subdivision (d).

Hand embroidered decorative linens, such as napkins, luncheon sets, scarfs, towels, sheets, pillowcases, tablecloths, and dollies 75 per cent ad valorem. This is the same rate at which these goods are assessed under the existing law.

Should your committee desire any further information on this subject, we hold ourselves at your service.

Respectfully submitted by the Hand-Embroidered Decorative Linen Association.

HAND-EMBROIDERED DECORATIVE LINEN ASSOCIATION,
B. ZENEJE, *Chairman*.

Subscribed and sworn to before me this 25th day of June, 1929.

LOUIS A. GRAVELEE,
Notary Public, Washington, D. C.

BRIEF OF JOHN STUART HUNT, REPRESENTING THE RETAIL LINEN MERCHANTS ASSOCIATION (INC.), NEW YORK CITY

(Hand-embroidered linens)

GENTLEMEN: Supplementing my brief of March 7, 1929, addressed to the Congress of the United States and filed with the Ways and Means Committee of the House in re the condition menacing the very existence of the hand-embroidered monogram industry in the United States made possible by section 308 (4) and paragraph 1430 of the tariff act of 1922, in behalf of the Retail Linen Merchants Association (Inc.), of New York City, I have the honor to submit the following observations:

Linen is woven from flax; for the purpose of clear understanding the following observations when speaking of linen will refer exclusively to articles made from flax.

The household linen consumption in the United States depends almost wholly on imports. With the exception of a very few mills engaged in weaving coarse thread linen towelling for special uses, there is no factory in the United States in which flax yarns are spun and woven into such articles as table cloths, napkins, sheets, pillow cases, and handkerchiefs or piece goods from which such articles are cut and sewed.

Imports of linens under the present tariff are subject to duties running from 35 to 90 per cent ad valorem. The products of the few domestic mills are receiving a very special protection inasmuch as towels and towelling with a thread count of less than 120 threads per square inch are subject to a duty of 55 per cent ad valorem, whereas finer thread-count towels or towelling come in under a 40 per cent rate. This is shown in order that it might be seen that Congress was not unmindful of its duty toward a domestic industry which employs only about 2,500 persons.

The growing of the finer grades of flax to be used for table linens, bed linens, and finer towels, as well as handkerchiefs, the spinning and weaving of such fine flax into these household products is an industry with century-old traditional knowledge and certain climatic conditions which appear to be nonexistent in the United States. A very tedious manufacturing process, over supply of spinneries and weaving plants, low wages to workers and an entirely disorganized competition among the manufacturers are responsible for making the business of producing linen in Europe a generally unprofitable one. So it appears, in the absence of a flax weaving industry, that the existing customs rates are not so much a protection, for they are intended to bring up the cost of such linens to the standard of cost of most any other article consumed in American households.

The duty on embroidered linens is 75 per cent ad valorem. Under embroidered linens may be understood table linens, bed linens, or towels which are decorated and embellished by hand or machine embroidery. Such embellishment is used in simple and elaborate designs. Since there exists in America a large industry of machine embroidery works, the duty of 75 per cent is a protective measure which enables the machine embroiderer to compete with the European exporter. Hand-embroidered linens, however, are imported from Europe, Asia, and Africa in spite of the high duty, since the average American woman has neither the patience nor inclination or training to make the many minute stitches necessary to create desired decorative effects. From time to time efforts have been made by American manufacturers to start hand embroidery works in America, but without success.

In one branch of hand embroidery, however, we have succeeded in building up an industry, and that is in the embroidering of monograms. The monogram is the embroidered property mark of individuality on a piece of linen and has been developed into a highly decorative adjunct to linen. In such monograms can be displayed artistry of design, good taste, and skill in the worker. The hand-embroidered monogram is a typically American idea. The good taste of the American housewife and the creative talent of our embroidery merchants have recognized the decorative possibilities in artistic combinations of letters and in the finely stitched hand embroidery in which such monograms and combinations of initials can be executed.

An entire industry whose sole purpose is embroidering monograms on linens and silk has been created. In this industry are employed artist-designers, their assistants, and embroiderers. High wages are paid in this industry. Designers, mostly graduates of art schools, receive on an average of \$40 to \$80 per week. Assistants receive from \$40 to \$50 per week. Embroiderers have weekly earnings, graded according to skill and experience, from \$25 to \$45.

This monogram industry is spread over the entire country. Thousands of women live entirely from monogram work, which is a light form of occupation inflicting no physical hardships on those employed in it. Many thousands of women whose physical condition make them unfit for any other type of work find an easy and profitable livelihood sitting at the embroidery frame.

Seeing the success of the monogram industry in the United States, and sensing the possibility of high profits to be derived from the American woman's desire for decorative monograms, a number of European retail linen merchants have for a number of years devoted great efforts in securing monogram orders in this country. They solicit these orders through house-to-house canvassers or by means of hotel exhibits and catalogues. They take orders for all kinds of linens on which they embroider monograms at prices which to the ultimate purchaser come lower than the actual net wage paid for the same monogram to some American worker. The duty of 75 per cent is in relation to monograms no handicap whatever to the European importer and much less of a protection to the American monogram worker. Whereas the average weekly wages of an American monogram embroiderer is \$35, a German, French, Czechoslovakian, or Italian monogram worker receives between \$3 and \$5 per week.

The following example will illustrate the ineffectiveness of the 75 per cent ad valorem duty on monogrammed linens, classed with embroidered linens in the present tariff:

| | Germany | America |
|---------------------------------------|------------|------------|
| Cost of embroidery of a monogram..... | \$0.12 | \$0.60 |
| Cost of designing..... | .01 | .04 |
| Cost of stamping..... | .01 | .02 |
| Rent and overhead..... | .01 | .02 |
| Total..... | .15 | .70 |

If one adds to the German price of 15 cents the duty of 75 per cent and an additional 5 per cent for shipping and insurance, a landed price of 27 cents is reached. The German importer can sell his monogram with a profit of over 150 per cent over the net cost price of the monogram made in America.

The above example applies only to a plain monogram design. In more elaborate designs the difference becomes greater.

American linen dealers do not begrudge European monogram workers their meager income, but hand-embroidery workers are also employed in the making of decorative embroidery which is not monogram work. Not having a decorative embroidery industry for general embellishment of table and bed linen and towels in this country, we are large importers of this embroidery and thus can cause the continued employment of European women in such work. But the monogram worker in America has no choice of turning to other handiwork, and is more and more being deprived of her livelihood by the cheap monogram labor of Europe.

These European linen dealers coming to America for the purpose of selling monogrammed articles form a detrimental and unfair, not to mention destructive, competition to every American linen dealer. Through their low offers they detract from our trade an increasing number of customers. They know our difficulties in competing with their low-wage monogram work and gloatingly advertise the fact. They use their low monogram work as bait for selling their linens. No American dealer will object to fair competition as importers and sellers of linens. But the American dealer feels that the only American manufacturing branch connected with the linen industry, the monogram industry, should receive more and better protection than heretofore if it is to survive. This is not an industry which can be made more productive and more able to compete by modernized manufacturing processes. Handwork can not be replaced by machinery.

Furthermore the European itinerant monogram merchant plies his trade in our midst without assuming or sharing our burden, such as rent and local, State, and Federal taxes.

It is therefore the desire of the linen dealers to bring these unfair and unfavorable conditions to the attention of the Congress. It is hoped, since monograms are not imported as separate units, but always as decorative adjuncts to household linens, that all linens imported with embroidered monograms be accorded

separate recognition from all other decorative linens, and that an additional and specific duty be levied on the monograms which will tend to prevent a continuance of this unfair competition, and thereby protect both the capital invested in the American monogram industry and the thousands of workers employed in the actual embroidering of the monogram.

The matter is further discussed in my brief filed with the Ways and Means Committee of the House, and the loss to the Government of the United States in both income and other taxes and in duty is alluded to.

Also, the changes desired can be found in the last paragraph of said brief and are specifically herein referred to.

Respectfully submitted,

JOHN STUART HUNT,
Attorney for Retail Linen Merchants Association (Inc.).

**STATEMENT OF H. O. LLOYD, NEW YORK CITY, REPRESENTING
THE FABRIC-GLOVE GROUP, NATIONAL COUNCIL AMERICAN
IMPORTERS AND TRADERS (INC.)**

[Embroidered cotton gloves]

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

Senator KEYES. You represent whom?

Mr. LLOYD. The importers of cotton-warp knit gloves.

Senator KEYES. You are addressing yourself to paragraph 1529?

Mr. LLOYD. Yes, sir. My reason for appearing before your committee is to put on the record the facts in connection with the exception of paragraph 915 made in paragraph 1529 of H. R. 2667.

An amendment to paragraph 915 of the proposed tariff bill covering cotton-warp knit gloves as first reported by the Committee on Ways and Means has been made. The bill as first reported placed cotton-warp knit gloves on the free list, in paragraph 1684.

Later the attention of the committee was drawn to the fact that owing to various decisions of the Customs Courts and the Treasury Department 70 per cent of the importations of the last year, 1928, had been assessed as scalloped, appliqued, or embroidered under paragraph 1430 of the present tariff act, and about 80 per cent of the importations in the year 1927.

Although this fact is incorporated in the briefs filed by me it apparently was overlooked as the report presented to the House with the first bill stated the committee's reluctance to excessively tax the women of our country on this commodity and so placed these gloves on the free list. The result was that on the basis of last year's imports 70 per cent of these gloves would be dutiable at 90 per cent under paragraph 1530, or 1529, as the paragraph is numbered in the amended bill, and 30 per cent would have been on the free list. Those on the free list would consist largely of the more expensive ones.

All gloves, no matter of what material made, have three rows of stitching on the back known as point. Some of these have been held to be embroidered, and others not. Here, for instance, are the points on this pair of gloves [exhibiting gloves].

Senator KEYES. Are you addressing yourself to paragraph 1529 (a)?

Mr. LLOYD. There are exceptions made in that paragraph of certain other paragraphs.

Senator KEYES. It is quite complicated to me, and I am trying to find out where gloves come in.

Mr. LLOYD. I will give you the number.

Senator KEYES. I see almost everything else but gloves mentioned.

Mr. LLOYD. In the exceptions you will find paragraph 915 the first exception that was made. The paragraph is very inclusive. It invades all of the textile paragraphs. If you will read on further, you will find that there is a provision there that no matter whether or not specifically provided for in this act, the rates there apply. You can put a rate on any special article mentioned as long as that wording is in the paragraph.

Senator WALSH. Where is the language you refer to?

Mr. LLOYD. You will find there that it is in section (a) of paragraph 1529.

Senator WALSH. Within what language do you claim that these gloves come?

Mr. LLOYD. Possibly, gentlemen, it would be fairer if I go on with my statement, and then we can discuss the matter afterwards and I can point it out to you. These gloves would come under this paragraph as articles embroidered.

Senator KEYES. Embroideries not specially provided for?

Mr. LLOYD. No, sir; it is in line 16, page 194.

Senator WALSH. Read the language in that line.

Mr. LLOYD. Starting from line 15, reading, "and fabrics and articles embroidered"——

Senator KEYES. That takes in gloves, does it?

Mr. LLOYD. Yes; for certain reasons which I will explain to you.

Senator WALSH. The duty is how much?

Mr. LLOYD. Do you mean the duty in the amended bill, or the present duty?

Senator WALSH. The duty in the amended bill.

Mr. LLOYD. In the amended bill they have made the rate of duty 60 per cent, eliminating them from the operation of this paragraph. The question of what is an appliqué and what is not also has been disputable.

Senator WALSH. Let me see if I get your point. Cotton gloves which are not embroidered come in free.

Mr. LLOYD. No, sir; not under the amended bill.

Senator WALSH. How much is the duty under the amended bill?

Mr. LLOYD. Sixty per cent.

Senator WALSH. When they are embroidered, how much do they pay?

Mr. LLOYD. As the bill stands now it would be 60 per cent, whether or not embroidered, because of the exception made in line 24 of the paragraph.

Senator WALSH. Proceed.

Mr. LLOYD. In short, the administration of paragraph 1430 of the present tariff act when applied to these gloves which are specifically provided for in paragraph 915 has been difficult and has led to much litigation.

The Committee on Ways and Means, in order to provide a uniform rate on this commodity and eliminate future litigation, has made an exception in paragraph 1529 of paragraph 915 which specifically provides for cotton gloves of all kinds.

Statistics showing the quantity and value of the imports of cotton warp knit gloves which have been classified under the tariff act of 1922 will be found on page 5773 of the hearings before the Committee on Ways and Means. These statistics are also shown on page 84 of the publication issued by the Tariff Commission entitled, "Textiles Exports and Imports, 1891-1927." The statistics for 1928 were obtained from the Tariff Commission.

I am going to offer a memorandum citing decisions which have caused the difficulties in administration, and I ask your committee to continue the exception in that paragraph.

Senator COUZENS. In other words, you are satisfied with the way the House bill reads?

Mr. LLOYD. Yes, sir; as far as that exception is made.

These facts do not appear in the records of the hearings before the Ways and Means Committee, and I appear before you this morning to make the explanation as to why that is.

Senator THOMAS. Did you state whom you represent?

Mr. LLOYD. I represent the importers of these gloves. I am connected with one of the importing houses, Julius Kaiser & Co.

Senator THOMAS. You do not represent any American manufacturer of a similar product?

Mr. LLOYD. No, sir. There is but one so-called American manufacturer of this product, and I think your committee ought to know that.

Senator WALSH. These are a class of goods that the American manufacturer has abandoned?

Mr. LLOYD. Yes, sir. The concern that I am with were the largest manufacturers of these gloves during the war. They had never been made in this country before the war.

We are silk-glove manufacturers and have been for 40 years. With the advent of the war we attempted to manufacture them, together with probably seven or eight other silk-glove manufacturers. One manufacturer was induced by one of our former salesmen to attempt to manufacture these gloves. He is the only man who persists in this attempt, which is a very uneconomical one. We and other manufacturers abandoned this to resume importations.

That gentleman represents himself as a domestic manufacturer and appears before the Ways and Means Committee under the name of the National Association of Fabric Glove Manufacturers. He is the only one. He is also importer who imports these gloves as well as manufacturers them, and he has asked for a \$4 rate per dozen as a specific duty which, on the lower grades of these gloves, represents 221 per cent in duty. At the average price of imports last year, \$3.20 a dozen, that \$4 rate is a 121 per cent duty. With the four years of the war and nine years with 75 per cent protection he should have found out that it was not an economical proposition for him.

Senator THOMAS. Why not?

Mr. LLOYD. Well, in the first place, this is a popular-priced glove. The lowest-price glove is from 59 to 65 cents, and they have a range up to \$2 a pair, and in some cases \$2.50.

The bulk of the business is in gloves that retail for a dollar a pair, and it is a line that will not stand a high price, except in a few instances. It can not be made in this country to sell at that price.

In the first place, we do not get this finish, which is a simulation of a suede leather glove. That is a high-priced glove [exhibiting glove]. That glove, as the bill was first reported, would have been free of duty. This glove [indicating glove] would have been free of duty.

Senator KEYES. Why?

Mr. LLOYD. Because they have been held to be not embroidered. The matter of these points, the stitches on the back, went to the Customs Court of Appeals. I have various illustrations which I can give you.

Senator WALSH. Where is the embroidered glove?

Mr. LLOYD. The other one is the embroidered glove. This would be an embroidered glove [exhibiting glove].

Senator THOMAS. Could an American factory manufacture this class of goods if the price were not an element?

Mr. LLOYD. Primarily, it is the finish. I am connected with the firm of Julius Kaiser & Co., the largest silk-glove manufacturers in the world. We introduced these gloves in this country 30 years ago as an adjunct to our silk-glove business, and when the war came on, this having been a stable article of wear, we did considerable business in it; we did manufacture them at a time when price did not count, as in many another commodity.

With the close of the war the demand came from the trade for the former imported gloves, our fabric not having the imitation leather effect.

Senator THOMAS. Is that due to climatic conditions at the factory?

Mr. LLOYD. The dyeing has something to do with it, but it is the brushing of the fabric, mostly.

Senator WALSH. Is that a secret process?

Mr. LLOYD. Not exactly a secret process. I asked a manufacturer about it at one time, and he said we close our doors on our brushing. It is in the adjustment of the machines, or something of that kind.

Sufficient to say that our fabric which we turned out—and we are practical glove manufacturers and have been for 40 years—our best fabric, as we turned it out, did not compare with the imported fabric. This comes from a section of Germany where the knitting business has been a matter of ages, the center of the knitting industry of Germany, and they have perfected this cloth and the manufacture of these gloves.

Senator THOMAS. So far as you know no American manufacturers have undertaken the making of this class of goods except one man, who is now a national organization?

Mr. LLOYD. Yes, sir; that is true. I might say that this glove—and I might also say that for 20 years I was an examiner in the United States appraisers' office in New York, handling this merchandise and I know what I am talking about. I think an able examiner seeing one of these gloves would put it at 90 per cent.

Senator WALSH. What change do you want in this paragraph in order to permit embroidered cotton-warp gloves to come in an unembroidered cotton-warp gloves?

Mr. LLOYD. I simply want the committee to allow that exception to be made; you did not have the facts before you in the hearings before the Committee on Ways and Means. I wanted to bring the facts

before you so you would know why that paragraph was excepted. It was because of the difficulty of administration. Thirty per cent of these goods are on the free list and 70 per cent are on the dutiable list at 90 per cent.

Senator KEYES. You are satisfied with the provision in the House bill the way it is?

Mr. LLOYD. Yes, sir.

(Mr. Lloyd filed the following memorandum:)

MEMORANDUM RE COTTON GLOVES

For the purpose of clarifying the provisions made in the tariff bill (H. R. 2607) for cotton gloves in the dutiable paragraph 915 and also paragraph 1084 of the free list when first reported to the House, attention was called to the fact that due to the prevalent style demand 70 per cent of cotton gloves made of fabric knit on warp knitting machines had been dutiable under paragraph 1430 of the tariff act of 1922, and would have been dutiable in the same manner at 90 per cent as applique or embroidered articles under paragraph 1530 (now 1520) of the pending bill.

The reason for this is that although some of the cheaper grades of gloves have in fact embroidery on the cuffs, there is a large percentage of gloves without embroidery but which are finished with the ordinary three rows of stitching on the back but of various types. Under the Customs Court of Appeals decision T. D. 41367, some of these points were held to be embroidered and in T. D. 41368 others were held not to be embroidered. As a matter of fact the types of stitching vary slightly in design and little or nothing in additional cost.

In rendering these decisions the court endeavored not to nullify the specific provision made for these gloves in paragraph 915 of the tariff act of 1922 and drew a distinction by defining embroidery as stitching which was raised above the surface of the cloth which has been very difficult for customs administration.

As all gloves are finished with three rows of stitching on the back of various designs and would be unsaleable without them, no distinction should be made in the classification on account of these stitching. A glove is a glove.

The Treasury Department has at various times held that other types of stitching are or are not embroidery with the net result that gloves with the following points would have been free of duty as proposed in the present bill: Spear point (T. D. 41369); Paris point (T. D. 41368); Brosser or kid point (T. D. 22006); and gloves with the following points would have been dutiable at 90 per cent: Bordir point (T. D. 41367); Kochler point (T. D. 41508).

The condition to-day is that the gloves in which the bulk of the business is done, retailing at \$1 per pair, in other words the cheaper numbers, have more or less embroidery on the cuffs.

Many gloves retailing at above the average price are of the plainer tailored types. The cheaper gloves would have been subjected to the 90 per cent duty under the embroidery paragraph and the more expensive ones would have been free.

If the woman of moderate means is not to be excessively taxed by the tariff act, all fabric gloves should be covered by one provision.

STATEMENT OF CLARENCE LIPPER, REPRESENTING THE LIPPER MANUFACTURING CO. (INC.), PHILADELPHIA, PA.

[Head nets]

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

Senator KEYES. State whom you represent.

Mr. LIPPER. I represent the Lipper Manufacturing Co., of Philadelphia.

I am speaking in behalf of a new industry, so I can only speak for my own particular firm.

Senator KEYES. You are addressing yourself to paragraph 1529, are you?

Mr. LIPPER. Yes, sir.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. LIPPER. I did not?

Senator KEYES. Or any one representing your company?

Mr. LIPPER. No, sir.

The following argument should have been presented to the Ways and Means Committee at the original hearing on tariff matters, but due to the fact that the first intimation we had of foreign drastic competition occurred in the first part of March, it was too late for us to present our argument.

In the comparatively short time since March 1 to the present date, this branch of our business has been practically destroyed.

We employed 350 to 400 men and about 50 men outside homeworkers, from these people we have been forced to discharge.

We are a domestic manufacturer and producer of sundry trimming materials and other goods for women's wear and for millinery. Our business was established in 1851 and incorporated in 1871. We have been in business about 50 years.

Senator KEYES. I thought you said that this was a new industry.

Mr. LIPPER. This particular branch on which I am speaking is a new industry. As I said, we employed in our factory and with outside homeworkers, from 350 to 400 men and about 50 men. All these people we have been forced to discharge.

Senator KEYES. What do you mean by "outside homeworkers"?

Mr. LIPPER. People who take this particular article out to finish in their homes.

Senator KEYES. That is the same system that is used abroad?

Mr. LIPPER. Yes, sir. Some things can not be done in factories. In the comparatively short time since March 1 to the present date, only 100 men are left in this, this particular branch of our business has been practically destroyed.

Among the articles we produce and handle are certain types of slumber and sports wear nets for use by ladies and misses to keep their bobbed hair in shape.

This branch of our business was begun about five years ago in a very small way. Originally it was our intention to make these nets by hand and in that way give employment to a number of employees who have been in our service for a considerable length of time and now were unable to do productive work in our mill any longer, something to do at home. The nets which they made were necessarily expensive being made by hand. We gradually developed a method of making them by machine. In that way we were enabled to put out nets to retail at 10 cents each which was the first article of this kind to be sold at such a low price.

As a result of the cheaper item being distributed, it gradually developed into a business supplying practically all the 5-and-10-cent stores in the country, and we supplied the merchandise to three to four thousand stores.

Our operators have all been carefully trained by ourselves, this being a new domestic industry.

Our raw materials consist of both artificial silk and cotton yarns, and ribbons, in the production of the articles, and the assembling for same calls for large quantities of cardboard materials, rubber, printing, and other materials—all of domestic sources.

These nets are not of the type of old-style arrangements worn by grandmothers in years gone by for supporting a luxurious growth of hair, nor are they comparable with Chinese nets of supposed human hair. They are an entirely new development, caused by the demand arising in the past few years from the present style of "bobbed" hair for women and misses.

In the production of our articles, labor forms the chief item of cost.

At present, our articles are produced on knitting machines, or they may be made on lace machines.

Within the past few months imports have been landed at New York of competitive products—and I am showing you the invoices dated about March 1.—from Czechoslovakia and possibly from France and other foreign countries to some extent. Some of these are handmade. We had invoices showing the foreign selling price, ranging from \$1.60 per gross to \$4.80 per gross of 144 articles.

Here is the peculiar part of the whole thing. Our products have to be produced to retail to the consumer at 10 cents each and 25 cents each. The imported articles, costing abroad \$1.60 per gross, also retail at the same prices, and they can land on a basis that readily and quickly supplant our domestic products. As previously stated, this drastic competition has arisen only within the past few months.

These products do not sell for any more or any less. That is the price whether they come through the jobbers' hands into the general stores or not.

Senator COUZENS. What do you sell those to the general stores for?

Mr. LIPPER. It varies in price from about \$6 a gross to \$9 a gross, and they retail at 10 cents each.

Senator COUZENS. Reduce that to the unit price. You talked about them retailing for 10 cents. What does the general store pay for them apiece?

Mr. LIPPER. I could not tell you offhand. It would be from about 4½ to 6 cents.

Senator COUZENS. What do those manufacturers in Czechoslovakia sell to the general stores for?

Mr. LIPPER. Around \$5 a gross.

Senator THOMAS. That is less than 3 cents apiece.

Mr. LIPPER. Yes, sir; and they retail for 10 cents. The public is not getting the benefit of this item.

Senator THOMAS. So the general stores are very anxious to have them come in from Czechoslovakia rather than to be produced here?

Mr. LIPPER. We do not know how these articles are appraised, but understand that they have been entered at 90 per cent ad valorem under paragraph 1430. Here is the big proposition. This rate, on its face, appears comparatively high to those unfamiliar with tariff problems, but the low wages and living levels prevailing in Europe and the lower costs of materials there, enable the foreign production

of these articles at prices which would not embrace our labor costs alone. The 90 per cent duty is thus assessed on a very low foreign valuation. When you get an item that is at a very low cost and you put 90 per cent or 100 per cent or 150 per cent ad valorem duty on it, it does not mean anything to the ultimate consumer in this case, because the retail price is fixed.

Senator COUZENS. It does mean something, because this clause gives you a low-production-cost article in this country, does it not?

Mr. LIPPER. It does not affect the manufacturer to any extent, because we can not compete against the lower labor costs in Europe. I think that that was brought out yesterday in connection with the tariff on artificial flowers, that no matter how high the ad valorem duty is on items of very small value, we can not compete in this country unless we have a specific duty in connection with it.

The point in connection with this particular item is that they are always sold at that price and it does not affect the ultimate consumer at all. They will never sell at less than 10 cents.

Senator WALSH. Is American capital invested in Czechoslovakia in the manufacture of these things?

Mr. LIPPER. I might answer that question by saying that we tried to import some ourselves in order to get a more definite idea of what was done, but we found that the production was sold up to the 1st of July. We can not import them.

We were caught unawares in this case on account of the imports being only of recent date, since the 1st or 15th of March, 1929. Otherwise, we would have sought the chance to appear before the House Ways and Means Committee without facts and a brief.

The articles are new, as outlined.

They are not specifically provided for in the present act, of 1922.

We feel compelled to request that a special provision be worded and incorporated in the new paragraph, corresponding to the present paragraph No. 1430, providing for these articles at a compound rate. For this purpose, we suggest an amendment to paragraph 1430, act 1922, now 1529, H. R. 2667, Committee Comparative Print, as follows:

In lines 20 and 21 on page 255 of Committee Comparative Print, H. R. 2667, after the words "90 per cent ad valorem," strike out the period and insert in lieu thereof a semicolon and the following language:

Slumber, or sports-wear, head nets, of material wholly or in chief value of cotton, rayon, or mixtures thereof, 25 cents per dozen and 90 per cent ad valorem.

That will bring it up to a rate where we can compete with the various items.

As these articles are retailed at set prices of 10 cents and 25 cents to the consumer, they could not get any benefit of any lower prices of the imported article, nor would the consumer be affected in any manner by the slight increase, for adequate protection, asked for the domestic article.

As a result of this drastic competition that resulted from the imported article, we have already in the period of four months started to dismantle our equipment and have already disbanded our organi-

zation in this particular branch, and unless our request is complied with we will be compelled to leave the market in its demand to the importers and the foreign producers.

That is all I want to present on this matter.

Senator COUZENS. There will be a specific tax in addition to an ad valorem?

Mr. LIPPER. That is the idea, but still it will not cost the consumer one cent more.

Senator COUZENS. The consumer will still pay 10 cents?

Mr. LIPPER. He will still pay 10 cents for it, because they are all distributed through the same channels. There has never been an item like this; we are absolutely a new industry.

Senator THOMAS. The practical effect will be a decrease in price to the chain stores and other stores handling the imported article?

Mr. LIPPER. And also to employ a number of people in our country who are out of employment at the present time.

Senator COUZENS. I was interested in your statement that you pensioned your employees and gave this work over to the pensioners.

Mr. LIPPER. We have been in business about 80 years. Every year a certain number of people drop out of our plant, and they stay at home. They want to remain at home. We started this business in a small way.

Senator COUZENS. You pensioned them when they left your plant, did you?

Mr. LIPPER. Yes, sir; we gave them a certain amount of money, and we gave them something to do. The item was made by hand. It was a very elaborate affair, but it did not mean anything. I give you that as an idea as to how this business started. It did not amount to anything. This was the start of our business in this country.

Senator COUZENS. These pensioners have made those on a unit basis?

Mr. LIPPER. I could not tell you. We started about four years ago.

Senator COUZENS. You do not know how you paid them for it?

Mr. LIPPER. I guess we paid them perhaps a few cents apiece. This is an outgrowth of our other business.

Senator COUZENS. You do not parcel this out to the homes now?

Mr. LIPPER. Yes; this is passed out, it goes out, but not to these particular people.

Senator COUZENS. That is what I am trying to find out, what you pay these people for doing that work in their homes.

Mr. LIPPER. That is all outlined in my calculations of cost attached to this exhibit, showing what our item costs are.

Senator COUZENS. You say that that is all included in the record you are filing?

Mr. LIPPER. Yes, sir.

Senator WALSH. Is the imported as good as the domestic net?

Mr. LIPPER. I would say so; yes.

**STATEMENT OF E. J. READING, NEW YORK CITY, REPRESENTING
WOVEN LABEL MANUFACTURERS DIVISION OF THE SILK ASSO-
CIATION OF AMERICA (INC.)**

[Woven labels (proposed)]

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

Mr. READING. I represent those manufacturers, members of the silk association, who manufacture woven labels. I speak only on cotton labels. Mr. Horace B. Cheney covers the entire silk schedule.

On June 15 I appeared before the cotton subcommittee and asked to be transferred from what is now paragraph 913, proposed paragraph 912, under the new act to 1529 (a) of the new act, and Senator Bingham suggested that I would have to appeal to this committee, and if it met with the approval of this committee he did not think his committee would have any objection to the transfer.

The reason for requesting this transfer is this. In the present paragraph, practically all other woven articles enumerated are made on plain looms. In 1529 (a) the woven articles are like ours; that is, Jacquards. We have Jacquards and we would like to classify under Jacquards in 1529 (a). It was apparently a mistake years ago when we were classified in the paragraph we are now in and we would like to have that corrected.

Let me explain. In the 1922 act, paragraph 913, cotton labels were given a nominal duty of 50 per cent, but in paragraph 901 (b) our fine yarns which you have heard discussed by some of the gentlemen who have spoken, are taxed a duty of 30 per cent.

Senator KEYS. If 50 per cent is the nominal duty, what is the real duty?

Mr. READING. The nominal duty on labels is 50 per cent, finished product, and on raw material we pay 30 per cent. That is what I meant to say.

Under the proposed act we would get the same nominal 50 per cent, but the raw material would be increased to 37 per cent. The 1922 rate of duty did not protect the industry, but section 304, of the special provisions—not paragraph 304, but section 304, the so-called marking law—did protect it. That requires that every imported article be marked with the country of origin in a conspicuous place, that shall not be covered or obscured by subsequent attachments or arrangements.

Under the proposed act as it stands to-day we lose that protection. The words, "shall not be covered or obscured by subsequent attachments or arrangements," are omitted. It is hard to see what object there is in marking imported articles if you lose that mark after the articles reach this country. The importer does not need the mark of the country of origin to know where he secures his goods; he knows where he got the goods, and he knows whom his draft is payable to. The customhouse does not need that information—they have it. We like to think it was the intent of Congress that the consumer should know what he purchases. If a hat is made in Paris, a lady's hat, and has a Paris label, she has no trouble in knowing whether it came from Paris or not. A man buying men's wear might want to buy something English. Another man buying overalls would want to know that it does not come from

abroad. The purpose of the label is to tell something and it should tell the whole story and tell the truth.

Senator COUZENS. You heard testimony the other day on how absurd it was to try to put the name, Spain, on a little cork, and not have it obscured. How would you get around that?

Mr. READING. I am speaking of woven labels, which the Court of Customs Appeals decided could be marked. I will confess some articles I do not think can be marked. I do not know anything about corks, but I do know if you bring in a barrel of molasses you could not mark the molasses. You can mark the barrel. That is also provided for in the act. There are some things that can not be marked under the 1922 act, but it particularly specifies articles that are capable of being marked at the time of manufacture.

If I may I will show you our brief. The larger label of the two is marked with the country of origin. It has been contended that to mark a label as that particular one is marked, "Germany," will mislead the purchaser of the garment into thinking the garment was made in Germany. As a matter of fact, I think if this marking law is not properly worded, it will result eventually in a lot of garments coming from Europe. But the point is that the label should not be marked "Germany." It should be marked, German label. I have garments here. (I prefer not to put the name of the garment in the testimony.) That was produced by one of the largest manufacturers of men's underwear in the country. At the bottom of the label it says, "Holland label." That does not confuse or mislead any one to believing that the garment was made in Holland.

Senator COUZENS. Do you think that is the intent of the label, of the wording on the label, to indicate that somebody might think it was made in a foreign country?

Mr. READING. I say if it is properly worded the purchaser will know what was made in the foreign country. If that garment were made in a foreign country, the label ought to state that also. The purpose of the label is to tell something. There is plenty of room on it to tell everything and tell the full truth.

Senator COUZENS. The label so marked on that garment would carry the absolute inference that the garment was made in Holland.

Mr. READING. Not the way it is worded, but if it simply said Holland; yes. If it is put on there in a way that would indicate that, the Federal Trade Commission would correct that. If I may say so, is it not the idea that the eventual purchaser shall know if they are buying an American article or not. In the case of the label, it is an article that is part of another article.

Senator COUZENS. You insist that the label itself be marked where the label is made?

Mr. READING. Yes; and also the label be marked where the garment is made, if the garment is made in a foreign country.

Senator KEYES. I think that is an unusual situation because the label would certainly indicate that the goods were made where the label was marked.

Senator THOMAS. The force of your testimony is to require all foreign goods to be labeled, is it not?

Mr. READING. I would not say all foreign goods. I say all foreign articles that are capable of being marked. The proposed law as it

reads now requires that all articles be marked. That is obviously impossible. You can not mark molasses, vinegar, or most any other fluid. The 1922 act requires the markings of all imported articles capable of being marked. That is practicable.

Senator DENEEN. Take this cork. Suppose it is not large enough to mark on it Spain. Do you contend that word would indicate the cork was made in Spain rather than that the contents of the bottle were produced in Spain?

Mr. READING. I can not see why this little cork made in Spain, a Spanish cork, can not be marked. The question of size came up with Mr. Camp, of the Customs Department. Mr. Camp made a ruling that labels that were too small to be marked with the country of origin do not have to be marked with the country of origin. We showed him samples of labels he had and we duplicated them very much smaller than his original labels, marked them with the country of origin, and he then changed his ruling. I really do not know enough about corks to know how they can be marked. I do know that labels can be marked.

Senator COUZENS. It seems to me that is carrying this thing to absurdity. A man buys a bottle of listerine, and he might buy a cork that would be marked "Spain," and the label marked also, and the glass bottle may be made in some other country, and that would be marked something else. I do not see to what absurdity you would carry this thing.

Mr. READING. Last winter when you ate walnuts you probably noticed they were carrying printed advertisements. Most of them I have eaten in the last couple of years have been so branded. I suspect they could mark corks. I do not know about it, and I will not pretend to say.

Senator COUZENS. The picture I am trying to draw is that these little corks you see here are to be marked with the name of the country they are made in.

Mr. READING. Yes; that is the way the 1922 act reads.

Senator COUZENS. Why should not that requirement be repealed and let each fellow mark it the way he thinks it should be and relieve him of that expense?

Mr. READING. The expense is nothing in the case of labels. It is like printing your cards. You have a thousand printed or engraved cards. Whether you want them spelled with your first name or not they cost the same. It makes no difference in price.

Senator THOMAS. You do not say that the label on the garment you showed does not add expense to the garment?

Mr. READING. I did not mean that. I mean the garment marked with the country of origin, that the marking did not increase the cost.

Senator THOMAS. Why require a garment of that kind to carry a label?

Mr. READING. The law does not require that garment to carry a label except it is an imported garment.

Senator THOMAS. Why should an imported garment be of necessity labeled?

Mr. READING. They do not of necessity label; they can stamp it. Under the 1922 act, section 304, the imported article must be marked with the country of origin.

Senator THOMAS. Why should that garment be labeled? Why should that requirement be written in the statute?

Mr. READING. We like to think that it is the intent of Congress that the ultimate purchaser should know if they are buying an imported or a domestic article.

Senator KEYES. Is anything you are now saying applied to 1529? Is not that on the administrative features of the bill?

Mr. READING. Yes; it is.

Senator COUZENS. We are not taking that up. The whole committee will take that up. Just confine yourself to 1529.

Mr. READING. These cotton labels were originally made in England. A Frenchman got the idea for weaving these labels and an English firm made them. Up to some time before the late war most of our foreign competition was from England. That has ceased almost entirely. To-day the German costs are approximately one-half the English costs in this class of work, and the English costs are approximately one-half of the United States costs. I would like, if I may, to show you these samples. These are silk, and I am only talking on cotton, but this is a class of work which the same people do for us and it takes a highly skilled artist to do that work. Cotton does not look as pretty, but it requires the same type of people. Those people in this country doing this class of work get about \$75 a week. They run up to \$125, and those with less experience will get less than that. The union rates on most of this class of work is \$1 an hour, 44 hour week, but the union rate does not strictly prevail because the type of people that can design these and cut the cards, etc., can command more than that, whereas the younger workers do not get \$1. It has been said by the importers that the importations last year, according to the Government statistics, were less than \$6,000. That is correct as far as Government statistics are concerned. They show less than \$6,000. But there were importations of labels that came in packages of less than \$100 in value, and the Government does not compile statistics of any importation less than \$100 in a package, and the result is that the Government statistics of less than \$6,000 are misleading; stores like the department stores go to France and bring in shipments of dresses and hats and include with them, say, \$20 worth of labels. That \$20 will come in the Government statistics because the total shipments are more than \$100. The professional importer of labels does not bring in his labels that way, and accordingly none of them get in the Government statistics. In fact, it is obvious that if there were only one importer of labels in the country he could not exist on that volume of business that amounted to less than \$6,000 a year.

Senator THOMAS. Do you mean the labels alone?

Mr. READING. Yes. The gentleman who testified on that line does nothing but a label business. He is not an importer or a manufacturer of other articles. The statement has been made that America has developed some kind of a magical machine that will produce labels very economically and quickly. In my capacity I have not heard of a new or novel machine coming along. I assure you I have heard of no such wonderful machine.

To summarize this thing, we have to-day 75 per cent of the American label business, at least, we think we have. We would like to keep that 75 per cent. We believe in paragraph 1529 (a); the same kind of goods listed there we can make on our looms, and in fact do. I have samples of them here. Those goods are 90 per cent. They are not as high quality as the cotton label samples I showed you. They draw 90 per cent and they deserve 90 per cent.

Senator WALSH. What language would have to be used to include you in this paragraph?

Mr. READING. Woven labels for garments or other articles of cotton or other vegetable fibers, 90 per centum ad valorem.

Senator KEYES. Is that the only change you recommend?

Mr. READING. Yes. I would like to make just one more suggestion. We would like, if possible, a change from foreign valuation to the United States valuation. We think it would be a more just means of collecting the duty.

If I may be permitted to say just one more thing, we do not seek a duty that will prohibit imports. If we prohibit importation of labels the European exporter will proceed to export his looms here, and we will have the same amount of competition. All we ask is to be placed in the bill in paragraph 1529 (a).

Senator WALSH. What change of duty does that represent?

Mr. READING. In 1529 (a) it is 90 per cent.

Senator WALSH. What is the duty now?

Mr. READING. Fifty.

Senator WALSH. A change from 50 to 90 per cent?

Mr. READING. Yes.

(Mr. Reading submitted the following brief:)

BRIEF OF THE SILK ASSOCIATION

COMMITTEE ON FINANCE.

United States Senate, Washington, D. C.

GENTLEMEN: Cotton woven labels have received no consideration in the proposed tariff act. On the contrary, the rate on our raw product is being increased without our being granted any compensatory duty. Furthermore, the marking law in its changed form gives us absolutely no protection and nullifies the decision of the United States Court of Customs Appeals (T. D. 40064) which afforded us more actual protection than the 50 per cent ad valorem duty given us under the 1922 tariff act. It was with the 1922 marking law in mind that, in our original and supplementary briefs submitted to the Committee on Ways and Means, we asked only for 55 per cent ad valorem with a compensatory duty to cover the duty we pay on the fine imported cotton yarns which we use, and an additional 5 per cent for additional color of design. It is proposed to increase the rate on the imported cotton yarns from 30 to 37 per cent ad valorem (paragraph 901 (b)), and this rate may be further increased when the bill reaches its final form. The 5 per cent we asked to cover extra color is for extra labor required in this class of weaving, the finest and most laborious work any loom can produce.

Government statistics for 1923 show that the importation of cotton woven labels reached \$218,295. It is to be remembered, however, that Government statistics¹ do not include shipments of less than \$100, and we estimate that in 1923 the labels imported in small packages amounted approximately to as much as those imports included in the Government statistics. The following figures show what these statistics mean when translated into American selling prices.

¹ See Exhibit C showing we were unable to secure statistics of labels imported in small packages.

| | |
|--|------------|
| 1923 imports----- | \$218, 295 |
| 50 per cent duty----- | 109, 147 |
| | 327, 442 |
| 10 per cent import expenses----- | 32, 744 |
| | 360, 186 |
| 20 per cent office expense, selling expense, and profit----- | 72, 037 |
| | 432, 223 |
| Minimum American selling price of cotton labels included in Government statistics----- | 432, 223 |
| Estimated value of small packages, not included in Government statistics----- | 432, 223 |
| | 864, 446 |
| Estimated United States total value of imports, 1923----- | 864, 446 |

Of the total cotton labels consumed in this country, which we now estimate to be \$4,000,000, about half of the business is made up of large orders running from a hundred thousand labels into the millions. The half that is made up of small lots, i. e., a few thousand each, is mainly seasonal business. For example, a shirt manufacturer gets an order for 1,000 shirts to bear the name of the retailer making the purchase, the shirts to be delivered the following week. Such orders can not be placed abroad for the lack of time. Furthermore, the foreign manufacturers refuse to accept small orders. The large orders, running into the millions of labels, keep looms operating the year round; they are not for immediate delivery, and it is those orders that our industry depends upon to keep our looms running in the slack seasons.

Government statistics show that importations of cotton labels steadily decreased after 1923. There are two chief reasons for this—

First. The professional label importers discovered that it was convenient and eliminated broker's fee to bring in their shipments by parcel post in packages of less than \$100 in value and by so doing the Government did not compile statistics of their importations. Our industry is of such a nature that small shipments are entirely feasible. For example, if an order for 1,000,000 labels is placed at a price ranging from \$2 to \$2.50 a thousand, deliveries to be spread over a period of a year, numerous shipments of \$99 each (foreign value) make it very easy to supply the customers' needs.

Second In 1924 it was discovered that labels were coming in not marked with the country of origin, and on the plea of the Artistic Weaving Co., a domestic manufacturer of woven labels, the United States Court of Customs Appeals delivered an opinion in June, 1925 (T. D. 40964), which enforced the marking law (section 304, tariff act of 1922) so far as woven labels were concerned, requiring that the marking of the country of origin should be permanent and not covered or obscured by subsequent attachments or arrangements. This enforcement of the law gave domestic manufacturers an opportunity to share in the larger orders mentioned above. This share now amounts to about 50 per cent of that larger business. The proposed new tariff act, however, omits the provision that the marking shall be permanent and not covered or obscured as mentioned.

In Exhibits D, E, F, and G attached are shown actual calculations of European and American costs. Following is a brief comparison:

| | Exhibit D (European cost of production per 100 yards) | | Exhibit E (United States cost of production per 100 yards) | | Exhibit F (European cost of production per 100 yards) | | Exhibit G (United States cost of production per 100 yards) | |
|--|---|-----------------|--|-----------------|---|-----------------|--|-----------------|
| | | <i>Per cent</i> | | <i>Per cent</i> | | <i>Per cent</i> | | <i>Per cent</i> |
| Material----- | \$0.70 | 40.94 | \$1.02 | 18.34 | \$1.80 | 48.26 | \$2.46 | 22.97 |
| Labor----- | .52 | 30.40 | 2.40 | 43.17 | .99 | 26.54 | 4.37 | 40.80 |
| Waste----- | .06 | 3.51 | .17 | 3.06 | .14 | 3.75 | .33 | 3.08 |
| Management expenses ¹ ----- | .23 | 13.45 | 1.04 | 18.70 | .42 | 11.26 | 1.88 | 17.55 |
| Selling expenses ² ----- | .20 | 11.70 | .93 | 16.73 | .38 | 10.19 | 1.67 | 15.60 |
| | 1.71 | 100.00 | 5.56 | 100.00 | 3.73 | 100.00 | 10.71 | 100.00 |

¹ Management and selling expense percentages are not based on the selling price of the article but on the direct factory labor.

Please note the difference in material costs and labor costs. The difference in material is due to the duty we pay on the fine English yarns which must be imported.

As to the difference in labor costs, our brief summary shown above explains this. You undoubtedly have figures of your own that will support our statements. In this connection it should be noted that the term "waste" represents wasted material and resultant wasted labor. If the benefits of the existing marking law are to be lost by our industry, it is manifest that we will need a duty of at least 90 per cent ad valorem in order to retain 75 per cent of the cotton label sales of this country. The following figures offer a comparison between the prices at which European labels can be sold in the United States (at a profit) and the prices at which domestic labels can be sold here without profit included:

| | |
|--|--------|
| See Exhibit D..... | \$1.71 |
| 10 per cent profit for German manufacturer..... | .17 |
| | <hr/> |
| | 1.88 |
| 90 per cent duty requested..... | 1.69 |
| | <hr/> |
| | 3.57 |
| 10 per cent importing expenses..... | .36 |
| | <hr/> |
| | 3.93 |
| Importer's office expense, selling expense, and profit, 20 per cent..... | .78 |
| | <hr/> |
| Importer's selling price in United States, including profit..... | 4.71 |
| United States manufacturers cost in United States without profit (see Exhibit E)..... | 5.56 |
| See Exhibit F..... | 3.73 |
| 10 per cent profit for German manufacturer..... | .37 |
| | <hr/> |
| | 4.10 |
| 90 per cent duty requested..... | 3.69 |
| | <hr/> |
| | 7.79 |
| 10 per cent importing expenses..... | .78 |
| | <hr/> |
| | 8.57 |
| 20 per cent importer's office expense, selling expense, and profit..... | 1.71 |
| | <hr/> |
| Importer's selling price in United States, with profit..... | 10.28 |
| United States manufacturer's cost in United States without profit (see Exhibit G)..... | 10.71 |

It is unfortunate that cotton woven labels were originally put in paragraph 913 (tariff act of 1922). The woven goods enumerated in that paragraph are almost entirely made on plain or shaft looms. Our woven labels are made on Jacquard looms, and the greatest item of cost is labor.

Paragraph 1430 of the 1922 tariff act contains items similar to ours and made on identically the same kind of loom. Therefore, we respectfully ask that cotton woven labels be taken out of paragraph 912 of the proposed tariff act and included in paragraph 1530 (a) and be dutiable at 90 per cent ad valorem. Permit us to suggest the following phraseology for the new tariff act to cover cotton woven labels: "Labels for garments or other articles, wholly or in chief value of cotton or other vegetable fiber, 90 per cent ad valorem."

(Exhibits above referred to have been filed with the committee.)

Respectfully submitted,

American Silk Label Manufacturing Co.; Alkahn Silk Label Co. (Inc.); Artistic Weaving Co.; Century Woven Label Co. (Inc.); Empire State Silk Label Co.; Hercules Woven Label Co.; E. H. Kluge Weaving Co.; The National Woven Label Co.; Premier Woven Label Co.; G. Rels & Bro. (Inc.); United States Woven Label Co.; Universal Label Weaving Co.; and Warner Woven Label Co.; by E. J. Reading, recording secretary, woven label manufacturers' division, the Silk Association of America (Inc.).

BRIEF OF THE HOSIERY GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.), AND OTHER IMPORTERS OF HOSIERY

[Clocked hosiery]

The undersigned, wholesale dealers in domestic and imported hosiery, respectfully request the Committee on Finance to exclude clocked cotton hosiery and clocked wool hosiery from the general provision for embroidered articles in paragraph 1529 of the pending tariff bill and to make such hosiery dutiable under paragraph 916 and paragraph 1114, respectfully, at the rate applicable to all other cotton hosiery and wool hosiery.

Clocked hosiery has a small amount of ornamental stitching in the form of a narrow design on the side of the ankle. Inasmuch as the courts have held that any additional stitching which may in any way ornament a fabric is embroidery, clocked hosiery has been classified under the all-inclusive embroidery provision of paragraph 1430 of the tariff act of 1922. Paragraph 1430 carries a rate of 75 per cent ad valorem on embroidered articles. Paragraph 1529 of the pending tariff bill increases the rate on embroidered articles to 90 per cent ad valorem and carries a similar all-inclusive provision that embroidered articles shall be dutiable thereunder "whether or not named, described, or provided for elsewhere in this act." Unless expressly excepted from the operation of paragraph 1529 of the pending tariff bill, clocked cotton hosiery and wool hosiery will undoubtedly be dutiable thereunder.

We filed a brief with your committee covering cotton hosiery under paragraph 916, H. R. 2667, and a brief covering wool hosiery under paragraph 1114, asking that a provision be inserted in each of said paragraphs for clocked hosiery. By this brief, therefore, we respectfully request that paragraph numbers 916 and 1114 be added to the list of paragraphs mentioned by number in paragraph 1529 of the pending tariff bill as exceptions to the operation of that paragraph.

The reasons for this request are as follows:

1. The classification of clocked cotton hosiery and wool hosiery in paragraph 1529 with embroidered articles is unnecessary and unwarranted.
2. The importations of clocked cotton hosiery and wool hosiery are less than 1 per cent of the domestic production of cotton hosiery or wool hosiery either in quantity or in value.
3. The imposition of a higher rate of duty on clocked cotton hosiery and wool hosiery than upon other hosiery of cotton or wool does not protect any domestic industry.
4. Paragraph 1529 now contains many exceptions to its all-inclusive provisions.

I. The classification of clocked cotton hosiery and wool hosiery in paragraph 1529 with embroidered articles is unnecessary and unwarranted.

The dictionaries give the following definitions of a "clock" as applied to hosiery:

"Clock, n. (of uncertain origin). An ornamental figure or figured work on the ankle or side of a stocking. Clock, v. t. To ornament with figured work, as the side of a stocking." (Webster's New International Dictionary.)

"Clock, n. 3. A figured ornament on the side of the ankle of a stocking, either woven in the fabric or embroidered upon it." (The Century Dictionary and Encyclopedia.)

It is a matter of common knowledge that "clocks" on hosiery are not elaborate and that only a very small percentage of hosiery is clocked. It will be noted from the definitions given above that "clocks" on hosiery consist of a stitching placed at the side of the ankle. In requesting that clocked hosiery be given a different classification from embroidered articles, therefore, we are not asking that an elaborately ornamented article be given a low rate of duty. "Clocking" is a distinct thing known to trade and commerce and is limited to that slight amount of narrow stitching which appears at the side of the ankle.

In the report which accompanied H. R. 2667 the Committee on Ways and Means stated at page 126:

"CHANGES IN PHRASEOLOGY AND RATES

"Changes were made in phraseology mainly for the following reasons: (1) To make more clear the intent of the Congress with respect to classification of commodities upon which there has been considerable litigation. (2) To provide separate rates of duty on a greater number of specific commodities in order that records of imports might not be unavailable due to their falling in basket clauses and losing their identity."

Evidently to carry out the intention expressed in the above report H. R. 2667 contains carefully drawn paragraphs to cover cotton hosiery and wool hosiery. Paragraph 916 provides for cotton hosiery at the rate of 50 per cent ad valorem if made on a knitting machines or knit by hand, and at the rate of 30 per cent ad valorem if made from a knitted fabric. Paragraph 1114 provides for wool hosiery at rates according to value; hosiery valued at not more than \$1.75 per dozen pairs at 40 cents per pound and 35 per cent ad valorem, and if valued at more than \$1.75 per dozen pairs at 50 cents per pound and 50 per cent ad valorem. Manifestly the above rates were adopted as the proper rates after the full and complete hearings that were had thereon. To take clocked cotton hosiery and clocked wool hosiery from these carefully prepared paragraphs and classify them along with laces and embroideries at the rate of 90 per cent ad valorem under the basket clause of paragraph 1529 is contrary to the expressed intention of the Committee on Ways and Means in its report referred to.

We are not attempting to take a luxury out of paragraph 1529, but simply to have hosiery with the small amount of embroidery entailed in "clocking" classified under the appropriate hosiery paragraph where it properly belongs; because it is not a luxury and some of the cheapest hosiery is made with clocking.

II. The importations of clock cotton hosiery and wool hosiery are less than 1 per cent of the domestic production of cotton hosiery or wool hosiery either in quantity or in value.

Clocked hosiery is not a large or important class of hosiery. On the contrary only a small percentage of hosiery is clocked. Since 1924 the importations of clocked hosiery have been reported separately as embroidered hosiery, and we give below the quantity and value of such hosiery as compiled by the United States Tariff Commission in a tabulation of textile imports and exports published in 1929:

COTTON HOSIERY, EMBROIDERED

| Year | Quantity | Value |
|-----------|-------------------------------|-----------|
| 1924..... | <i>Dozen pairs</i> 18, 982 | \$87, 729 |
| 1925..... | 12, 166 | 78, 259 |
| 1926..... | 20, 763 | 109, 180 |
| 1927..... | 39, 013 | 238, 040 |
| 1928..... | 47, 538 | 289, 341 |

WOOL HOSIERY, EMBROIDERED

| | | |
|-----------|---------|------------|
| 1924..... | 14, 771 | \$120, 725 |
| 1925..... | 7, 594 | 69, 438 |
| 1926..... | 7, 685 | 61, 535 |
| 1927..... | 14, 773 | 110, 829 |
| 1928..... | 17, 366 | 120, 762 |

No separate figures are given for the exports of embroidered cotton hosiery or embroidered wool hosiery, and no figures are available for the domestic production of embroidered cotton hosiery or embroidered wool hosiery.

In the Summary of Tariff Information, 1929, compiled by the United States Tariff Commission, the domestic production of cotton hosiery and of wool hosiery for the years 1925 and 1927 are given as follows:

COTTON HOSIERY

| Year | Quantity | Value |
|-----------|----------------------------------|--------------|
| 1925..... | <i>Dozen pairs</i> 50,403,120 | \$87,783,505 |
| 1927..... | 46,289,824 | 71,034,787 |

WOOL HOSIERY (INCLUDING MIXTURES OF WOOL AND COTTON)

| | | |
|-----------|-----------|--------------|
| 1925..... | 4,874,476 | \$17,442,297 |
| 1927..... | 5,186,735 | 15,457,711 |

The above figures for the domestic production of cotton hosiery and wool hosiery when compared with the imports of clocked hosiery of these materials show the relatively insignificant amount of the latter. The imports of clocked cotton hosiery and wool hosiery are considerably less than 1 per cent of the domestic production of cotton hosiery or wool hosiery, either in quantity or in value.

III. The imposition of a higher rate of duty on clocked cotton hosiery and wool hosiery than upon other hosiery of cotton or wool does not protect any domestic industry.

The rates of duty provided for in paragraphs 916 and 1114 are entirely sufficient for the protection of the domestic manufacturers of cotton hosiery and wool hosiery. The domestic embroiderer does not embroider "clocks" on hosiery; because it is not feasible to do so after the hosiery has been manufactured. As a result, therefore, the imposition of a high rate of duty on "clocked" hosiery does not afford protection to any domestic industry.

Further, the importations of clocked hosiery do not compete with domestic hosiery. The former are mostly of French origin and are usually made of Hsle or cotton. They are essentially individual in design and execution and are not comparable with the domestic product. Even under the present schedule of duties provided by the tariff act of 1922 the retail price of this imported hosiery is so high as to restrict its sale to a very limited class of buyers. It invariably must be sold at a much higher price than domestic hosiery.

If the duty on such embroidered hosiery is increased to 99 per cent ad valorem, as proposed in the pending tariff bill passed by the House of Representatives, it will only serve to increase the cost of this article of wearing apparel to a prohibitive level and thereby result in a further restriction of the present small demand for it.

It would be bad enough if the proposed rate of 90 per cent in the pending tariff bill would be limited to the cost or value of the clocking, but such is not the case. On the contrary, that rate or any other rate which may ultimately be enacted will be applied to the whole value of the finished article, no matter how small a part of that value may be represented by the cost of the clocking alone. This seems like an unnecessary burden to impose on the American consumer, and particularly so when no benefit will accrue to any domestic manufacturer.

On the other hand, it occurs to us that the importation of creative ideas in hosiery, whether plain or clocked, should by all means be encouraged because of the inspiration which they afford to the domestic hosiery industry for styles and patterns which may then be produced in this country on a quantity basis.

IV. Paragraph 1529 now contains many exceptions to its all-inclusive provisions.

Paragraph 1529 of the pending tariff bill mentions by number 11 paragraphs which are excepted from its all-inclusive provisions. These exceptions are as follows:

Paragraph 915, which covers cotton gloves.

Paragraph 920, which provides for lace window curtains, nets, and nettings made on the Nottingham lace-curtain machine.

Paragraph 1006, covering nets and nettings used for fishing.

Paragraph 1111, providing for blankets and similar articles.

Paragraph 1504, which covers hat braids and manufactures of hat braids.

Paragraph 1505, covering braids suitable for making or ornamenting hats.

Paragraph 1513, which provides for dolls and doll clothing.

Paragraph 1518, providing for feathers and downs.

Paragraph 1523, which provides for human hair and manufactures thereof.

Paragraph 1702, which covers junk, old.

Paragraph 1721, providing for nets used in otter trawl fishing.

These exceptions do not deprive paragraph 1529 of any part of its proper field of operation, namely, luxuries of all kinds composed of embroidery or lace, or both, of which the number is incalculable. To add paragraphs 916 and 1114 to the list of exceptions enumerated and thereby exclude clocked cotton hosiery and clocked wool hosiery from the "embroidery and lace paragraph" will also be strictly in accordance with the manifest purpose of Congress in making a general provision for lace and embroidered articles; because the hosiery referred to is in no sense a luxury, and it is not ejusdem generis with the well-nigh limitless number and variety of elaborate ornamental and artistic embroidered and lace articles.

In recognition of the fact that paragraph 1430 of the tariff act of 1922, which covered lace and embroidered articles and contained the same all-inclusive language as found in paragraph 1529 of the pending tariff bill, in its practical application, was broader than Congress intended, the House of Representatives included among the exceptions enumerated in paragraph 1529 of the pending tariff bill six paragraphs which were not excepted from the operation of paragraph 1430 of the tariff act of 1922. We respectfully urge, therefore, that two more exceptions should be made, namely, paragraphs 916 and 1114, so as to exclude also clocked cotton hosiery and wool hosiery, which are not luxuries and which should not be dutiable because of the small quantity of ornamental stitching on the side of the ankle at the rate assessed on luxuries, but should be dutiable at the ordinary hosiery rates in the hosiery paragraphs, where they properly belong.

CONCLUSION

The undersigned, wholesale dealers in domestic and imported hosiery, earnestly hope that the Committee on Finance will regard our recommendations as reasonable and will adopt them in the proposed tariff law.

Respectfully submitted.

Hosiery group, National Council of American Importers and Traders (Inc.), 45 East Seventeenth Street, New York, N. Y.; Associated Merchandising Corporation, New York; Brown, Durrell Co., Boston; S. L. Gilbert & Co. (Inc.), H. Jacquin & Co., Krueger, Tobin Co., F. A. MacCluer, Van B. Moler Co. (Inc.), Moore & Fischer (Inc.), Raymond Turk & Co., Rubens & Meyer, Tams & Horn (Inc.), Taylor & Watson (Inc.), E. M. Townsend & Co., Alex Lee Wallou (Inc.), and Westminster (Ltd.), New York.

EMBROIDERED AND LACE HANDKERCHIEFS

[Par. 1529 (b)]

STATEMENT OF E. K. WILLIAMS, REPRESENTING S. H. KRESS CO., NEW YORK CITY

Senator KEYES. On what article are you appearing?

Mr. WILLIAMS. Imported handkerchiefs, 1529 (a). The proposed rate of duty of 4 cents each plus 40 per cent ad valorem is a direct attack on merchandise retailing at 5 and 10 cents each. It eliminates all importations of handkerchiefs selling at these prices which have been sold to the public for years.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. WILLIAMS. No, sir; I did not. It represents an increase in duty of 56 to 98 per cent on the handkerchiefs that serve the everyday needs of the public of limited means and at the same time re-

duces the duty on high priced handkerchiefs of the luxury type from 75 per cent to roughly 44 per cent and lower.

Senator WALSH. That 56 to 98 per cent is an increase over the present duty?

Mr. WILLIAMS. Yes.

Senator WALSH. What is the present duty?

Mr. WILLIAMS. Seventy-five per cent.

Senator WALSH. Increased 56 per cent over that?

Mr. WILLIAMS. Fifty-six per cent on the five-cent handkerchiefs up to 98 per cent increase and it reduces the duty on the higher priced handkerchiefs of the luxury type from 75 to approximately 44 per cent duty.

An industry that requests such a radical change in tariff duty should certainly set forth more sound reasons and give more facts and be checked back by the Tariff Commission before the proposed act becomes a law.

Senator THOMAS. On the basis of 100 per cent imports, what per cent would be increased and what per cent decreased upon the testimony just given?

Mr. WILLIAMS. I do not know that—on the basis of 100 per cent?

Senator THOMAS. Yes; if there is this change of the amount. The amount of cheap handkerchiefs is comparatively small, I presume.

Mr. WILLIAMS. According to our estimates, I do not have complete information, but I understand that the average imported handkerchief retails around 24 and a fraction cents. In our case the 25-cent handkerchief will be increased approximately 5.3 per cent. That is the handkerchief that costs around \$2 now.

Senator THOMAS. You just testified that on cheap handkerchiefs the duty would be raised and on the more expensive ones the duty would be lowered?

Mr. WILLIAMS. Yes.

Senator THOMAS. I want the dividing point.

Mr. WILLIAMS. I do not know.

Senator THOMAS. In other words, the force of the law, if enacted, would be to levy a larger duty, an increase on the class of goods bought by the great mass of the public?

Mr. WILLIAMS. Yes.

Senator THOMAS. And reduce the duty on the class bought by the comparatively few—is that correct?

Mr. WILLIAMS. Yes; although I think the duty starts to be lowered on handkerchiefs that retail for 35 cents down. This is our interpretation of it. I am giving it sincerely with full opportunity to refute.

Senator THOMAS. On handkerchiefs from 35 cents down?

Mr. WILLIAMS. Yes.

Senator WALSH. From your examination of this paragraph that you are interested in and have testified about, have you reached the conclusion that where a specific duty and an ad valorem duty is levied, the result is to increase the percentage of duty on the cheaper product and less the duty on the higher product?

Mr. WILLIAMS. That has been our experience in a few years of experience. You asked a question yesterday of Mr. Smith, of Woolworth's, what he knows, what the final results, what the influence

would be, what the final results of this act would be if it went through as proposed? He did not give the figures on that. But we are affected, I think, on 41 different items, and it represents an increase which we can absorb or will be able to work out in slight differences, of about \$55,000 out of \$3,000,000 worth of merchandise imported. That excludes the eight items that we feel are going to seriously affect the 5 and 10 cent line of merchandise.

Senator WALSH. These 41 items are the items that retail for 10 cents?

Mr. WILLIAMS. Ten to twenty-five cents.

Senator THOMAS. I am advised that if the value of handkerchiefs under the act of 1922 based on the foreign valuation is 88 cents per dozen, that class of handkerchiefs is specifically increased by this proposed bill.

Mr. WILLIAMS. That is the foreign cost of 88 cents. It would be considerably below that.

Senator THOMAS. Below that?

Mr. WILLIAMS. Considerably below.

Senator THOMAS. The value would be higher in the lower class of goods?

Mr. WILLIAMS. I think it would be a little higher than that. That is my conception of it. I think probably the best way to demonstrate the 5 and 10 cent store handkerchief line would be to show you our entire line. There are one or two items. This is from S. H. Kress. Our total sales of these handkerchiefs—starting with the low prices, the ladies' goods and the men's goods, and boys' and men's here—I think they are all domestic down to here. Those are imported numbers. In the first place, 83.8 per cent of our handkerchief business consists of domestic handkerchiefs. We imported from Europe 3.7 per cent, and the three numbers here represent 12.5, which are Oriental and Asiatic numbers. This one retails at 10 cents and that one at 25 cents. This lands at 82 cents, sells at 10 cents, and, perhaps, under the tariff act, would be \$1.14. But the 25 cents numbers would still be not affected. It is only a small increase of 2.03 cents to 2.16. But this would be practically the only number that we would be seriously affected on. If the public wants that number they will pay 15 cents for it, but we feel we ought to lay this before you just as a matter of information.

Senator THOMAS. Your testimony is that on this line, if the rates in this bill are made effective, that the public would still get this class of goods at the same price?

Mr. WILLIAMS. At the same price, except this one item, and these two items may be retained. They probably will not be on our counters two years from now. There may be something else developed at higher prices that the public will want. I think a heavy rate of duty on the 10-cent handkerchiefs would prohibit that one. The popular numbers in our stores to-day are the domestic lines.

Senator THOMAS. You mean to say that your company would absorb this additional cost?

Mr. WILLIAMS. We have very little absorption to do there except this one number, which would have to be dropped.

Senator WALSH. Would this duty have a tendency to increase domestic handkerchiefs, too?

Mr. WILLIAMS. That is a point that I could not foretell now. It is possible that it might.

Senator THOMAS. You are opposing the increased rate?

Mr. WILLIAMS. Yes; I am opposing the drastic increase in the rate of low-priced handkerchiefs and also the reduced rate on the high-priced handkerchiefs. It is our business to supply the masses with low-priced items, and if this type of duty comes in it works against us.

Senator THOMAS. You are afraid of what the effect will be, not knowing what the effect will be, if this bill becomes law, and think that you will be forced to charge more if the handkerchief which you now sell at your limit of price is affected by these increased rates?

Mr. WILLIAMS. Yes, sir; and the handkerchief industry is controlled greatly by fads, and we endeavor to supply the demands of a fad at a low price, duplicating the higher priced items wherever we can.

Senator WALSH. Do you claim and assert that the handkerchiefs that retail for 50 cents will represent a less duty than the handkerchiefs that retail for 10 cents?

Mr. WILLIAMS. No, sir.

Senator WALSH. But the percentage is less?

Mr. WILLIAMS. Yes, sir; the percentage. That is my interpretation of it.

As a final summary, this proposed rate of duty means, if it becomes law, that the public will have to purchase all their fancy handkerchiefs, hand drawn, hand rolled, from domestic sources of supply. That is the summary of it.

Senator COUZENS. That is what is attempted to be done? That is the intent of the tariff?

Mr. WILLIAMS. Yes, sir; or pay an excess price for them, and if they can afford handkerchiefs at 25 cents or upwards they will receive their money's worth from either the domestic or the imported sources of supply. But apparently the labor on a high-priced handkerchief is receiving a downward revision. We request that you give consideration to an ad valorem duty of 80 per cent, or whatever the industry requires.

(Mr. Williams submitted the following brief:)

BRIEF OF S. H. KRESS & Co.

The paragraph as it now stands reads: " * * * 4 cents each and 40 per centum ad valorem * * *."

We suggest that this paragraph be changed by crossing off the words " * * * 4 cents each and 40 * * *" and insert "80" (per centum ad valorem).

REASONS

The provision as it now stands would impose a complete embargo on handkerchiefs selling at 5, 10, and 15 cents each, and whilst the proposed rates are actually those specified by the Domestic Handkerchief Manufacturers Association in their brief filed with the Committee on Ways and Means, it is difficult to believe that the association could have realized that their demands could be so drastic in their effect.

The American public of limited means insist upon being able to buy articles at 5 or 10 cents that embody the style features of higher priced handkerchiefs

used by their more fortunate neighbors who are in a position to indulge their every taste. The machinemade embroidered handkerchief industry of America is not capable of entirely meeting the wide range of style demands in the lower prices.

At the same time the provision as it now stands would effect a radical reduction in the iduty to the higher priced handkerchiefs which in fact are luxury articles.

Startling as this result is, it is readily understood when it is appreciated that the provision as it now stands was the result of recommendations by manufacturers some of whom are importers of the higher priced handkerchiefs.

That this is unfair and made to benefit a few manufacturers and importers in its resultant effect is clearly brought out by the fact that labor is the big proportion of an embroidered handmade handkerchief and the higher the price of a handkerchief the greater the percentage of labor.

We ask consideration of this question: What, in the record, affords the slightest justification for effecting a reduction of the duty on high-priced handkerchiefs of luxury type of from 75 per cent to roughly 44 per cent, or reduction of approximately 40 per cent and at the same time effecting an increase of from 56 per cent to 98 per cent in the duty on handkerchiefs which serve the needs and are within the purchasing ability of people of moderate and average means?

In the very high-priced handkerchiefs labor is practically the entire cost, material being such a small percentage, but under the proposed act the larger the percentage of labor the lower the protective duty, yet high-priced handkerchiefs demand a substantial amount of high-priced labor (which is the only type of labor in America). A reasonably increased ad valorem duty would be the only fair basis to assist American labor if it is required, at the same time not discriminate against the consuming public of limited means.

Under the bill now in force plants for the manufacture of handkerchiefs have increased in size and number. There is no evidence that this industry stands in need of the protection of increased duties.

It is true that in the passing years the quantity of handkerchiefs imported has grown, but the growth has been not in any wise disproportionate. The increase 1927 to 1928 was approximately 1 per cent.

| | |
|--------------------------------|---------------|
| In 1927..... | \$3, 153, 156 |
| In 1928 (other than lace)..... | 3, 187, 227 |

There was a time when Swiss embroidered handkerchiefs were imported in large quantities, but for the last few years the trend has been principally met by manufacture in this country. During that time and in particular during the past five or six years a demand has grown up for the finer grades of hand-rolled or hand-drawn handkerchiefs and that demand has been met by the importation of such retailing at 10 to 25 cents each. The provision will effect an embargo on this type and grade of handkerchief. It will result in denying their use to many thousands of our people and in forcing them either to be content with cheaper grades of machine-made handkerchiefs, embroidered on cheaper grades of cloth, etc., or to pay the price of the higher-priced handkerchief and thereby further deplete already scanty household exchequers.

It was asserted before the Ways and Means Committee by contractors on machine-embroidered handkerchiefs (an industry of 425 persons), that the importation of handkerchiefs had caused a curtailment in the business of embroidery contractors at Passaic N. J., since 1924. The fact is that in all priced handkerchiefs there is a constantly changing current of style that can not be ignored. American machine-made handkerchiefs have enjoyed widespread vogue for many years, but the public have grown tired of the sameness of style and have demanded novelty ideas that the machine-embroidered industry can supply.

The provision as it stands is, when looked at from one angle, discriminatory class legislation denying to masses of the people a necessity in a form that meets their favor, and at a reasonably low price and looked at from another angle, seeks to protect an active profitable industry controlled by a very few individuals operating a number of plants, associated with the importers of high-priced handkerchiefs.

E. K. WILLIAMS
(For S. H. Kress & Co., S. S. Kresge Co.).

**STATEMENT OF ALEXANDER G. RITCHIE, MOUNT VERNON, N. Y.,
REPRESENTING THE HANDKERCHIEF GROUP, NATIONAL COUNCIL
OF AMERICAN IMPORTERS AND TRADERS (INC.)**

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

Senator KEYES. You represent whom?

Mr. RITCHIE. I represent the handkerchief group of the National Council of American Importers and Traders, (Inc.).

Senator KEYES. You wish to address the committee relative to embroidered handkerchiefs?

Mr. RITCHIE. Yes, sir.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. RITCHIE. Yes, sir.

Senator KEYES. Have you anything to add to what you stated there?

Mr. RITCHIE. Yes, sir. I appear on behalf of the handkerchief group of the National Council of American Importers & Traders (Inc.). This group was organized over two years ago for the purpose of securing reliable data to present to the Tariff Commission in connection with a petition to be filed requesting changes in rates of duty. Our membership comprises several leading retail stores, as well as specialty importers and firms engaged in the manufacturing of handkerchiefs in this country.

As an industry the embroidered handkerchief business throughout the world has been in a depressed condition for two years or more, and there are decided differences of opinion as to the underlying causes, but rapid style changes and overproduction have had a very disturbing effect. In the years 1921-22 there existed a general condition much more satisfactory than that of to-day, and it was contended at that time that an increase of tariff from 60 per cent to 75 per cent would provide more employment for our domestic machine embroidery workers, but the direct opposite has been the result. Our opinion is now as it was in 1922, that any further increases in duty will have a still more baneful result on that section of the American industry that is now suffering most—the machine embroidery business.

The style element of the handkerchief business is the most important factor after all. A constant current of change is necessary to meet the demands of our people. Novelty ideas of compelling interest usually originate in the higher price levels away above the well-defined limits of the domestic manufacturers' possibilities with machine methods. Through a series of cheapening reproductions wherein a semblance of the original novelty idea is still preserved the original novelty eventually reaches its final expression at the 5-cent, 10-cent, and 15-cent levels, wherein American mass production excels. We believe the largest percentage of the total number of fancy handkerchiefs consumed in the United States is within these price limits at the present time.

It can not be denied that our most attractive handkerchief novelties originate with foreign manufacturers, some of whom have lived through generations of the evolution of handkerchief manufactur-

ing. Anything that sets up a barrier against the importations of such novelties is merely depriving our domestic manufacturers of much valued inspiration for mass production on the lower-price levels. It might be emphasized with regard to this phase of the situation that the American women of limited purchasing power insist on the same style elements in the cheaper goods as they see in the expensive articles being used by those of more fortunate circumstances.

Senator THOMAS. No possible rate of duty would prevent American factories from importing samples to be used as samples in designing American goods, would it?

Mr. RITCHIE. If samples are available. Manufacturers abroad develop styles suitable for the different markets. Handkerchiefs are produced in France and Switzerland especially for this American market as regard the style of pattern, and so forth. The manufacturers sell these in Ireland and cater to the entire world. In the manufacturer's line of merchandise may be exports for, we will say, India, and you could not give them away in this country.

So, unless there is some continued incentive for the foreign manufacturer to struggle for inspiration in this market you will never have the benefit of that inspiration.

I trust it is not too technical to state that if a type of handkerchief is not in vogue—and this is really in answer to your question—or, in other words, enjoying the temporary favor of the consumer, the intrinsic value of the article commands little interest, and such handkerchiefs are practically unsalable.

Of what use is any tariff which protects workers who are engaged in producing merchandis, which the consumers decline to buy—and just such a menace threatens the handkerchief business. Unless the better class of machine-embroidered handkerchiefs styled up to the minute continue to enlist the buyers' interest the favor enjoyed at present by the cheaper goods will pass out entirely, and it requires but little imagination to realize the possibility that every bit of machinery employed in this work would find its way to the scrap-heap. Embroideries by the yard, and the all-around embroidered handkerchiefs are vivid examples of the quick shift of style ideas. These are now long forgotten and most of the machines employed in their manufacture have long since been broken up.

If it is sincerely wished to maintain the machine-embroidery industry in this country at a high level of production the first essential is to assure the continued public favor for the popular priced imported machine embroidered novelties and so retain as long as possible the vogue for all machine-made goods down to the lowest price. The handkerchief industry of the United States proper is essentially machine-mass production. It has suffered more from competition with the hand-embroidered product, duty free, of Porto Rico in recent years than from any other cause. The present demand for all hand-made handkerchiefs is a serious menace to the machine industry. To survive, the machine embroidery must overcome the sentiment for the hand embroidery through style appeal, quality of workmanship, and all the other elements operating against it to-day. With a hand-embroidery industry already developed in Porto Rico and overprotected against European markets the greatest competitor of the

United States machinery-embroidery industry lies now right inside our own political borders.

Beyond any doubt the United States handkerchief industry to-day is less in need of a higher tariff on machine-embroidered handkerchiefs than of the continued inspiration of the styling and workmanship of the foreign goods which command the interest of the discriminating American consumer and which are produced not by pauper or half-civilized labor but under modern industrial and sanitary conditions, second to none in the world, with wage scales highly controlled by Government regulations.

The special investigation ordered by the Tariff Commission on handkerchiefs, which was in progress for more than one year in this country, in Ireland, and in Switzerland, has recently been completed. It will undoubtedly furnish the fullest and most dependable information on this subject. The results of this official research, we respectfully urge your honorable committee to consider, as they were not available to the Committee on Ways and Means, when the duty rates in the new tariff bill were being formulated.

The briefs which we now ask your favor to submit embody information of importance on other factors in the situation besides production costs. We submitted with our original briefs to the Committee on Ways and Means a very considerable range of exhibits which we hope will be at your command, though we have no doubt the Tariff Commission will be in a position to furnish similar illustrations at your request.

I might take the liberty of stating that the handkerchief group I have the honor to represent has endeavored in every possible way to insure the success of the Tariff Commission's investigation abroad, and judging from the unreserved cooperation that has been extended to the experts by the handkerchief manufacturers in both Ireland and Switzerland, the commission's report should be of unusual value at this time. We are confident that the interests of both the American consumers and the domestic handkerchief manufacturers will be mutually protected because of this special research work that the Tariff Commission has now successfully completed.

Senator WALSH. Has that been published yet?

Mr. RITCHIE. It is in the making. I understand that it is being prepared.

We believe that fancy handkerchiefs are entitled to a special paragraph in the new Schedule 15, and we are convinced that the proper differentiation of the two principal methods of ornamentation, hand and machine embroidery, with equitable rates will insure the fullest protection to every interest.

In response to numerous requests from retail merchants throughout the country for information as to how the tariff rates specified in the new bill would affect handkerchief prices in the future, we compiled a statement, copy of which I beg to submit with our brief.

The exhibits now submitted are assembled to show samples of hand embroidery as distinguished from machine embroidery, but principally to illustrate the styles now in vogue of machine embroidery of domestic as well as foreign manufacture, with as much information as is possible to give at this time.

Senator THOMAS. Are you asking that the existing law, the rate in the existing law, be retained, or that it be reduced?

Mr. RITCHIE. In our tentative research in connection with handkerchief costs several years ago we discovered that a rate of 60 per cent would amply protect the domestic handkerchief manufacturers.

Senator THOMAS. What is the rate in the existing law?

Mr. RITCHIE. Seventy-five per cent.

Senator THOMAS. What does the bill propose?

Mr. RITCHIE. Forty and four.

Senator THOMAS. Explain that to one who does not understand it.

Mr. RITCHIE. It works out this way.

Senator COUZENS. Is that explained in the brief?

Mr. RITCHIE. Yes, sir. Based on machine embroidered handkerchiefs imported that retail mostly at 12½, 15, 20, 25, and 50 cents—of course, the important factor in the demand for anything is the retail price. The duty now is 25 per cent, and on that 12½-cent handkerchief the duty would become 175 per cent ad valorem. On the handkerchief that sells for 15 cents the duty would be 141 per cent instead of 75 per cent. On a 25-cent handkerchief you would have a duty of 107 per cent. So that there is a very serious hardship worked on all handkerchiefs below 25 cents.

Senator THOMAS. That is the information I wanted.

Mr. RITCHIE. A very important part of my testimony is in a few of these exhibits that I have here.

I have referred to the style element, and its effect. These in reality show the operation of the 75 per cent tariff and show what the domestic manufacturer can do. I would like to show you some of these exhibits.

Senator KEYES. Inasmuch as we have a good many witnesses to hear, perhaps if you explain one exhibit to us, that will be sufficient.

Mr. RITCHIE. As long as I have to confine myself to one, I think this is a very pointed example of the possibilities [exhibiting handkerchief]. There is a story connected with these two.

Senator THOMAS. Identify those so that the stenographer may have it in the record.

Mr. RITCHIE. I will mark them both "Exhibit A." I do not think that it is an imposition on you to present this. These handkerchiefs last year were imported from a Swiss manufacturer. They are marked "Swiss." He felt, having made them for one season, he would also have them for another season, and he refused to duplicate them, but ran them at the same price.

Here is a manufacturer who imports linen and pays 35 per cent duty and produces patterns in as exact detail as it is possible to do. This is identical; it is 10½ inches in size. This [indicating] retails for 50 cents.

Senator KEYES. That is the Swiss?

Mr. RITCHIE. The Swiss; yes, sir. This is being retailed this year for 25 cents, and no customer, if he is of a discriminating nature, would ever buy this handkerchief—he would buy the Swiss as against the domestic; and that is our own experience in manufactured goods.

Senator WALSH. Has the duty on handkerchief linens been increased in this bill?

Mr. RITCHIE. No, sir; we made a strong plea because we are anxious to build up our machinery in this country.

Senator THOMAS. The substance of your testimony is that when American factories get a sample of the product that is in demand in America, as soon as they have a little time they can reproduce as good or a better one and sell it for less?

Mr. RITCHIE. Yes, sir; we do it ourselves.

I would like to make a further reference, Mr. Chairman, and that is on behalf of a large section of our warkers in this country. I have heard this morning a request for a high rate of duty on laces from 1 inch up to 3 inches. We in the handkerchief industry in this country make lace handkerchiefs. In California it is assuming the proportions of an industry, and the lace imported for that purpose is the raw material of the handkerchief business.

If you put such a duty on these as requested this morning you are going to eliminate the entire handkerchief business in lace. I do not think that is really a fraternal spirit, because those people on the coast as well as ours in New York are entitled to some employment.

Some of these handkerchiefs are printed now. Here is a handkerchief with no machinery embroidery on it at all. I was told yesterday that 60 per cent of the business of a firm in this city is made up of that type of handkerchief.

Senator THOMAS. Will you identify that so that the stenographer may note it in the record?

Mr. RITCHIE. Yes, sir; I will do so.

Senator THOMAS. Tell us how it is made.

Mr. RITCHIE. Gentlemen, there are a good many other firms represented here to-day. We are watching the things that go into our business, and that is one of the things that is the matter with the industry. The public demands something, and we as manufacturers are sitting back and hoping that something will happen to turn the tide back to where we were.

Here is a handkerchief from Switzerland that we got. We immediately put our machines to work on it, and with the lace the price was too high. We worked it to a dollar, and it is retailing now down to 50 cents, and it is competing in the regular market.

Senator WALSH. Where is it produced here?

Mr. RITCHIE. Here in New York.

Senator WALSH. That is not silk, is it?

Mr. RITCHIE. I think it is part silk.

Senator WALSH. It may be one of the new yarns such as rayon.

Mr. RITCHIE. It is an American product throughout, and at the same time it is in competition with the article introduced from France and selling at a dollar apiece.

Senator WALSH. Is this exhibit of a handkerchief you have just displayed showing the Swiss handkerchief selling at 50 cents, and the domestic handkerchief selling at 25 cents an extreme example, or would this show the same situation?

Mr. RITCHIE. That points to the possibility of what can be done, but I do not think that it is an extreme example.

I might show you one more exhibit [exhibiting handkerchief]. This is current, up to the minute. This is an exhibit submitted by myself. I was amazed yesterday to find this. There is a handkerchief that we are selling at retail at 50 cents.

Senator WALSH. Is it domestic made or foreign?

Mr. RITCHIE. It is foreign. That was the inspiration for this [indicating]. I really believe that there is as much work on that one as there is on this one, and the price of that one was 25 cents. That is the story I picked up, that this concern imported this handkerchief to retail at 50 cents, and this one will sell for 25. After this one gets on the market at 25 cents, you can not give this one away. I am really worrying about my orders that we have for this one, with it selling for 50 cents against the domestic product selling at 25.

(Mr. Ritchie submitted the following brief:)

BRIEF OF THE HANDKERCHIEF GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS & TRADERS (INC.), TO THE SENATE FINANCE COMMITTEE

PART I. IMPORTS FROM IRELAND

As our brief on imports from Ireland, filed with the Committee on Ways and Means, affords as true a reflection of the situation as it is possible to give at this time, we respectfully submit same herewith. The imports from Switzerland are referred to in a separate brief.

The Tariff Commission's experts have recently completed in Ireland a six months' investigation of the handkerchief production costs in that country. Results of that inquiry are now available, and will necessarily embody information of the most highly dependable order both as regards hand embroidered handkerchiefs from Ireland and machine embroidered from Switzerland. We believe the findings of the commission will be fair to every interest as the investigation has included production costs in the United States as well.

Embroidery is the principal form of ornamentation embodied in fancy handkerchiefs. The variety of styles is almost endless, and is constantly changing from year to year. The embroidery element is of two distinct types—that product by the hand needle worker on one single handkerchief at a time, the other produced by machine either operated by hand power or driven by mechanical means whereby 100 handkerchiefs or more are embroidered at the same time, with consequently much greater production than is possible by the hand needle worker. There is, however, a difference between these two types of goods that is apparent to the women of America and their predilection at the present time is strongly in favor of the hand embroidered article.

In Ireland, where hand embroidery has been produced extensively, and in Switzerland, the original home of machine embroidery, the most rigid governmental regulations apply as to stitch costs and the sanitary conditions under which the final finishing processes are carried out. It is the lack of similar governmental regulations in the United States that has created a deplorable condition amongst our embroidery workers in this country. It is notorious that a contractor of embroidery work will devote his time and energy to producing original samples and when he may reasonably expect the work on the bulk order he is only too liable to find that it has been given out to some other operator who is satisfied to work for less.

The European production costs of the two methods of embroidering, calculated on the number of stitches to the pattern, are widely apart, so much so, in fact, that a differentiation should be established. We believe the facts that will be presented by the Tariff Commission will substantiate this representation.

Any rate of duty that establishes an embargo against such imported machine embroidered handkerchiefs as furnish style inspiration for the American production and maintain the vogue for goods of this type, including both American and foreign, will be detrimental to the American industry in the long run. The practical elimination of the Irish hand embroidered handkerchiefs retailing at 25 cents by the imposition of the present 75 per cent duty affords the finest object lesson of what havoc can be wrought to the machine embroidery industry of the United States. This high duty of 75 per cent, which was increased from 60 per cent, stimulated production of hand embroidery in a new center, Porto Rico, with the result that the machine embroidered fancy handkerchief is to-day struggling for public favor. The revival of the vogue for machine embroidered handkerchiefs is our objective. Our American workers will immediately feel the benefit of this newly created interest. A lower duty will do more to help such a situation than a higher one.

The style element is the most important factor in handkerchiefs. It is fraught with unusual possibilities for both profit and loss. A particular style in favor to-day at a profitable price may within three months be unacceptable at even half the original price either wholesale or retail. This factor in the situation is what affects the handkerchief business generally in such an adverse manner.

The members of the handkerchief group are listed below. Many of the wholesale firms have been engaged in manufacturing in this country for a great number of years, utilizing every facility to produce ranges of merchandise broad enough to meet the requirements of the American people. At the same time associated with the organization are several large retail houses of long standing. Every member subscribes to the protective principle expressed in reasonable tariff rates.

No opportunity has ever existed for a correct formulation of rates on fancy handkerchiefs such as now presents itself. It is no longer necessary to weigh theories or arguments. For over two years the Tariff Commission has had petitions for revision of duties on handkerchiefs under consideration. A special investigation was ordered and an array of dependable facts will soon be presented to this committee by the research experts. We are confident that every interest concerned, not excepting the consumer, will be satisfied with whatever recommendations may be made by the commission as a result of this expensive and far-reaching exploration.

Respectfully submitted.

ALEXANDER G. RITCHIE

Chairman the Handkerchief Group,

National Council of American Importers and Traders (Inc.).

JUNE 25, 1929.

Handkerchief group members: Abraham & Straus, John R. Ainsley Co., L. S. Ayres Co., Belfast Linen Handkerchief Co., Bloch Freres, Best & Co., Brown's Shamrock Linens, Bonwit Teller Co., M. Doob (Inc.), Douglas & Green, Ely & Walker Dry Goods Co., Glendinning, McLeish & Co. (Inc.), Heiss Brush & Co., Hibben Hollweg Co., Hoffman Huber Co., J. L. Hudson Co., Lindsay Thompson & Co., Frederick Loeser Co., Lord & Taylor, S. W. Magnus Co., Henry Matier & Co. (Ltd.), May Department Stores, Robert McBratney & Co., Robert McBride Co., James McCutcheon Co., Reichenbach Co., Franklin Simon & Co., Stern Bros., Stix Baer & Fuller Co., Tobler Bros. & Co., Waldburger Tanner & Co., Robert Watson & Sons, Woodward & Lothrop, York Street Flax Spinning Co., F. W. Woolworth Co., Willy & Alfred Zucher, Zucher Handkerchiefs (Inc.).

SUPPLEMENTAL BRIEF OF HANDKERCHIEF GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

PART II. IMPORTS FROM SWITZERLAND

Embroidered and lace-trimmed handkerchiefs are now dutiable under the general provision for embroidered and lace articles (par. 1430, tariff act of 1922), at the following rates:

Embroidered handkerchiefs, 75 per cent ad valorem; lace-trimmed handkerchiefs, 90 per cent ad valorem.

In the pending tariff bill (par. 1529, H. R. 2667), the House of Representatives, though adopting a uniform rate of 90 per cent for embroidered and lace articles generally, made a special provision for embroidered and lace-trimmed handkerchiefs with a compound duty of 4 cents each and 40 per cent ad valorem, which is utterly prohibitive for most of the machine-embroidered and lace-trimmed handkerchiefs from Switzerland.

We protest against this discriminatory treatment of embroidered and lace-trimmed handkerchiefs, which have been dutiable in prior tariff acts under the same provision and at the same rates as all other embroidered and lace articles.

We reiterate our request made before the Committee on Ways and Means, that embroidered and lace-trimmed handkerchiefs be made dutiable at the following rates:

Embroidered handkerchiefs, 60 per cent ad valorem; lace-trimmed handkerchiefs, 75 per cent ad valorem.

Our briefs before the Committee on Ways and Means, which contained a detailed discussion of this subject supported by numerous samples proving our

contentions, will be found at page 7586-7604 and 7608-7610 of that committee's report of the tariff hearings. This brief will be limited accordingly, and a new set of samples will be filed with the Committee on Finance.

REASONS IN SUPPORT OF OUR REQUEST

1. For more than a year past the United States Tariff Commission has been investigating the costs of production of the handkerchiefs in question in this country and abroad. That investigation is now completed and the cost data thus obtained, which were not available to the Committee on Ways and Means, will be available to the Committee on Finance. Confident of the merits of our recommendation, we earnestly hope that the Committee on Finance will determine the rates of duty in accordance with the costs of production ascertained by the United States Tariff Commission.

2. The ad valorem equivalents of the compound duty (4 cents each and 40 per cent ad valorem), in the pending tariff bill, on Swiss embroidered and lace-trimmed handkerchiefs to retail at the following prices are as follows:

| Retail price of handkerchief: | Ad valorem equivalent of compound duty | |
|-------------------------------|---|-----|
| 12½ cents each..... | per cent..... | 582 |
| 15 cents each..... | do..... | 314 |
| 25 cents each..... | do..... | 132 |
| 50 cents per box of 3..... | do..... | 392 |
| 75 cents per box of 3..... | do..... | 153 |
| \$1 per box of 3..... | do..... | 120 |

These ad valorem equivalents are calculated in a manner with which the experts of the United States Tariff Commission are familiar. There is nothing fanciful about the calculation. It is impossible to show the ad valorem equivalents of handkerchiefs to retail in this country at 5 cents and 10 cents each for the simple reason that the duty alone on the one and the duty plus expenses on the other of such price categories is more than the wholesale selling price. Even under the present duties such handkerchiefs are not imported from Switzerland.

3. If the compound duty on embroidered and lace-trimmed Swiss handkerchiefs in the pending tariff bill is adopted it will increase the cost of same to such an extent that the retail prices will have to be increased as follows:

| PRESENT RETAIL PRICE | INCREASED PRICE |
|------------------------|------------------------|
| 12½ cents each. | 20 cents each. |
| 15 cents each. | 25 cents each. |
| 25 cents each. | 35 cents each. |
| 50 cents per box of 3. | 75 cents per box of 3. |
| 75 cents per box of 3. | \$1 per box of 3. |
| \$1 per box of 3. | \$1.25 per box of 3. |

The handkerchiefs referred to are in no sense a luxury; but, on the contrary, they are plain everyday necessities, which are used by American women generally, including farmers' wives and daughters.

4. The rates of duty provided for embroidered and lace-trimmed handkerchiefs in the tariff act of 1922 (75 per cent and 90 per cent ad valorem) are 15 per cent and 20 per cent, respectively, higher than the highest rates provided for such articles in any previous tariff act.

5. On account of the present high duties, embroidered and lace-trimmed handkerchiefs from Switzerland must be sold, both at wholesale and retail, at a much higher price level than that of domestic handkerchiefs of comparable construction. The price difference is sufficient to justify a much greater reduction of the rates of duty than we are requesting.

6. On account of the present high duties embroidered and lace-trimmed handkerchiefs from Switzerland can not be sold at prices which will permit them to be retailed in this country at 5 cents or 10 cents each. As a result, the large domestic demand for handkerchiefs in these price categories is filled almost entirely by the domestic industry.

7. Embroidered and lace-trimmed handkerchiefs from Switzerland compete in price with the domestic lines within a very limited price range (15 cents to 25 cents each at retail) and then, not because they are similar to or comparable in construction with the domestic handkerchiefs, but because they are made with greater care and have a better appearance.

8. The importation of embroidered and lace-trimmed handkerchiefs should be encouraged because they raise the standard of the domestic product and stimulate its sale. This is admitted by the domestic manufacturers, in so far as the handkerchiefs retailing at 50 cents or more each are concerned, and, though not admitted, it is equally true of the handkerchiefs in the lower price categories.

9. The total imports of embroidered and lace-trimmed handkerchiefs amount to only 11.02 per cent and the imports of such handkerchiefs from Switzerland amount to only 4.38 per cent of the domestic production of handkerchiefs.

CONCLUSION

The present rates of duty on Swiss embroidered and lace-trimmed handkerchiefs (75 per cent and 90 per cent ad valorem) are higher than are reasonably necessary for the protection of the domestic industry. We therefore respectfully request that they be reduced as follows:

Embroidered handkerchiefs, 60 per cent ad valorem; lace-trimmed handkerchiefs, 75 per cent ad valorem.

Respectfully submitted.

HANDKERCHIEF GROUP, NATIONAL COUNCIL OF
AMERICAN IMPORTERS AND TRAPERS (INC.),

By HARRY F. MEYER,

Vice Chairman, 45 East 17th Street, New York, N. Y.

**STATEMENT OF G. C. NUTTING, REPRESENTING MARSHALL FIELD
& CO., CHICAGO, ILL.**

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

Senator KEYES. Will you state whom you represent?

Mr. NUTTING. I represent Marshall Field & Co., Chicago.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. NUTTING. No, sir.

Senator WALSH. What is your position with Marshall Field & Co.?

Mr. NUTTING. I am the department manager of the handkerchief and some other departments.

Gentlemen, you have just heard, through another witness, Mr. Ritchie, a great deal of detail in regard to the handkerchief business, so I am going to save time by not repeating. I concur largely in the remarks that he made and the details that he has furnished, so to save time I will not repeat, but I should like to give you a very few salient facts regarding the business of Marshall Field & Co., which I think you will appreciate have some bearing on this situation.

I am here representing Marshall Field & Co., of Chicago, and to speak very briefly on the embroidered handkerchief tariff rates as proposed in paragraph 1529, section (b) of the House bill.

Senator WALSH. Are you opposed to the rates in the House bill?

Mr. NUTTING. Yes, sir. Marshall Field & Co. are one of the largest distributors of handkerchiefs in this country, a business approximating \$4,000,000, selling nearly all of the representative merchants of this country who handle this commodity. We do not desire to enter into any controversy with the domestic manufacturers, but taking an impartial position, we desire to place before the gentlemen of this committee a few facts concerning our own business, from what we believe to be a neutral or unbiased standpoint.

We are manufacturers of handkerchiefs, both in Europe and in America.

Senator WALSH. That is, you own factories in Europe?

Mr. NUTTING. Yes, sir; we also purchase in Europe and purchase goods from the domestic manufacturers.

Senator WALSH. How many factories have you in Europe?

Mr. NUTTING. We are largely represented in what we call our own industry in Switzerland, although there they are not called factories so much, because the work is done in the country by privately owned machines.

Senator WALSH. They are called establishments rather than factories?

Mr. NUTTING. Yes, sir.

Senator THOMAS. Do the various departments of Marshall Field & Co.'s gigantic business have factories abroad? Does that system obtain in the other departments?

Mr. NUTTING. Not generally; it is rather the exception.

We are manufacturers of handkerchiefs, both foreign and domestic production, and also purchase embroidered handkerchiefs in the foreign and domestic markets other than those which we manufacture. Therefore our business reflects the relative advantages of foreign countries in competition with our own American-made goods. We do not favor or promise the sale of goods from one country more than another, our one object being to secure the best values and styles obtainable to meet American merchants or consumers' requirements.

At this time I will state that we are opposed to the proposed new rates of duty on embroidered handkerchiefs on the ground that we do not believe the claims as set forth by the domestic manufacturers are justified. We really do not believe that the domestic handkerchief manufacturers have taken advantage of the possibilities afforded to them under the present tariff rate of 75 per cent, as contained in the 1922 act.

Taking our business for the year of 1928, our sales amounted to 345,000 dozens of foreign-embroidered handkerchiefs, as compared with 426,000 produced in various parts of the United States and Porto Rico, or, in other words, 25 per cent more of the domestic or American-made embroidered handkerchiefs.

While I can give you the relative comparison of our sales between domestic and foreign goods sold at the different popular retail selling prices, such as 5, 10, 15, 20, 25, and 50 cent ranges, I will only emphasize the more seriously affected price, that of the 25-cent handkerchief which, under the new or proposed duty of 40 per cent and 4 cents per handkerchief, will be practically eliminated as far as the importation of foreign goods is concerned.

This 25 cent price is the backbone of the handkerchief line and is at present made up of a greater variety of styles than it is possible to produce in the domestic market, in the United States.

Senator WALSH. I suppose that there are 100 25-cent handkerchiefs sold for every handkerchief of a different price.

Mr. NUTTING. Except the very low priced goods. Thus it will deprive the merchant and his customers of this most popular priced handkerchief, that is, the foreign-made handkerchief, at the 25-cent price.

The largest selling item to-day in the 25-cent range is that with hand embroidery, and this can be supplied by the domestic manu-

facturer if he will use the resources at his command in the way of providing the proper styles in cloths which can be had in endless variety in semimanufactured condition from abroad, completing the manufacture in Porto Rico. Porto Rico to-day offers great possibilities which have verily largely been taken advantage of by the domestic manufacturer, whose product to-day includes hand-made goods with which he can favorably compete in the 10 to 25 cent ranges with which the hand-made handkerchiefs from any other country.

Senator THOMAS. That is, using the Porto Rican native labor?

Mr. NUTTING. And, to replace the Swiss machine embroidery that is not popular to-day.

Allow me at this point to illustrate this by presenting a few samples. All of these were produced under the operation of the act of 1922, the present act, with 75 per cent duty. I have just a very few which will give you some light on that subject.

Senator WALSH. Are these domestic produced handkerchiefs?

Mr. NUTTING. These are various ones. There is a 10-cent American made handkerchief entirely made of American cloth, and the embroidery—

Senator KEYES. That is Exhibit A-10?

Mr. NUTTING. Yes, sir. We then present a Porto Rican handkerchief all hand embroidered, for 10 cents. That is "P. R.-10."

There has been considerable talk about cheap handkerchiefs coming into this country from China. That is another handkerchief that we have sold at retail at 10 cents, and that one is marked "C.-10."

That shows that it is possible at the present time, with a 75 per cent duty, to cover the 10 cent range in a thoroughly satisfactory manner. The same thing applies to the 15-cent range.

There is an American made handkerchief to sell for 15 cents [exhibiting handkerchief]. Here is one of not quite that value which was imported from Switzerland and retailed for 15 cents. Here is an imported one, an embroidered handkerchief from China, that retails for 15 cents.

Senator WALSH. Do you think the American sample you are exhibiting of the 10 and 15 cent class is superior to the imported?

Mr. NUTTING. We consider it equal. Here is a 15 cent hand embroidered handkerchief made in Porto Rico, which we consider competitive with the Chinese handkerchief at the same price.

Senator WALSH. It has been said here at these hearings that while these handkerchiefs and other articles that sell at a popular price are comparable, that is, the American with the imported, the fact is that the retailer and the wholesaler purchase from the foreigner because they can make a larger margin of profit from the American producer on those goods. Is that a fact?

Mr. NUTTING. I should like to correct that impression, because that is not the case. He purchases the foreign goods to secure a greater variety.

Here is a handmade handkerchief. There is an Irish 25-cent handmade handkerchief, which is very largely affected by the 1922 tariff.

Here is a Porto Rican handkerchief purchased for the same price. There is another Porto Rican handkerchief at the same price, show-

ng that we can meet the Irish hand-embroidered competition in our own country.

There is an Irish handkerchief for 50 cents. They are duplicated very closely by the other handkerchiefs at 25 cents from Porto Rico.

In the 25-cent class, there is a Swiss machine handkerchief, and here is an American machine handkerchief, very similar in style, and of better value at the same price.

This illustrates some of the foreign novelties which are not made at the present time in this country, but could be made if the manufacturers so desired.

Senator WALSH. These embroidered handkerchiefs must have largely wiped out the plain handkerchief market?

Mr. NUTTING. Yes; they have had a very serious effect on what was formerly termed a plain handkerchief.

Senator THOMAS. Is this embroidery all hand worked?

Mr. NUTTING. Yes, sir; and printed by hand.

Former American made goods have largely gone out of style or demand, accounting for the number of idle Swiss embroidering machines, and not entirely due to foreign competition of similar goods.

Senator THOMAS. Were it not for the tariff what could a person get those handkerchiefs for that you have just been exhibiting? What could the consumer get them for if they were on the free list?

Mr. NUTTING. Foreign goods would be very much cheaper in price.

Senator THOMAS. How much?

Mr. NUTTING. I think that it would affect the price of the American made goods where they would become more or less equalized than they are to-day.

Senator WALSH. You could get two 10-cent handkerchiefs, for 15 cents, could you not?

Mr. NUTTING. For a short time.

In other words, this loss of business to the American manufacturer has been compensated for largely by transferring the work formerly done by these obsolete machines to Porto Rico.

Merchants to-day demand a larger assortment of styles and variety of ideas than any single country can provide. Because this has been possible under the operation of the act of 1922, we respectfully urge the retention of the present rate of 75 per cent ad valorem, or, since the demand has been made to protect the lower ranges, we would suggest a compound duty of 30 per cent ad valorem, plus 3½ cents per handkerchief on all embroidered handkerchiefs up to a foreign cost of 50 cents per dozen, and, above this price, the present rate of 75 per cent ad valorem.

Senator THOMAS. Would that reduce the price of the cheaper handkerchiefs?

Mr. NUTTING. It will make it higher.

Senator THOMAS. The amendment you suggest?

Mr. NUTTING. Yes; it will make the 5, 10, and 12½ cent handkerchief higher, and it gives an opportunity for the domestic manufacturer to produce at this price, which he is quite able to take care of.

Senator THOMAS. What would be the difference in the unit, in the way of increased costs of the 10, 15, and 25 cent handkerchief?

Mr. NUTTING. Under the tariff provided in the House bill?

Senator THOMAS. Yes.

Mr. NUTTING. The 10 and 15 cent handkerchief would be eliminated. The 10-cent handkerchief would go up about 25 or 20 cents a dozen. That puts a duty on of from 175 to 200 per cent.

These suggestions I have made would give the domestic manufacturer practically the entire field on embroidered handkerchiefs to retail at 5, 10, 12½, and 15 cent ranges, with equal opportunity of offering the merchants of the country a part of their requirements in the 25-cent and better goods.

It is possible because our business is in the 25-cent handkerchief to-day, where we take a neutral position, with about half foreign and about half domestic, that this will leave the actual paid where it is to-day.

Gentlemen, these are the views of a concern doing a successful handkerchief business with merchants from coast to coast of our country, and shows that the domestic handkerchief industry can compete with foreign-made goods if proper care is given to the style, quality, and turn-out.

Senator KEYES. Did I understand you to say that you manufacture some handkerchiefs in the United States?

Mr. NUTTING. Yes, sir.

Senator KEYES. Are you increasing the production of handkerchiefs?

Mr. NUTTING. It remains about the same when we take into consideration the Porto Rican end.

Senator WALSH. Where is your factory located?

Mr. NUTTING. We have one near Chicago, in Zion City, and one is in or near Brooklyn.

Senator WALSH. How many in Porto Rico?

Mr. NUTTING. That is all home work.

Senator WALSH. You have one establishment?

Mr. NUTTING. We have one establishment.

Senator WALSH. How large is your establishment in Porto Rico?

Mr. NUTTING. We have practically 50 hands, but there will be times when there will be a good many more put on work on our goods.

Senator WALSH. Do you purchase more in your Porto Rican factory, or in Porto Rico, than in your three or four American factories?

Mr. NUTTING. No, sir.

Senator WALSH. Is it not the tendency to produce more in Porto Rico and less in the American factories?

Mr. NUTTING. At the present time.

Senator WALSH. Because of the difference in the cost of labor?

Mr. NUTTING. Yes; and the style which is prevailing to-day.

Senator WALSH. Do you make a different handkerchief in your European factory than in the American and Porto Rican factories?

Mr. NUTTING. There is nothing that can be compared. The European goods are a different type and a different style than those manufactured here.

Senator WALSH. Are they higher priced or lower priced handkerchiefs?

Mr. NUTTING. Largely higher priced.

Senator KEYES. Some of these handkerchiefs that you were calling attention to, I thought you said were practically the same handkerchiefs, like the 25 cent imported handkerchief from Switzerland.

Mr. NUTTING. In general style they were the same, but intrinsically the American handkerchiefs are the best, with better quality of linen and better size. They are intrinsically better.

Senator KEYES. They sell for the same price?

Mr. NUTTING. They sell for the same price, which shows it is possible for the domestic manufacturer to do more than he has been doing under the present protection. We claim this larger protection is greater protection than is necessary.

Senator THOMAS. Is it necessary for American manufacturers to send their stuff to Porto Rico and have it made there in order to compete with foreign goods on the basis of the present tariff?

Mr. NUTTING. Yes; because there is no handwork done in the United States proper.

Senator WALSH. These handkerchiefs made in America are machine made?

Mr. NUTTING. Yes, sir.

Senator WALSH. And those from the foreign countries are hand-made?

Mr. NUTTING. Yes, sir.

Senator DENEEN. Is your firm increasing its output in the Swiss factory?

Mr. NUTTING. That remains quite stationary.

Senator DENEEN. How many employees have you at Zion City?

Mr. NUTTING. About a hundred.

Senator DENEEN. Is the number increasing or decreasing?

Mr. NUTTING. It remains about the same.

Senator DENEEN. What percentage of the market for embroidered handkerchiefs is supplied by imports from other countries, do you know?

Mr. NUTTING. I can give you that in the general handkerchief business, rather than separating it into classes.

Senator WALSH. The information from the expert is that it is about 47 per cent, supplied by imports.

Is the handkerchief generally prosperous in the country?

Mr. NUTTING. For those handling a general line such as we do, yes.

Senator WALSH. Those that are not prosperous are those that have failed to keep up with the styles?

Mr. NUTTING. That is what we contend?

Senator WALSH. This pending bill will allow towels, wash cloths, napkins that are of linen and have embroidery upon them to come in at a less rate than handkerchiefs?

Mr. NUTTING. Yes, sir.

Senator WALSH. That seems rather an inequality.

Mr. NUTTING. I want to correct that. The new proposed rate, generally speaking, would be lower; yes, sir.

Senator WALSH. Do you manufacture any of these other embroidered articles than handkerchiefs?

Mr. NUTTING. Yes, sir; a very large line of towels and fancy linens, and that type of thing.

Senator WALSH. Do you not want the rate upon those reduced?

Mr. NUTTING. Yes, sir.

Senator WALSH. Why should not the duty upon linens be lowered, if not completely wiped out?

Mr. NUTTING. We do not know of any reason. We would like to see it lowered.

Senator WALSH. Is there any American linen industry that would be destroyed by lowering the duty upon imported linen?

Mr. NUTTING. None whatever.

Senator THOMAS. Are you acquainted with the general business of Marshall Field & Co.?

Mr. NUTTING. Generally speaking, but not in detail.

Senator THOMAS. What is the amount of the total sales of the company for a year?

Mr. NUTTING. That I do not know; they are not published.

Senator THOMAS. If this bill should go into effect as it is now written, do you know approximately how much it would add to the consumers' cost, based on the amount of stuff your company sells in a year?

Mr. NUTTING. That would be guesswork. I should say it would certainly be an increase.

Senator THOMAS. Well, you would have to know, of course, how much their gross sales were and then apply a certain percentage.

Mr. NUTTING. That is a detail that I am not familiar with.

Senator THOMAS. Well, you are satisfied that if the bill does go into effect the goods you sell will have to be sold for a much larger price, are you not? You are of that opinion?

Mr. NUTTING. It will have to be sold at a higher price to get the same style and value that they have to-day, and if they were to force the merchant to buy—if you are going to eliminate this 25-cent price range and force them to buy domestic goods, business is going to be reduced.

Senator THOMAS. It has been testified here that many of these raises would not interfere or affect the price of the goods to the consumer. Is it not your opinion that if these rates do go into effect the price to the consumer generally will be very much increased?

Mr. NUTTING. It will be affected.

Senator THOMAS. Do you want to let the testimony stand on the word affected?

Senator WALSH. Of course, that is the purpose of increasing the tariff duties, to increase the price.

Mr. NUTTING. I will say it would be reduced.

Senator THOMAS. What would be reduced?

Mr. NUTTING. The values would be reduced, and we would have to pay more to secure the same value.

Senator THOMAS. Well, that is interesting, also. In other words, if this bill goes into effect the public, if it pays the same price, will get an inferior article?

Mr. NUTTING. Yes, sir.

Senator WALSH. A smaller handkerchief, smaller bars of soap, smaller tooth paste?

Mr. NUTTING. Yes, sir.

Senator THOMAS. If he gets the same class of merchandise it is now securing, the public will have to pay more for it.

Mr. NUTTING. Yes, sir.

Senator DENEEN. Mr. Nutting, the question was asked you whether or not, if this bill goes into effect, the cost would be greater to the public in buying their goods. You said it would "affect" it, I think.

Mr. NUTTING. I answered a similar question by Senator Thomas that for the same article they would have to pay more. They would be offered other goods at the price, but they would be inferior, cheaper-made goods.

Senator DENEEN. Do you think your aggregate sales would be increased or decreased?

Mr. NUTTING. Decreased—and every merchant in the country.

Senator DENEEN. One reason would be that the man out of employment, who is not earning anything to buy with, would decrease his purchases? That would be one reason?

Mr. NUTTING. That is an employment proposition that is hard to figure out.

STATEMENT OF DR. J. ANTHONY SCHWARZMANN, WASHINGTON, D. C., REPRESENTING SWISS HANDKERCHIEF IMPORTERS ASSOCIATION OF NEW YORK

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

Senator KEYES. You represent whom?

Doctor SCHWARZMANN. I represent the Swiss handkerchief manufacturers.

Senator KEYES. Importers?

Doctor SCHWARZMANN. Importers; yes.

Mr. Chairman and gentlemen, I will only take a few minutes for what I have to say. What I want to say has partly been said by the gentleman before me.

I want to stress one point, and that is while the domestic handkerchief manufacturer has seemingly obtained a higher rate from the Ways and Means Committee on the contention that they could not compete any more with the importers of handkerchiefs on account of the lower cost of the imported handkerchiefs, that we believe these statements of the domestic manufacturers are erroneous, and therefore the conclusions to which they led, namely, the placing of a higher tariff, are erroneous too.

I happen to have grown up in that part of Switzerland where the handkerchief industry had its cradle, and at the present time its cemetery, and I am pretty well acquainted with the labor costs in Europe, especially in Switzerland, which is the highest labor cost in entire Europe.

But as long as we contend that the domestic manufacturer is no judge as to cost, I refrain from judging it too, and as has been stated, the representative of the United States Tariff Commission has just returned, and we are interested in that and are entirely willing to abide by his report as to the costs abroad, especially in Switzerland, and all we beg to ask you is to withhold your opinion, or your definite opinion, as to the rates until you have a chance to study that report, and that is the contention I make in my brief.

Senator KEYES. Apparently, we will have plenty of time to do that.

(Doctor Schwarzmann submitted the following statement:)

Handkerchiefs heretofore paying a duty of 75 per cent ad valorem are on the new House bill subject to a compound duty of 4 cents per handkerchief specific and 40 per cent ad valorem duty, which is an increase of approximately 75 per cent as compared with the former duty, as show in the following schedule:

| Quality | Present duty on unit | Proposed duty | Percentage increase |
|------------------------------------|----------------------|---------------|---------------------|
| | <i>Cents</i> | <i>Cents</i> | |
| 12½-cent retail handkerchiefs..... | 26.7 | 52.08 | 95 |
| 15-cent handkerchiefs..... | 32.08 | 55.6 | 74 |
| 25-cent handkerchiefs..... | 53.44 | 69.84 | 30.7 |
| 50 cents per box..... | 89 | \$162.2 | 82 |

Such increase is prohibitive because it equals an embargo on the main qualities as imported and is furthermore unwarranted because based on erroneous information as far as foreign cost is concerned.

The United States Tariff Commission has closed its investigation abroad as to foreign cost of such handkerchiefs and the schedule should stay unchanged as to rates until the committee has an opportunity to study the respective report of the United States Tariff Commission because otherwise the work of the United States Tariff Commission would be useless and the rates arrived at by the committee would be arbitrary and therefore unjust.

Dr. J. A. SCHWARZMANN.

STATEMENT OF MILTON HERMAN, DOBBS FERRY, N. Y.

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

Senator KEYES. Mr. Herman, you are on my calendar, but your address is not given, nor does it state whom you represent.

Mr. HERMAN. I represent one of the domestic handkerchief manufacturers.

Senator KEYES. Where is your factory?

Mr. HERMAN. Lebanon, Pa.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. HERMAN. I did. I would like to refer you to these pages: 5588 to 5627, 7550, 7557, 10559 to 10564. That contains a lot of the detail that it will be unnecessary for me to repeat.

Senator KEYES. Those figures are in what, the House hearings?

Mr. HERMAN. The House hearings. I would like to present a general picture of the whole handkerchief industry before we get into a discussion of the embroideries.

The census figures for 1927 show a domestic production of 31,588,220 odd dollars. The landed value of imports the same year was \$14,913,902. In other words, nearly 50 per cent of the domestic production was imported in 1927. In that year the import, landed value of embroidered handkerchiefs, were \$5,460,833. In 1923, the money value of imports of embroidered handkerchiefs was \$3,070,193.

We claim, and we have the facts, that this increase in imports has been caused by a shift, whereby the amount of raw material in the imported handkerchief has been greatly decreased and the amount of labor has been greatly increased. We claim that it hasn't any-

thing to do with style, that it hasn't anything to do with creative ability; it is simply a case of a shift in the incidents of protection, due to a lessening of the amount of raw material in a foreign handkerchief and an increase in the labor.

In one of our briefs we present an exhibit, two exhibits. Those two exhibits were really the basis of our request for the specific duties that came about. If, incidentally, in working out the cost of production, they figured out of existence 5 and 10 cent handkerchiefs, that was not our intent; it was simply a working out of the situation as we found it. Those handkerchiefs, we do not know anything about the cost of production. They were simply based on prices at which they were offered freely for sale on the American market, and in both instances the rate which we requested was inadequate on the basis of those figures, but we thought, and we do feel, that if the rate is maintained, our production will pick up to such an extent as to verify those costs, because our costs at the present time are probably a little higher because the American plants are not being utilized to anywhere near capacity, and we took that chance and asked for that duty which was justified by the figures.

The imports of embroidered handkerchiefs are of two kinds, cotton and linen. In unit quantities the increase of cotton handkerchiefs has been relatively greater than the increase in linens, although they both have increased. In 1923 the imports were 1,438,089 dozen; in 1928 they were 3,350,713 dozen. The linens were 761,888 in 1923, and in 1928 they were 1,334,250.

Senator WALSH. You are talking about both cotton and linen-embroidered handkerchiefs?

Mr. HERMAN. Only embroidered handkerchiefs at this time, sir.

We are particularly interested in the imports of machine-embroidered handkerchiefs, because our experience in trying to keep our business together is that in that particular place we are running up against the most severe competition, due, as I stated before, to the fact that the imported handkerchief to-day is a little bit of a miserable thing. It is about 8 inches, with a lot of work on it. It is showy. It has a superficial appeal and it has the sentimental appeal because it is marked "imported." That is what gets it by.

Then there is another field which is beginning to come in, and I really fear that more than anything else, and that is China. I have two trade papers here which I will introduce in evidence, and they illustrate handkerchiefs coming in, duty paid 75 per cent, presumably job or one profit, possibly two, at a price which I do not think it is any exaggeration to state is about one-half what they could be produced for in Porto Rico, which is the only comparable hand-embroidered situation we have.

Senator WALSH. What material is the Chinese handkerchief made out of?

Mr. HERMAN. Cotton, a small cotton handkerchief.

Senator WALSH. Can you tell us what is the relative percentage of cotton handkerchiefs to the total consumption in America?

Mr. HERMAN. I have no statistics on that.

Senator WALSH. How much is silk, how much is linen, how much is cotton?

Mr. HERMAN. The census figures do not give us that. I wish we had it. I can give you this, Senator: That the increase in the imports of cotton handkerchiefs during this period would take care—would have taken out of this market about 2,000,000 yards of fine yarn gradings.

Senator WALSH. How do you account for the increase in the cotton being more than the increase in the linen?

Mr. HERMAN. It is simply that the size has been cut down and the amount of labor has been increased, for one more factor.

Senator WALSH. And of course this cotton, the basic material, cotton, is cheaper than linen?

Mr. HERMAN. Oh, yes.

Senator WALSH. Therefore they could, on a cotton handkerchief, put more embroidery work than on a linen handkerchief and make it more showy?

Mr. HERMAN. Exactly. But there have been other factors. You have heard a good deal about the fixed prices of various handkerchiefs, but, of course, there is no such thing as a certain particular handkerchief designated for any particular price. The 25-cent handkerchief is a handkerchief that happens to cause, at a particular time, the particular market tendency of the distributor. I have seen 25-cent handkerchiefs—I have been in this game for a long time—and during the war; I was not in the handkerchief business then, but during the war 25-cent handkerchiefs were practically all cotton. It was about the same proposition as we sell to-day for 10 cents. When I started in, a 15-cent handkerchief was of a finer grade of linen; there was more work on it than could be sold to-day for 35 cents. It is simply a handkerchief, and a 25-cent handkerchief or a 10-cent handkerchief is what the thing happens to be at the particular moment. But even that situation has changed. In the last 10 or 12 years there has been a very great increase in the consolidation of department stores and the chain-store group and mail-order group, and these people no longer buy from jobbers; they go to the foreign manufacturer direct, and naturally they can afford to pay more at a given price range than on the three profits. The jobbing system, which we have heard discussed to-day, is all on the point of view of the three-profit system—the profit to the manufacturer, the profit to the jobber, and the profit to the distributor—but I don't believe that that system can be called typical any more, because the chain stores, the large department stores, have changed that.

Senator WALSH. Is it not true that, unlike most any other commodity, the customer who goes into a store to buy a handkerchief asks for a handkerchief of a given price, 10 cents or 25 cents?

Mr. HERMAN. Yes, sir.

Senator WALSH. Therefore it is important for us who are interested in the public to try and get for that customer who wants a 10-cent handkerchief or a 25-cent handkerchief, all the value that is possible?

Mr. HERMAN. I agree with you.

Senator WALSH. And rarely ever does a customer ask for a particular kind of handkerchief. She wants a 25-cent handkerchief or a 10-cent handkerchief. Am I correct?

Mr. HERMAN. Yes, sir.

Senator WALSH. And those are popular-priced handkerchiefs?

Mr. HERMAN. Yes, sir; 5, 10, 15, 25, 50, and so forth.

I would like to digress from my argument for one minute and state most emphatically that if this bill goes through as written the individual that goes into a 5 or 10 cent store will get better value in embroidered handkerchiefs than she gets to-day, for this reason, that the domestic mills would be employed for much more nearly their capacity. Their expenses will go down, and the competition between domestic manufacturers is extremely keen. There is no possibility of a price agreement. It is a disorganized mob. We have no association. Everybody is fighting everybody else, and we have got to give the best value we can to sell our output. So that on that basis I feel perfectly confident and willing to stake my professional reputation on the fact that, given an increase in the production, the economic principles will work out.

Senator THOMAS. You are able to sell now at a less price than the imported article is sold, and where you hope to gain is by having the tariff raised so high that it will stop this imported article from coming into the market altogether?

Mr. HERMAN. I don't agree with the Senator at all. We are not able to sell at a less price. There are certain particular classes where the raw material has a higher relative value than the labor, where we can compete. Where that thing goes on we may have an advantage, but the increase in imports shows that the types—the competing types—where the raw material cost is low and the labor cost is high, have displaced that particular type, where we seem to have an advantage.

Senator THOMAS. I can readily see that an imported handkerchief could displace the demand for a domestic handkerchief, and if that is kept out, the domestic handkerchief will take its place. I can see that very readily.

Mr. HERMAN. Now, may I go on with the thing I was talking about, Senator, and then I will be very glad to discuss that with you?

Senator THOMAS. Very well.

Mr. HERMAN. This shifting price level; in other words, the two-profit system, we will call it, has made a tremendous difference in the handkerchief situation. For example, where a jobber distributes the 10-cent handkerchiefs, he should pay about 60 cents and then resell it for 75 or 80 cents and then it would be sold for 10 cents. At the present time, when the mail-order house or the chain store wants a 10-cent handkerchief they can well afford to pay 80 cents a dozen for it. Now, after all, the amount of extra cost is very rarely in the raw material.

In other words, the cotton in one may be 6-cent and in the other 7-cent cotton, but the other 19 cents of the value—because you have to put value in—is represented by labor, and that is one of the reasons why the imports have increased about 2,000,000 dozen, which, I think, is directly taken out of American industry all the way down the line, not only the handkerchief business, the embroiders, the cotton mills from whom we buy our cloth, the thread people, and everyone else, because I do not agree with the remarks of the gentleman that preceded me, that the American manufacturer can not create. I don't say that I resent it, but I don't agree with it, because

I have seen as much creative ability within our narrow sphere on the part of the American manufacturer as any of the foreigners have shown. Of course, you can not, where your labor field is limited, put out all the various trimmings that the foreigners do, because you haven't got the amount to spend, but within our field I think as much has been created in America, if not more.

My father imported the first embroidering machine in this country around 1880, or something like that, and I know that for a great many years the low-priced handkerchiefs that our old corporation produced—well, we had seven designers working and we sell these handkerchiefs, so it is not that. The field in 10-cent handkerchiefs and 15-cent handkerchiefs is not such—I will leave out the 25-cent handkerchiefs—10 and 15 cent handkerchiefs is not such that you can put it in, because it is not there to be had. The imported handkerchiefs are very simple. It is just the weight of that word, the name "foreign." The intrinsic value is not nearly as good as the domestic handkerchief. Domestic handkerchiefs are larger, the counts are finer, and our American-made fine yarn cloth I like better than the foreign.

Senator THOMAS. Do you believe that a label on a piece of merchandise "Made in Austria," "Made in Italy," "Made in France," adds any particular value or distinction to that article at the time of sale?

Mr. HERMAN. I do. I am not at all sure, Senator, that it makes so much difference to the individual buyer, but I do think that it is a point which the distributor stresses—because, after all, we are one of these distributor-ridden industries. We don't reach the consumer direct. We have no way of doing that, and we have got to depend on our distributors, we have got to go through the neck of that bottle, and if an individual has the notion that a foreign handkerchief makes his department store attractive, gives it an air of distinction, the consumer will never have the opportunity to choose whether she likes a domestic handkerchief better or not. It doesn't exist. It doesn't make any difference how much better it is intrinsically, but there is a psychological condition whereby that consumer wishes to place before his consumer something to which he wants to give an air of distinction, irrespective of value. That is the thing that that consumer has got to buy and nothing else.

Senator THOMAS. Is the law that requires foreign-made goods to be labeled an advantage to the buying public generally, in your opinion, or a detriment to the public generally?

Mr. HERMAN. I would not venture to state. I could give you good arguments on both sides. I think in England it is a decided advantage to the English manufacturer. The English buying public is very patriotically minded. They will discriminate against foreign merchandise. Our distributors, I think, lean a little toward stressing that unique feature of foreign handkerchiefs or foreign other things. I don't think that our distributors are patriotically minded. That is just an opinion. Of course, I am under oath here.

Senator THOMAS. Well, you have testified that you have been in the business a long time and are an expert. That is the reason I am asking you these questions.

Mr. HERMAN. I have been in it 36 years.

Senator THOMAS. Some witnesses seemed to indicate that we are stressing the label on foreign goods in order to discriminate against them. Now, your testimony seemed to me to be to the point that foreign-made goods that are labeled "made abroad" is a point to their advantage.

Mr. HERMAN. I would rather think so. Of course, all foreign-made goods are not so labeled. I think a very small percentage of the handkerchiefs that come from China are labeled. I don't know whether that is done with malice aforethought or not. I don't know whether they leave it off because they think there might be some inherent prejudice against foreign handkerchiefs or not, but I have seen Chinese handkerchiefs in store for 48 cents a dozen, 4 cents apiece. They did not have any label on them.

I have here some advertisements in a recent publication, trade papers.

Senator THOMAS. Do you not agree that the fact that the law carries a provision requiring all foreign goods to be labeled—do you not agree that that has a tendency to discredit that article so labeled?

Mr. HERMAN. I do not think so. It might during the war. If we had had a lot of stuff labeled "Made in Germany," I think it would have had that effect. At the present time, when we are feeling neutral toward everybody in the world, I think it is rather the other way. I think there is a tendency to be a little, if I may say so, "high hat" about the imported stuff. They think it gives them an air of distinction. I think they support it. Of course, my experience of 36 years has been this: That for the same price, the same article, the people to whom I sold would buy the imported handkerchief every time. I will go flat-footedly on record to that effect.

Senator THOMAS. Then a provision requiring handkerchiefs to be labeled "foreign made" would be, in your judgment, against the interests of the American manufacturer of handkerchiefs?

Mr. HERMAN. Yes, sir.

Senator KEYES. I don't think you have told the committee yet what your attitude is relative to the bill before us.

Mr. HERMAN. Why, naturally, I would like to see the House bill passed as it is.

Senator KEYES. You are satisfied with it the way it is?

Mr. HERMAN. No; there was a recommendation that we made with reference to an additional duty of 1 cent a handkerchief if these handkerchiefs were put up in fancy folds on cards. That is simply to cover an additional element of labor, and we have submitted figures which show that there is that difference in the cost of production. There is no use to take up your time with the details of that. The figures have been submitted.

Senator KEYES. Is that all, now?

Mr. HERMAN. Well, may I have a few more minutes?

Senator KEYES. If you think you need it. We are anxious to get along as rapidly as possible.

Mr. HERMAN. I would like to put myself on record and put into the record what I think is a most serious menace to the domestic handkerchief business to-day, and that is the situation in China.

The Chinese are just getting into the handkerchief business. The country has been in an uproar for years. It has been organized to a degree, and we are just beginning to see what is happening.

Now, I will introduce in evidence here a trade paper entitled "Linens and Handkerchiefs, Volume 1, No. 11." On page 51 is an illustration, No. 1, a handkerchief, presumably jobbed—I won't say it is a one-profit or a two-profit proposition, but it is advertised for sale at 67½ cents a dozen. That handkerchief can not be produced in Porto Rico for less than \$1.20 a dozen.

Senator THOMAS. Is Porto Rico the cheapest place that we can get our handkerchiefs produced?

Mr. HERMAN. Yes, I will go right on record for that, and the evidence can be furnished. I don't want to burden you with a lot of mathematics, but—

Senator KEYES (interposing). Well, we don't want a lot of mathematics.

Mr. HERMAN. On the same page there is an illustration, linen handkerchiefs, \$1.65 a dozen—25-cent handkerchiefs. A nice profit for the distributor, about 100 per cent on the basis of cost. Those handkerchiefs can not be produced in Porto Rico for within 40 to 50 per cent of that price. I am not so sure, being a little in doubt on account of the size, and, of course, when you come into linen that makes a big difference, but so far as the work is concerned, comparable work in Porto Rico and in China—and there I have some samples which my son collected in China last year—it costs about four times as much in Porto Rico as to do it in China.

Now, I just want to put myself on record before this body as saying that unless a specific duty of the size which we mention is imposed, the embroidered-handkerchief business of this country will not exist in five years from now, because the stuff can come over from China, made by hand in every way, hemmed and everything else, at a price which we can not produce by machinery. It is simply the weight of Oriental labor. My son visited China last year and spent considerable time investigating that situation, so my information is absolutely first hand, and I am given to understand by him that labor can be had at about 20 to 25 cents a week in unlimited quantity. There is only one thing that will protect against that menace, and that is a specific duty. We have not asked for the kind of ad valorem duty that would protect us from these cheap handkerchiefs, because we don't want to shut out all the better handkerchiefs; we are not interested in that above the 25-cent handkerchief. The American manufacturer is not interested. The quantity is too small for his particular type of production. We could make them if we wanted to bother with them. We could make anything in the world in this country of this kind if we wanted to bother with it. We don't want to bother with it. Subsidiary expenses are too high; it takes too many supervisors to make it; too many clerks.

Senator KEYES. Do you want to file that?

Mr. HERMAN. I would like to file this paper, "Linens and Handkerchiefs."

(The paper referred to was filed with the committee.)

STATEMENT OF W. B. WARHURST, NEW YORK CITY, REPRESENTING DOMESTIC HANDKERCHIEF MANUFACTURERS

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

Mr. WARHURST. Mr. Chairman and gentlemen, I am one of those representing the domestic handkerchief manufacturers, and I am connected with the Acheson Harden Co. of New York.

Senator THOMAS. Do you speak for just your own factory or for the trade?

Mr. WARHURST. For those who are associated with us. As a matter of fact, we have no association. We are not organized in any way, form, or manner. The business is strictly competitive throughout the country. I don't remember whether Mr. Herman mentioned the Department of Commerce report showing 115 handkerchief establishments in this country for 1927, with an average number of employees of 6,659. I think he did give you statistics as to the total sales of domestic as compared with foreign handkerchiefs.

Senator THOMAS. Are you interested in the factory profits or just the employees?

Mr. WARHURST. Both. I am an officer of the Acheson Harden Co.

Senator THOMAS. Is your factory prosperous?

Mr. WARHURST. It is not.

Senator THOMAS. What degree of prosperity does it enjoy, or non-prosperity.

Mr. WARHURST. Comparatively nothing in 1927, and a loss running into six figures for 1928.

Senator THOMAS. You filed an income-tax return for those two years?

Mr. WARHURST. Yes, sir.

Senator THOMAS. Are you familiar with those income-tax returns?

Mr. WARHURST. Somewhat.

Senator THOMAS. And you state that in 1927 you reported a small profit?

Mr. WARHURST. Yes, sir.

Senator THOMAS. And in 1928 a large loss?

Mr. WARHURST. Yes, sir. You see, the industry not being organized, there is no way in which we might give you data on the whole industry, except those companies which have gotten together in New York, their representative is in New York, and gone over this handkerchief situation just as carefully as they might.

In so far as our company is concerned, I don't mind telling you that in 1926 our sales were around \$3,800,000. In 1927 they were slightly over \$3,000,000. In 1928, in round figures \$2,800,000.

Senator THOMAS. What do you attribute the decline in the demand for your goods to?

Mr. WARHURST. Increased imports. I think Mr. Herman covered the statistics. I am not sure.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. WARHURST. Not personally.

Senator KEYES. We do not want any more repetition than is absolutely necessary.

Mr. WARHURST. I appreciate that. Now, at the same time we do not want to enter into any lengthy controversial argument with the evidence that has been presented.

Senator THOMAS. It has been testified here that American factories could get samples of goods made abroad and immediately duplicate those samples with a better quality at substantially one-half the cost. Is that generally true or not?

Mr. WARHURST. Senator, I have been in the manufacturing business for nearly 28 years, and I don't know how that could possibly be done. It could not possibly be. In the first place, the amount of labor which enters into embroidery on a handkerchief, on an embroidered handkerchief, with the wage scale which prevails in foreign countries as compared with the wage scale which prevails here, it would be utterly impossible to duplicate that article.

Senator THOMAS. The testimony here is that the handwork is done in Porto Rico, and that they get the benefit of the low wages there; on the machinemade goods the testimony is, as I understand it, that improved methods, more efficient management, and more efficient labor all the way through enables you to produce the goods at a lower cost than they do abroad.

Mr. WARHURST. That is not the fact. That is not so. And you mentioned Porto Rico, Senator. I just happened to have something on Porto Rico in my collection here. As a matter of fact, a great deal of stress has been laid on the Porto Rican situation and the American manufacturer taking advantage of that. Now, Porto Rico, according to the statistics of the Department of Commerce for the last five years, 1923 to 1928, inclusive, reached its highest peak of production in 1925, or 1,104,000 dozen, whereas in 1928 we find that the production was 701,867, showing a decline of 30 per cent.

In other words, we have a picture here of Porto Rico, which is entirely opposite, complete opposite, to that of our statistics, in so far as the imports of handkerchiefs are concerned.

The imports of embroidered handkerchiefs have increased to a tremendous degree.

There is also another part of our business, which, by reason of changed conditions and changed foreign values, we must take into consideration in our field, and that is the linen handkerchiefs. That came under Schedule 10, and I appeared under Schedule 10, giving statistics of the tremendous increase in the importations of linen handkerchiefs. I can remember a number of years ago our company used to be the leading factory in this country in so far as production of linen handkerchiefs is concerned. Our sales of linen handkerchiefs have decreased very materially. No doubt the linen embroidered handkerchief would come under that 25 per cent embroidery.

If I remember correctly, there was a statement made to the effect that the distributor or consumer would have to pay more money under the proposed schedule, or receive a great loss for a 25-cent article. To illustrate, I have a cost graph which is merely illustrative, of course, just to bear out this point of view on this particular principle. In 1924 we purchased linen, the same grade of linen—by the way, both figures pertain to the same quality, exactly—for 18 $\frac{5}{8}$ pence. Last December I made a purchase of that cloth for

12 $\frac{1}{8}$; in other words, the cost of that linen four years ago was practically 50 per cent higher than we purchased it in December last. The result is that where in 1924 selling costs should be in the neighborhood of \$2.15 a dozen to the distributor, under the 12 $\frac{1}{8}$ pence cost for cloth it would be approximately \$1.45.

The reason I mention it is that I think that if you consider this entire matter in the light that material costs are not going to be changed, then the theory presented is all right, but after all we are dependent upon the cost of raw materials. Our raw material, in other words, consists of cotton cloth and those linens which we import. I do not believe the consumer under those figures would suffer in the slightest degree.

I don't want to repeat what Mr. Herman said, but we also employ designers, so far as embroidery is concerned. We make up a line, but at the same time there is that intangible something about the imported article which you can not place a value on. I know of no way that you can do that, and yet at the same time we feel that it is very evident.

Senator THOMAS. If the consumer is not injured, who is, if anyone?

Mr. WARHURST. The fact is that the consumer is not being injured, because if given this tariff we could produce articles and sell them at a price that would not cost the consumer any more but isn't there a possibility that with the difference in that labor cost the importer would probably suffer?

Senator THOMAS. Is it your testimony, then, that the importer is the man that is going to suffer?

Mr. WARHURST. Well, it is a question, Mr. Senator, whether he will or not. It is rather difficult to foresee the future. It is rather difficult to perceive various economic changes which are constantly appearing.

Senator THOMAS. Taking your viewpoint, if the consumer gets the same quality goods for the same price, you will be benefited or else you would not be here. You think you will be benefited. If goods that are now imported should not be imported in the future, and you get the benefit of the increased local demand, that means, if it means anything, that the importer will suffer a loss in his business, and to the extent that he suffers a loss, the foreign manufacturer will suffer a loss, and to the extent that they suffer a loss, foreign labor will suffer a loss. Now, isn't that a correct analysis of the situation?

Mr. WARHURST. But will not American labor be benefited?

Senator THOMAS. Well, I think that is another viewpoint, but I have asked the question, who would suffer?

Mr. WARHURST. The people employed would be benefited if we employ twice as many people as we do now.

Senator THOMAS. Your viewpoint of those who will profit is that it would be first, the factory; second, the folks that are employed by the factory representatives and in the factories? Is not that correct?

Mr. WARHURST. Naturally.

Senator THOMAS. Is not my analysis a rather correct statement of the losses and benefits that will be brought about by this proposed tariff schedule?

Mr. WARHURST. I do not know whether I can entirely subscribe to your analysis. For instance, if we look at it this way—

Senator THOMAS (interposing). Isn't there some one in the manufacturing business that knows what the effects of these proposed schedules will be? I have not found anybody else that knows, that can tell. If they know, they won't tell. I am trying to find out.

Mr. WARHURST. Any other manufacturer of any description at all?
Senator THOMAS. Yes; of linen handkerchiefs.

Mr. WARHURST. Well, as I see it, if this proposed bill is adopted it will enable us to get back the market which has been taken away from us by the tremendous amount of imports. That, naturally, would start the idle machinery in the mills, will mean employment of labor, and that means more prosperity.

Senator THOMAS. And that might be done at the same price, might it not, that is now being obtained for the products that you are making—or at less cost?

Mr. WARHURST. No; not at less cost, because we can not compete.

Senator THOMAS. The increased production that will be brought about should enable you to produce at less cost and make the same amount of money you are making now.

Mr. WARHURST. If you had the same machinery and in both instances. How can you furnish that mass production if you haven't embroidering machines in this country, which were in the first place imported from Switzerland? Now, we are talking hand machine embroidered goods, not hand work. We don't hope for that. There are some down in Porto Rico, and the situation I have already pointed out, that Porto Rican situation presents an entirely different aspect. The benefit will be to this country that it will bring back the production to this country where, in our opinion, it rightfully belongs. It would give us an opportunity to use more materials, would it not? It seems to me that it would have a very fine effect.

Senator THOMAS. I think you are correct in your interpretation, and I think that if this bill should carry, as it no doubt will, it will stop the importation of a very large amount of goods, not only in the lines you are representing and speaking for but in all lines where the tariff is raised, and that will have the force and effect of lowering the amount of imports to this country from \$4,000,000,000, as it is now, down to a very much less amount, but it is my contention that that will have the effect of depriving American factories and American interests of selling in foreign markets the amount which we now sell, which is \$5,192,000,000 worth, and it is the foreign markets that I am somewhat concerned to preserve, as well as the local markets. I think that labor in your factory and other factories will be benefited by a continuation and an enlargement of the foreign market, and personally I don't want to do anything to interfere with that market.

Mr. WARHURST. I can see your viewpoint absolutely, but I do think—I remember that the suggestion was made to reduce the duty on these goods to 60 per cent ad valorem—

Senator THOMAS (interposing). I do not care to interfere with your presentation. I was just trying to make my position clear.

Mr. WARHURST. But, frankly, if the imports are what they are today, and which have so injured our sales, and if you could go out

and see, for instance, as I have done, the people come into this country for years, become good American citizens, purchase their own embroidering machines, and now those men work on the same system exactly as they do in Switzerland, for instance, or wherever those men have come from for the last several years.

Senator THOMAS. Let me ask you one more question. Is it not a fact that a great number of foreign citizens have come to America with their capital and invested that capital in American factories to produce the same line of goods that they formerly produced in foreign countries, and that because of new factories in America, brought about because of the profit they can make under the American tariff law, is not that a factor that the long-existing factories have to contend with and to their detriment?

Mr. WARHURST. I can not answer that in so far as my own industry is concerned, because it does not apply. In other words, the industry, we will say, in 1913 was in an entirely different condition than it is to-day. As a matter of fact, the industry in 1926 was an entirely different proposition than it is to-day. We can prove that. And that change has been brought about by the efforts we have put into our business. Now, I hate very much to impose upon your time.

Senator THOMAS. I don't care to carry the question any further. Proceed with your regular presentation.

Senator KEYES. Have you any suggestions to make as to any changes in the bill?

Mr. WARHURST. Yes, sir.

Senator KEYES. Will you state them, please?

Mr. WARHURST. The same ones which Mr. Herman mentioned.

Senator KEYES. You agree with him?

Mr. WARHURST. Absolutely.

Senator COUZENS. Isn't that all, then?

Mr. WARHURST. Will you pardon me just a moment?

Senator COUZENS. But we do not care to have any repetition. If you subscribe to his statements, just say so and leave it.

Mr. WARHURST. I don't mean that this is repetition at all. There is just one other thing that I want to mention in connection with this, and that is if the imports continue at the increasing amount that they have been in the past five years, increasing in that tremendous amount, it is going to hit us very hard. We simply can't stand it.

Senator COUZENS. You have told us that before.

Mr. WARHURST. I am sorry.

Senator KEYES. Have you got a brief that you want to file with us?

Mr. WARHURST. I didn't make a brief.

Senator KEYES. Do you desire to?

Mr. WARHURST. I would like the privilege.

Senator KEYES. If you do not have time to state all that you would like to now, you can have the privilege of filing a brief.

Senator WALSH. How many other witnesses are there?

Mr. WARHURST. I may have that privilege, then?

Senator KEYES. Certainly.

STATEMENT OF MEYER KRAUSHAAR, NEW YORK CITY, REPRESENTING DOMESTIC HANDKERCHIEF MANUFACTURERS

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

Mr. KRAUSHAAR. I do not wish to repeat that part of the presentation of the case that was made before the Committee on Ways and Means. I represent the Acheson Harden Co., of which the last witness is vice president, as well as Alexander & Stein; Heather Handkerchief Works; E. Heller & Bro. (Inc.); Herrmann Handkerchief Co.; Loeb & Wasch; Long Handkerchief Co.; Novelty Handkerchief Manufacturing Co.; Phillips, Weil & Norton; Robinson, Egerton & Magill; H. Rosenthal & Co.; H. Eichold & Co.; Newark Embroidering Works; H. O. Stansbury; H. Engel & McClelland; Barasch Bros.; and Saxe-Somogyi Co., for the revision of paragraphs 918, 1016, and 1430 of the tariff act of 1922. These are practically all the large handkerchief manufacturers in our own part of the country; that is New York, Pennsylvania, and New Jersey.

Senator KEYES. Are you a manufacturer?

Mr. KRAUSHAAR. I am not. We want to emphasize—and this is all I care to say about the matter—that the increased volume in the American mass production will keep the cost, quality, and workmanship within the price ranges of 5 and 25 cents, as it now exists, and at the same time enable the American manufacturer to enjoy a fair profit and keep the 15,000 wage earners or more in this industry employed on a full-time basis. At the same time the market, the higher priced market, will not in the slightest degree be affected. Even the importer will be benefited by this plan in the new tariff bill.

I wish to say this, that from the conversations that I have had with all these manufacturers, I find that they uniformly report that they have lost money within the past two years, that they have operated their business at a loss. The handkerchiefs are still in demand. It is not because of the falling off in the demand for handkerchiefs that they have lost their business; it is because of the inroads made by foreign competition.

That is all I wish to say.

CORSETS, BRASSIERES, ETC.

[Par. 1529(c)]

STATEMENT OF L. T. WARNER, BRIDGEPORT, CONN., REPRESENTING THE CORSET AND BRASSIERE ASSOCIATION OF THE UNITED STATES

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

Mr. WARNER. Mr. Chairman, my interest is in subparagraph (c) of 1529, and I appear here now in view of the fact that the manufacturers whom I represent are satisfied with the rates that are given in the House bill, merely to ask that we may be permitted to file

a short brief a little later to cover any developments that may come up at the hearing. I do not care to take your time further.

Senator WALSH. Are you the Warner of the celebrated Warner Corset Co.?

Mr. WARNER. Well, I don't know just how celebrated it is.

(Mr. Warner submitted the following brief:)

BRIEF OF THE CORSET AND BRASSIERE ASSOCIATION OF AMERICA

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

GENTLEMEN: When the corset and brassiere industry appeared before the Committee on Ways and Means of the House of Representatives we asked:

1. That the corsets and brassieres be placed in a separate paragraph where all body-supporting garments of this description will be classified and thereby eliminate the confusion under the act of 1922.

2. That a rate of 60 per cent be placed on body-supporting garments of this description to protect our industry from low-cost foreign competition and that if any changes were made in rates on materials which enter into our products, a compensatory duty be placed on corsets and brassieres.

The Committee on Ways and Means granted both our requests. Corsets and brassieres of all descriptions were placed in subparagraph (c) of paragraph 1529 of the bill of 1929 (H. R. 2067). A new rate of 60 per cent was put on one of our most important raw materials—elastic fabrics and the Committee on Ways and Means gave our industry a rate of 75 per cent on garments composed in whole or in part of such elastic fabrics to compensate for the rate on this material. We ask your committee to retain the wording and rates in the bill.

It has been brought to our attention that representatives of other industries believe that the wording of subparagraph (c), par. 1529, may be used by importers to manipulate certain garments in such a way that they will be brought in at a lower rate of duty than would apply if imported under the paragraph for the materials of which they are made and at a lower rate than was intended by the framers of the bill.

We understand that representatives of the wool and lace industries appeared before your committee and asked that this situation be remedied by adding the following at the end of subparagraph (c), page 196, line 3:

“Provided, That no wearing apparel or article covered by this subparagraph shall be classified for duty at a less rate than that applicable if imported without the above body-supporting garments.”

This additional wording makes no change in the body of subparagraph (c) and it is agreeable to us if it is added at the end of our paragraph. But, it would not be satisfactory if any change whatsoever were made in the wording of subparagraph (c) which reads as follows:

*“Corsets, girdle corsets, step-in corsets, brassieres, bandeau brassieres; corsets, girdle corsets, or step-in corsets, attached to brassieres, or bandeau brassieres; all similar body-supporting garments; all the foregoing, of whatever material composed, finished or unfinished, and all wearing apparel or articles to which any of the foregoing is attached, 60 per cent ad valorem; all the foregoing composed in whole or in part of elastic fabric, 75 per cent ad valorem * * *.”*

Information on cost of production, foreign competition, the importance of the industry and other data are included in the brief which we submitted to the Committee on Ways and Means. We have no new information to add at this time and we will not repeat such data now as we understand that your committee will use the records in the hearings before the Committee on Ways and Means for those industries which gave all the pertinent data to the House.

Yours respectfully,

THE CORSET AND BRASSIERE ASSOCIATION OF AMERICA,
F. D. DODGE, *Secretary.*

Sworn to before me this 29 day of June, 1929.

[SEAL.]

AGATHA F. BRESLIN,
Notary Public.

Commission expires March 30, 1931.

STATEMENT OF FRANKLIN W. HOBBS, BOSTON, MASS., REPRESENTING THE NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

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

Senator KEYES. Will you state your business?

Mr. HOBBS. I am president of the National Association of Wool Manufacturers.

Senator WALSH. And a wool manufacturer yourself on a large scale?

Mr. HOBBS. Yes, sir. I appeared this morning before Senator Bingham's subcommittee and called attention to paragraph 1529, which he advised me was before your subcommittee. This subparagraph (c) of paragraph 1529, page 195, line 18. It starts out in this way:

Corsets, girdle corsets, step-in corsets, brassieres, etc., all similar body-supporting garments; all the foregoing of whatever material composed, finished or unfinished, and all wearing apparel or articles to which any of the foregoing is attached 60 per cent ad valorem.

We think that clearly would mean that if one of these cotton brassieres was attached to a \$100 or a \$500 wool dress, or lace dress, or any kind of garment, would have to pay 60 per cent ad valorem, under the wording—

all the foregoing of whatever material composed, finished or unfinished, and all wearing apparel or articles to which any of the foregoing is attached—

instead of 50 cents a pound and 50 or 60 per cent ad valorem, as provided in the wool schedule.

The suggestion has been made, in considering the matter just now with some of the corset manufacturers, that this proviso would serve the purpose:

Provided, That no wearing apparel or article covered by this subparagraph shall be classified for duty at a less rate than that applicable if imported without the above body-supporting garment.

If you put that in it will put it in the proper classification, otherwise, you will make it the wrong classification. I think that the legal officers of the Tariff Commission agree that the present reading would not bring about what they intended.

I understand it meets with the approval of the brassiere people, and we think it will protect their interests, and that it will also protect the interests of the wool manufacturers.

ELASTIC FABRICS

[Par. 1529 (c)]

STATEMENT OF T. FRANK KENDRICK, PHILADELPHIA, PA., REPRESENTING THE UNITED ELASTIC FABRIC MANUFACTURERS

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

Mr. KENDRICK. I represent James R. Kendrick Co., also the United Elastic Fabric Manufacturers.

I appeared before the Ways and Means Committee of the House, and my testimony appears on page 6696. The House gave us a clause in paragraph 1529, which is the last clause of subdivision (c) of that paragraph. I believe and feel absolutely sure that the House intended to make this provision cover our requests, but by its limitations to more than 12 inches in width it has made possible the manipulation of this provision so that it will be wholly ineffective. This is shown by samples which I have with me, where a 2-inch width and a 12-inch width may be imported and sewn together and make a 14-inch width at a negative cost, thus defeating the protection with the cost which the House gave us [presenting samples].

Senator THOMAS. What do you call that class of goods?

Mr. KENDRICK. Elastic fabric used for making corsets. There are two pieces, one 12 inches wide and one 2 inches wide, and this was made in just the same way and sewed together. That was sewed on just an ordinary sewing machine without any time or attempt to make a pretty job of it. It has not destroyed the elasticity one bit.

Senator THOMAS. Is that as good as if it was a solid 14-inch piece?

Mr. KENDRICK. Yes. Many corsets have been made out of 2-inch strips sewed together to get the desired width.

Senator THOMAS. You simply have no protection against that procedure?

Mr. KENDRICK. No, sir.

Senator THOMAS. Have you a suggestion for its correction?

Mr. KENDRICK. Yes, sir; we have that in a short brief, which I will leave with the committee. It just eliminates or deletes those words, "more than 12 inches."

Senator THOMAS. No one could object to that, could they?

Mr. KENDRICK. No; there will be no objection. The corset manufacturers and importers have stated they don't care to object to that at all. All the reasons for our request are contained in the tariff hearings.

Senator KEYES. In the House hearings?

Mr. KENDRICK. In the House hearings; yes.

Senator KEYES. Well, then, suppose you file your suggestion about the change with the reporter, please.

Mr. KENDRICK. Shall I leave these?

Senator THOMAS. I would like to have you leave the one sample that has been sewed together, to show just how it is done.

Mr. KENDRICK. All right, sir.

Senator COUZENS. That is all, then, is it?

Mr. KENDRICK. That is all I have to say.

Senator KEYES. Is Mr. Ullman here?

Mr. KENDRICK. Mr. Ullman will not appear, nor Mr. Herbert nor Mr. Russell.

Senator KEYES. Do you appear for them?

Mr. KENDRICK. Not for Mr. Ullman.

Senator KEYES. They are interested in this same subject, are they?

Mr. KENDRICK. They do not object to this at all. They stated that to me personally.

(Mr. Kendrick submitted the following brief:)

BRIEF OF ELASTIC FABRIC MANUFACTURERS OF THE UNITED STATES

COMMITTED ON FINANCE,

United States Senate, Washington, D. C.

GENTLEMEN: Our requests were presented to the Ways and Means Committee of the House of Representatives and appear at pages 6693-6703 of the hearings.

In response to our request there was added to the latter part of paragraph 1529 the present subdivision (c). This subdivision reads as follows:

"(c) Corsets, * * * elastic fabrics of whatever material composed, knit, woven, or braided, in part of india rubber, more than twelve inches in width, 60 per centum ad valorem."

It is manifest that the House of Representatives intended to give us the protection requested. The above language, however, we fear will not accomplish what the House of Representatives intended. We therefore request your committee to change the wording in this subdivision to read as follows:

"PAR. 1529. (c) Corsets, * * * elastic fabrics of whatever material composed, knit, woven, or braided, in part of india rubber (except materials and articles provided for in paragraph 1308), by whatever name known, and to whatever use applied, and whether or not named, described, or provided for elsewhere in this act, 60 per centum ad valorem."

Should this provision be enacted with the limitation placed upon the width of the elastic (more than 12 inches in width) by the House of Representatives, by a slight manipulation of the widths of the imported material it would entirely defeat the purpose of the enactment and leave this industry without adequate protection. Because of the nature of the fabric where a 14-inch width elastic fabric is desired, it could be imported in two strips 12 inches and 2 inches wide, defeating the protection of subdivision (c) without in any way prejudicing the use of the material.

We earnestly urge that the language used in the House bill be changed as we have above proposed.

Respectfully submitted.

T. FRANK KENDRICK,

Representative Elastic Fabric Manufacturers of the United States.

Subscribed and sworn to before me this 25th day of June, 1929.

[SEAL.]

MARY L. CRAFT, *Notary Public.*

Commission expires April 14, 1932.

BRIEF OF G. S. DUMONT, REPRESENTING THE FRENCH AMERICAN ELASTIC CO. (INC.), NEW YORK CITY, AND OTHERS

I appear in opposition to proposed tariff increase upon hand-loomed corset elastic strips as designated under the sundries schedule.

The total exports of elastic from the United States to foreign countries was \$1,297,212 in 1928, composed entirely of machine woven and knitted elastics. The total imports of elastics of all kinds was less than \$300,000 for 1928, 95 per cent of which was hand-loomed elastic or elastic made by hand in strips for the corset trade.

The present duty upon these strips is 35 per cent ad valorem when the chief value is cotton and 55 per cent when the chief value is silk and 60 per cent ad valorem and 45 cents a pound when the chief value is rayon, the two latter items being imported in negligible amounts into this country.

The production of hand-loomed elastic strips is a slow, arduous, and monotonous process, to which the American workman does not readily adapt himself; hence there is a scarcity of this labor in the United States.

I have personally visited the sources of supply of this product in the United States and have found but one center of production—Philadelphia. One factory in this city is working 25 looms to capacity and two nights overtime; another is working 14 looms full time.

In Buffalo I have found one factory with six looms working to capacity and contracted for several months ahead.

In Chicago there are 4 looms working steadily, making a total of 49 looms in operation in the entire country working upon corset elastic strips. I have met a manufacturer who stated that he had hand frames or machines but would not work them on account of the difficulties encountered with labor, even if duties

were considerably increased. It is of interest to note that each loom is operated by one workman, who produces an average of 41 pieces of elastic per week in France, whereas in the United States the output averages 70 pieces, due to improvements and special attachments used.

I have carefully compared costs of materials used in making these strips, as follows:

| | American | French |
|--------------------------------|------------------|------------------|
| | <i>Per pound</i> | <i>Per pound</i> |
| Cost of rayon..... | \$1.30 | \$1.12 |
| Cost of mercerized thread..... | 1.25 | 1.20 |
| Cost of rubber..... | 1.15 | 1.15 |
| Total..... | 3.70 | 3.47 |
| Average..... | 1.24 | 1.16 |

A strip 14 inches by 21 inches weighs approximately 6 ounces, making the American cost per strip 46 cents against a French cost of 40 cents, which is a difference of less than 15 per cent.

I have been informed that the principal American manufacturer pays 57 cents per strip for cotton or artificial silk strips for labor. The French labor cost is 35 cents per strip. If we take the cost of materials and labor in both countries, adding the duty of 35 per cent to the imported articles, we arrive at the following figures:

| | American | French |
|--|----------|--------|
| Cost of materials per strip..... | \$0.46 | \$0.40 |
| Cost of labor per strip..... | .57 | .35 |
| | | .75 |
| 35 per cent duty on French labor and materials..... | | .26 |
| 35 per cent duty on French overhead and manufacturing profit (23 per cent of labor and materials is 17 cents)..... | | .06 |
| Shipping expenses per strip..... | | .05 |
| Landed cost of materials and labor..... | 1.03 | 1.12 |
| Selling price..... | 2.25 | 1.85 |

From the development of the above facts it can be seen that an increased duty will benefit only one American manufacturer, who now makes handloomed elastic to any extent and will work to the detriment of a large number of corset manufacturers who urgently need the imported elastic to compete with the imported finished products. An increased duty will place these elastic strips beyond their manufacturing price requirements and will add an increased burden to the ultimate consumer.

I direct attention to the fact that of the 23 largest elastic manufacturers who compose the webbing manufacturers' exchange supporting an increased duty upon handloomed elastic strips only one of them manufactures handloomed elastic. The remainder manufacture only machine knitted or woven elastic.

Respectfully submitted.

G. S. DUMONT.

Representing Wallstein Industrial Corporation, 425 Fourth Avenue, New York City; Continental Elastic Products Corporation, 267 Fifth Avenue, New York City; French American Elastic Co., 1204 Broadway, New York City.

DISTRICT OF COLUMBIA:

Sworn and subscribed this 28th day of June, 1929.

EDNA W. SCHALLER,
Notary Public.

LETTER FROM THE WM. GORSE CO. (INC.), NEEDHAM HEIGHTS, MASS.

Senator WALSH. I have received several letters in regard to paragraph (c), raising the same subject presented by the last witness. I would like to have one of these letters put into the record.

Senator KEYES. That is paragraph 1529.
(The letter referred to is as follows:)

NEEDHAM HEIGHTS, MASS., June 5, 1929.

HON. DAVID I. WALSH,
Washington, D. C.

DEAR SENATOR: As a manufacturer of knit elastic we are vitally interested in the section of the tariff that refers to our industry.

We have been informed that H. R. 2007, paragraph 1530-C, has been amended to read as follows:

"Corsets, girdle corsets, step-in corsets, brassières, bandeaux-brassières; corsets, girdle corsets, or step-in corsets attached to brassières or bandeaux-brassières, all similar body-supporting garments; all the foregoing, of whatever material composed, finished or unfinished, and all wearing apparel or articles to which any of the foregoing is attached, 60 per centum ad valorem; all the foregoing composed in whole or in part of elastic fabrics, 75 per cent ad valorem; elastic fabrics of whatever material composed, knit, woven, or braided, in part of India rubber, more than 12 inches in width, 60 per centum ad valorem."

The very much needed protection intended under this paragraph may be nullified unless the words near the end of the paragraph as follows, "more than 12 inches in width," are taken out. If these six words are left in, two narrow pieces will be sewn together to make the most-used widths and will come in under 35 per cent ad valorem duty.

Will you please let us know the best course to pursue to try to get these words stricken out?

Yours very truly,

WILLIAM GORSE CO.,
A. W. LITTLEHALE, *Vice President.*

NEEDHAM HEIGHTS, MASS., June 6, 1929.

HON. DAVID I. WALSH,
Washington, D. C.

DEAR SENATOR: Since sending out to you our letter of June 5, it develops that there will probably be a conflict between paragraph 1520-C (formerly 1530-C) and several other paragraphs if we simply delete from the paragraph as now written, the words "more than 12 inches in width," and it seems advisable for us to make every effort now to clarify this paragraph before it is written into the final bill to avoid this conflict, and we suggest the paragraph be rewritten to read as follows:

"Corsets, girdle corsets, step-in corsets, brassières, bandeaux-brassières; corsets, girdle corsets, or step-in corsets, attached to brassières or bandeaux-brassières; all similar body-supporting garments; all the foregoing, of whatever material composed, finished or unfinished, and all wearing apparel or articles to which any of the foregoing is attached, 60 per centum ad valorem; all the foregoing composed in whole or in part of elastic fabric, 75 per centum ad valorem; elastic fabrics of whatever material composed, knit, woven, or braided, in part of india rubber, (except materials and articles provided for in paragraph 1308), by whatever name known, and to whatever use applied, and whether or not named, described, or provided for elsewhere in this act, 60 per centum ad valorem."

Yours very truly,

WILLIAM GORSE CO.,
A. W. LITTLEHALE,
Vice President.

HIDES AND SKINS

[Par. 1530 (a)]

**STATEMENT OF W. R. OGG, WASHINGTON, D. C., REPRESENTING
THE AMERICAN FARM BUREAU FEDERATION**

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

Senator **KEYES**. Will you state whom you represent?

Mr. **Ogg**. I am assistant Washington representative of the American Farm Bureau Federation. I may say by way of explanation that Mr. Gray is attending the quarterly meeting of the board of directors of the American Farm Bureau Federation in Chicago and was unable to be here personally, and I am authorized to present the views of the Farm Bureau Federation with respect to hides.

Senator **THOMAS**. Briefly outline the organization you represent, so that we may have an idea as to its extent and scope.

Mr. **Ogg**. The American Farm Bureau Federation is a federation of State farm bureau federations which, in turn, are made up of county farm bureau federations.

There are, according to the estimates of our general offices, approximately 1,000,000 members in the county farm bureaus, and I believe that the estimate is that there are approximately 1,800 county farm bureaus.

Senator **THOMAS**. How many States does the national federation embrace?

Mr. **Ogg**. Those county farm bureaus, I believe, are divided into approximately forty-some States, I think 43, if I remember correctly. Exactly how many of the State federations are members in good standing of the national federation I can not say off-hand.

Senator **THOMAS**. Is your organization made up largely of members in what might be termed the farm States, the Corn Belt States, or is it a general organization in the East and the South, as well as in the Middle West?

Mr. **Ogg**. Our heaviest membership is in the Middle West, although we have a considerable membership in New York and some of the New England States and some of the Southern States also, and out on the Pacific coast.

Senator **THOMAS**. Is membership in the organization limited to actual bona fide farmers?

Mr. **Ogg**. Yes, sir.

Mr. Chairman and members of the committee, the American Farm Bureau Federation respectfully requests your committee to provide a rate of duty on cattle hides and skins which will be adequate to give aid to the domestic cattle producers.

The argument is sometimes made that a tariff on hides will be of little or no benefit to the cattle producer. One contention that has been made is that the supply of hides, being dependent upon the slaughter of cattle, and the slaughter of cattle, of course, being dependent upon the consumption of meat, therefore placing a duty upon hides will be of little benefit to the cattle producer. I can not agree with that conclusion, because there are other factors that enter into the situation.

We have the possibility of the importation of vast quantities of hides from other countries. At the present time it is estimated that approximately one-third of our total domestic consumption is imported from foreign countries.

Senator THOMAS. What countries? Mention the countries from which we get the foreign importations.

Mr. Ogg. Argentina, Brazil, the Netherlands, and Germany; those are perhaps the principal countries from which we import hides, and also a great many other countries. We get hides from a great many sources.

Cattle hides, I believe, come principally from South America, mainly from Argentina and Brazil, if I remember correctly. The calfskins come in rather heavily from Europe.

Senator WALSH. What is the rate that your organization is asking for on hides?

Mr. Ogg. We are asking for a basic rate of 45 per cent ad valorem, with a specific equivalent rate in each case; that is, we are asking for a mixed duty.

Senator WALSH. Specific and ad valorem?

Mr. Ogg. A specific rate with an ad valorem rate of not less than 45 per cent ad valorem. I can place the rates in the record at this time, if you desire to have me do so.

Senator WALSH. Can you illustrate by taking a given kind of hide and show how the rates would operate in increasing the price?

Mr. Ogg. I will try to do that, Senator. We are asking for rates on hides as follows:

Cattle hides, raw, pickled, or wet-salted, over 25 pounds, 8 cents per pound but not less than 45 per cent ad valorem; dry or dry-salted, over 12 pounds, 11 cents per pound but not less than 45 per cent ad valorem.

Kipskins, raw, pickled, or wet-salted, 12 to 25 pounds, 10 cents per pound but not less than 45 per cent ad valorem; dry or dry-salted, 6 to 12 pounds, 12 cents per pound but not less than 45 per cent ad valorem.

Calfskins, raw, pickled, or wet-salted, 6½ to 12 pounds, 12 cents per pound but not less than 45 per cent ad valorem; dry or dry-salted, 2½ to 6 pounds, 23 cents per pound but not less than 45 per cent ad valorem; raw, pickled, or wet-salted, 6½ pounds or less, 8 cents per pound but not less than 45 per cent ad valorem; dry or dry-salted, 2½ pounds or less, 15 cents per pound but not less than 45 per cent ad valorem.

By way of explanation—

Senator KEYES. Who prepared those figures?

Mr. Ogg. Those figures were prepared by the American Farm Bureau Federation through its legislative department. These are the rates that the Farm Bureau Federation requested before the House Ways and Means Committee, and we are requesting the same rates before your committee.

The specific rates, I may say, are the equivalent rates that would be required in order to yield an ad valorem rate of 45 per cent, based on the average valuation of imports in 1927, taking them as a basis. Does that answer your question, Senator?

Senator WALSH. Yes; it does.

Mr. Ogg. Going back to the—

Senator WALSH. Does your farmers' association favor a duty on shoes?

Mr. Ogg. We have taken no position on that.

Senator WALSH. Or on leather, either?

Mr. Ogg. We have no position on that.

I might say, inasmuch as you have raised the question, however, that if a compensatory duty should be placed upon leather, it is our opinion that it should not exceed from 2½ to 5 per cent ad valorem above the rate given on hides. That is our judgment.

Going back to the question of whether or not the duty on hides would be of benefit to the farmer, and the question of the constancy of the supply of hides, or its dependency, rather, upon the slaughter of cattle, we invite the attention of the committee to the estimates which have been made by the Department of Commerce, which show that the world's supply of cattle has increased 21 per cent since the pre-war period, most of that increase having taken place in the last few years.

In North America, with the exception of the United States and Mexico, all of the countries show considerable gains.

In Africa the increase during this period has been approximately 35 per cent; in Asia, in all except part of China and a part of Russia, there has been an increase in the cattle supply.

In South America the increase during this period has been from more than 85,000,000 to over 103,000,000, and most of that increase has taken place in Brazil and Argentina.

This increase in the available supply of cattle for slaughter indicates the further need for providing an adequate protection on hides.

Another argument that is sometimes made against the duty on hides is that hides being a by-product, therefore a duty placed upon hides will be of little or no benefit to the cattleman because of the fact that the majority of the cattlemen do not slaughter their own cattle. I do not agree with this conclusion.

The value of the hides represents about 12 per cent of the value of the animal.

There has been a marvelous development in the utilization of the by-products in the meat industry, and I would like to invite the attention of the committee to a statement by Prof. George E. Putnam, consulting economist and author, who, in discussing this question, gives it as his opinion that the utilization of all of these by-products, including hides, or of which hides is one of the most important parts, has had the result of increasing the price to the farmer for his cattle and decreasing the price to the consumer for his meat, his reason for reaching that conclusion being that by making it increasingly possible to utilize these various by-products the packers have thereby been able to pay the farmer a higher price for his cattle and to sell meat to the consumer at lower prices because of the profits which they receive from these by-products which formerly had been a total waste, or at least some of them had been.

In conclusion, Mr. Chairman and gentlemen, we do not feel that the rate of 10 per cent ad valorem, which is contained in the House bill is anything like adequate to protect the domestic producers, and we feel that after consideration, the rate of 45 per cent as a basis,

accompanied with the appropriate specific rates, should be given as a means of protection to the domestic hide industry.

The 10 per cent rate is so low that in the case of a by-product such as hides, it is very doubtful whether much of that benefit would come back to the farmer. There must be a sufficient rate placed upon hides not only to protect the domestic industry from the importations from abroad, but so that that benefit can be reflected back through the various agencies to the producer of the cattle.

Senator COUZENS. Have you any figures to indicate the increase in price that the producer has gotten from the cattle because of the extensive utilization of the by-product?

Mr. OGG. No, sir; I have no specific figures I could cite on that.

Senator COUZENS. Are there any figures that have been computed anywhere that you know of that show that the farmer has benefited by the utilization of these by-products?

Mr. OGG. The only thing I know of on that is this discussion of Professor Putnam's.

Senator COUZENS. That is only an opinion; he does not submit any figures, does he?

Mr. OGG. He does not work it out mathematically; no, sir; but speaking as an economist, in terms of economic principles, and based upon a study of the livestock industry, he gives that as his conclusion.

I might add that Mr. Edward Morris, president of the Morris Co., stated before the House Committee on Interstate and Foreign Commerce of the Sixty-fifth Congress, third session, the following:

"The packer makes his profits out of the by-products alone and not out of the prices of meat," and he stated that if it were not for the large volume of business which permitted the packer to utilize these by-products meat would not be selling as cheaply.

Of course, that is not just what you desire in answer to your question; it is simply his statement.

Senator COUZENS. Yes; but he makes no reference there to the increased price he paid the farmer because of his utilization of the by-product, does he?

Mr. OGG. No, sir.

Senator COUZENS. He speaks of his own profits, does he not?

Mr. OGG. And the price to the consumer.

Senator COUZENS. I would like to have some figures indicating how the farmer is going to profit by these rates otherwise than just an expression of an opinion.

Mr. OGG. I am sorry that I have no figures to offer to you, Senator. I do not know whether I could promise to get them or not. I might undertake to make the attempt, and if I can get the information, put the figures in the record, if you so desire.

Senator COUZENS. I would like to get something to substantiate the viewpoint. Anybody can express a viewpoint, but I would like to have the facts to establish the viewpoint.

Senator THOMAS. Is your legislative bureau here in Washington?

Mr. OGG. Yes, sir.

Senator THOMAS. This request might be made, that your organization undertake to get an answer to Senator Couzens's question and embody that as part of a brief to be compiled, or a brief to be filed.

Mr. Ogg. Very well, I will see what we can do with it.

Of course, I would like to make this statement, that on a question of this nature, it would be more or less of a prediction, necessarily, as to what the effect would be if we get an adequate rate on hides. We have not got it now, and necessarily it would be in the nature of a prediction.

Senator COUZENS. Let us reverse the proposition. Have you anything that would point out whereby the importation of these hides has affected the price of hides in this country?

Mr. Ogg. That would be easier to ascertain.

Senator COUZENS. Let us ascertain that, and maybe we can get it backside forward.

Senator KEYES. Do you intend to file a brief?

Mr. Ogg. Yes, sir.

Senator WALSH. Cattle are sold on the hoof?

Mr. Ogg. Yes, sir.

Senator WALSH. And the price of cattle fluctuates greatly?

Mr. Ogg. Yes, sir.

Senator WALSH. From season to season and from year to year?

Mr. Ogg. There are fluctuations.

Senator WALSH. In fact, the daily newspapers carry quotations of cattle prices?

Mr. Ogg. Yes, sir.

Senator WALSH. Have you any records showing the extent of those fluctuations?

Mr. Ogg. I have not with me, but we have in our offices. We have a summary, weekly and monthly.

Senator WALSH. You do not share the opinion that has been expressed that the duty on hides would only be of benefit to the packers and some large cattle ranchers; you do not share that opinion that is expressed?

Mr. Ogg. No; I do not share that opinion.

Senator THOMAS. You have no detailed information about the cattle industry, personally?

Mr. Ogg. Only in a general way, Senator.

Senator THOMAS. Only gained from reading and investigation?

Mr. Ogg. Yes, sir.

Senator THOMAS. You are not a packer?

Mr. Ogg. No, sir.

Senator THOMAS. And never worked around a packing plant or been connected with a packing plant?

Mr. Ogg. No, sir.

Senator COUZENS. Have you been engaged in the cattle business at all?

Mr. Ogg. Not personally; no sir.

Senator COUZENS. Have you any statistics to show the economic condition of the cattle raisers?

Mr. Ogg. We have data in our office. I have not bought that data with me.

Senator COUZENS. I would like to have you put that in your brief; that is, a statement as to the condition of the prosperity or the lack of prosperity of the cattle-raising industry.

Mr. OGG. I will be glad to do that.

Senator THOMAS. Have you the figures to show the extent of the importation of hides, both green and dry?

Mr. OGG. The amount of importations?

Senator THOMAS. Yes, sir.

Mr. OGG. I believe that the Tariff Commission has submitted that information.

Senator THOMAS. It is a fact, is it not, that the United States uses more hides than it produces?

Mr. OGG. Yes; I believe that that is true.

Senator THOMAS. That being so, a tariff on hides can be made effective, and it is so admitted by everyone who has any knowledge of that tariff question?

Mr. OGG. I believe that that is a correct assumption or conclusion.

Senator WALSH. The main question comes, then, as to whether it will be passed down to the farmer or not; is not that the sole issue?

Mr. OGG. That is one of the issues. On that point, we believe if you place a duty with an adequate rate it will get to the farmer; but if you levy it at a very low rate, such as 10 per cent, there is the danger that that will be absorbed to a large extent and not come back to the farmer, because I think it will be conceded that very few of our tariffs are 100 per cent effective all the time, and certainly not 10 per cent even part of the time. Then, if the remainder is absorbed in the indirect process between the cattle producer and the cattleman, then that additional portion will be absorbed and will not get back to the farmer.

So it seems to me that it is very important that the rate should be adequate.

Senator WALSH. I gather from your testimony that while you do not say it openly and bluntly, you really feel and your associates feel that a 10 per cent duty will not be of much benefit to the farmer, because it is so small.

Mr. OGG. It is so small that it will not be of very much benefit. We feel that a higher rate should be given.

Senator WALSH. In fact, you have doubts as to whether it will be of any benefit at all; it is so small.

Mr. OGG. I would be inclined to say so.

(Mr. Ogg submitted the following brief:)

BRIEF OF THE AMERICAN FARM BUREAU FEDERATION

CATTLE HIDES AND SKINS

The United States is the largest producer and the largest consumer of leather of any country in the world. Increasingly large amounts of hides and skins which constitute the raw materials for leather are imported from foreign countries. Imported hides and skins represent approximately one-third of the total domestic consumption.

Opponents of a tariff on hides advance the plea that a tariff would do no good, because the supply of hides is dependent upon the number of cattle slaughtered and can not be increased or decreased by changes in the tariff rates. Of course, no one contends that an increase in the tariff on hides would cause an increase in the number of cattle slaughtered, but the supply of hides in the United States is not entirely dependent upon the domestic slaughter of cattle; the supply may be augmented by imports from foreign countries. This is precisely what is happening now. We have a certain supply of hides procured through the slaughter of domestic hides; this supply is augmented by

supplies imported from foreign countries. The cheaper the foreign hides can be purchased, the less will be paid for domestic hides. The sellers of domestic hides must meet the price of the imported or keep their hides. In other words, the heavy importation of cheap hides from foreign countries has the effect of depressing the price of domestic hides.

To remedy this situation it is now proposed to levy a rate of duty on hides which will equalize the differences in cost of production and other competitive advantages enjoyed by foreign producers. This does not mean that foreign-produced hides will be excluded or that domestic leather manufacturers will be unable to procure hides from foreign countries. They can still continue to secure whatever particular kinds of hides they desire, but the domestic price level will be influenced by the import duty, so that the domestic price of hides will not be unduly depressed by the importations.

In this respect the situation is no different from that concerning other commodities. The objection that the supply can not be varied in response to price fluctuations is merely a smoke screen and not a valid argument against a protective duty on hides. In fact, the constancy of the domestic supply is an assurance to the consumer against inordinately high prices, whereas the tariff merely protects the domestic market against undue depression from the offerings of imported hides at cheap prices.

The contention is also made by the opponents of a duty on hides that such a duty would do the farmers no good. If this were true, it seems odd that no national farm organization thus far has protested to the committee against a duty on hides, but several have urgently requested such a duty. Furthermore the loudest warnings of the dire consequences to the farmers of a tariff on hides have come from certain of those representatives of the shoe manufacturers and leather dealers who purchase the farmers' product directly or indirectly.

Some of these same interests who have been so solicitous for the farmers' welfare by urging free entry for hides, the product which the farmers have to sell, have been very insistent upon a duty on shoes, the product which the manufactureres have to sell and which the farmers must purchase. Surely it could not be argued that the farmer would be greatly benefited by the free entry of cheap hides to break the price of the product which he has to sell and by a duty on shoes, a product which the farmer purchases.

Moreover, the total value of the imports of shoes amounts to about 1 per cent of the total value of the total domestic production, according to testimony submitted to the Ways and Means Committee (pp. 8619-8620, hearings, tariff readjustment, 1929). Contrasted with this the total imports of hides constitute approximately one-third of the total domestic consumption of hides. Thus, the competition encountered by the hide industry is of much greater relative importance than that encountered by the shoe industry.

Hides constitute about 12 per cent of the value of the animal. By-products of the meat industry, which include hides, oleo oil, tallow, hoofs, etc., are all factors in the price paid to the cow raiser for live cattle and in the price paid by the consumer for meat. The larger return which is received for this by-product, the higher the price which can be paid for the live animals from which they are obtained and the cheaper the price at which the meat can be sold to the consumer.

George E. Putnam, consulting economist, formerly professor of economics at Washington University, in his book, *Supplying Britain's Meat* (University of Chicago, 1923), calls attention to the remarkable development in the utilization of by-products in the packing industry which formerly were wasted, and declares that utilization of these products under competitive conditions has forced the packers to share the savings resulted therefrom with both the producers and the consumers, with the result that the livestock producer receives "far better prices for his stock than he could possibly get if the inedible portion were not utilized," and at the same time "meat prices have been greatly reduced to the consumer."

Even a disbeliever in the efficacy of a tariff on hides, such as Lynn Ramsay Edminster, of the Institute of Economics, in his recent book, *The Cattle Industry and the Tariff* (1926), admits that the "price of cattle and beef, and hence the effectiveness of a tariff must obviously depend in some measure upon the price of these related products" (pork and other meats, animal fats and hides), and that "inasmuch as the hide normally accounts for some 12 per cent of the total receipts from the products of the animal, the duty on hides would tend, for a time at least, to raise the price of live cattle."

Mr. Edminister likewise doubts that the packers can pass on to the consumer the cost of a tariff on hides. He asserts:

"Will the consumer pay tariff on hides? Finally, a duty of live cattle will burden the meat-packing industry. The packer, like the cattle feeder, is in an intermediate position, in which profits depend not upon the actual level of cattle and beef prices but upon the margin between the two (assuming, of course, that profits from by-products remain constant). If he could always pass on to the consumer whatever increase of price arises from the duty on cattle, without thereby diminishing his sales, he would have no cause for complaints. But this he can not freely do. He can not compel consumers to take beef in the same quantity at higher prices. If he attempts to pass the burden back to the producer, receipts of fat animals will fall off; if he attempts to pass it on to the consumer, the demand for beef will decline. In either case his volume of business will be reduced, and the amount of his profits depends upon volume as well as upon price."

In other words, an adequate duty on hides should bring to the cattleman a higher price, either directly for his hides or indirectly for his cattle, and at the same time should aid in reducing the cost of meat to the consumer by increasing the profitableness of one of the most important by-products of the meat industry. (For more detailed data concerning hides see pp. 8054-8058, hearing before the House Ways and Means Committee, 1929.)

The House bill removed cattle hides from the free list and made them dutiable at 10 per cent ad valorem, and at the same time removed leather from the free list and made it dutiable at 20 per cent ad valorem. This action of the House will do the farmers little good, because it fails to provide a duty on hides sufficient to be of any substantial benefit and at the same time increased the duty on leathers so much more that the farmers will lose more than they gain from such an adjustment.

The American Farm Bureau Federation recommends 45 per cent ad valorem as a basic rate on cattle hides and skins, but asks that the proper equivalent specific rates be added also in the form of mixed duties. Based on the 45 per cent ad valorem rate and the average valuation of imports in 1927, the following rates have been worked out and are respectfully requested:

Cattle hides, raw, pickled, or wet salted, over 25 pounds, 8 cents per pound, but not less than 45 per cent ad valorem; dry or dry salted, over 12 pounds, 11 cents per pound, but not less than 45 per cent ad valorem.

Kipskins, raw, pickled, or wet salted, 12 to 25 pounds, 10 cents per pound, but not less than 45 per cent ad valorem; dry or dry salted, 6 to 12 pounds, 12 cents per pound, but not less than 45 per cent ad valorem.

Calfskins, raw, pickled, or wet salted, 6½ to 12 pounds, 12 cents per pound, but not less than 45 per cent ad valorem; dry or dry salted, 2½ to 6 pounds, 23 cents per pound, but not less than 45 per cent ad valorem; raw, pickled, or wet salted, 6½ pounds or less, 8 cents per pound, but not less than 45 per cent ad valorem; dry or dry salted, 2½ pounds or less, 15 cents per pound, but not less than 45 per cent ad valorem.

APPENDIX

In response to the request of Senator Couzens, at the public hearing, June 28, the following information is respectfully submitted:

EFFECT OF HIDE PRICES ON CATTLE PRICES

Hides are the most important by-product of the meat-packing industry, constituting approximately 12 per cent of the total value of the live animal.

Low hide prices tend to depress the prices of live cattle and conversely high hide prices tend to stimulate cattle prices, if other factors remain constant.

In 1909 the average price of green hides (packers', heavy, native steers) advanced to 16.5 cents per pound compared with 13.4 cents in 1908, while the price of live cattle (steers good to choice) advanced from 6 cents per pound in 1907 to 6.5 cents per pound in 1908. Hides prices then dropped to 15.5 cents in 1910 and to 14.8 cents in 1911, while live cattle prices first rose to 7 cents in 1910 and dropped to 6.7 cents in 1911. Hides prices advanced to 17.6 cents in 1912 and

live cattle prices rose to 8.4 cents. Prices of hides continued to advance to 18.4 cents in 1913 to 19.6 cents in 1914, and then sharply upward during the war years, and coincident with these increases there were rising prices of live cattle to 8.5 cents in 1913, 9 cents in 1914, and then sharply upward during the war period, after a temporary drop to 8.7 cents in 1915.

The fact that in some months or a relatively short period of time, the price of live cattle does not always fluctuate upward or downward in exact accord with the fluctuations in the price of hides, does not mean that there is no relationship. A study of the long-time trends would appear to show a definite correlation in the trend of hide prices and the trend of cattle prices, although there may be short periods when this correlation does not appear.

For short periods of time there is a lack of correlation between other groups of commodities.

For example, the price received by farmers for hogs declined about three-tenths cent per pound in 1923 as compared in 1922, whereas the retail price of lard to the consumer increased seven-tenths cent per pound. In the case of oats the price received by the farmer increased 5.6 cents per bushel in the crop year of 1922-23 as compared with the crop year of 1921-22, whereas the retail price of rolled oats to the consumer remained unchanged. In the case of beef, the price received by the farmer for live steers at Chicago decreased 3 cents per pound in 1920 as compared with 1919, whereas the retail price of sirloin steak to the consumer increased 2 cents per pound; the price received by the farmer for live steers increased seven-tenths cent per pound in 1922 as compared with 1921, whereas the retail price of sirloin steak to the consumer increased 1.4 cents per pound.

The United States Tariff Commission has brought out strongly the relationship between the prices of hides and live cattle as well as between the prices of hides and the prices of meat, in a report published in 1922, entitled "Hides and skins" (Tariff Information Series No. 28). The following extracts are quoted from this report:

"The relative values of dressed meats, hides, and other by-products may vary considerably from time to time, according to the changing supply of, and demand for, the respective products. However, in order to give a rough indication of a normal situation, it may be said that the meat packer obtained about 79 per cent of his total returns of the beef-packing end of his business from the dressed meat carcass, 11 per cent from the hide, and about 10 per cent from a large number of minor products, such as tallow, oleo oil, stearin, casings, and the like.

"A comparison of average yearly wholesale prices for a period of five years (1912-1916) covering green salted packers' heavy, native steer hides, good to choice steers, and good native steer carcass beef, all in the Chicago market, shows that while the price of dressed carcass beef in the Chicago market increased but 3.8 per cent, the price paid for good native steers increased 14.3 per cent. (See Table 2 following.) This was made possible almost entirely through the rise in price of hides, which was 48.9 per cent, and the increase in price of tallow and other by-products.

"A comparison for a period of nine years (1908-1916) brings out the same relationship. In this instance the price of dressed beef increased 31.4 per cent, the price of live cattle 60 per cent, and the price of hides 95 per cent. For a 14-year period (1908-1921), the price of dressed beef increased 122 per cent, the price of live cattle 102 per cent, and the price of hides 193 per cent.

"In the decline from the high point in 1919 through 1921, the price of hides declined 65 per cent, the price of live cattle 50 per cent, and the price of carcass beef 30 per cent. Table 2 presents the foregoing in tabular form. The figure on the opposite page portrays the same data graphically.

TABLE 2.—Average yearly prices of hides, live cattle, carcass beef, Chicago market, 1908-1921

[Bureau of Labor Statistics]

| Year | Hides, green, salted, packers' heavy, native steers | | Live cattle, steers, good to choice | | Carcass beef, good native steers | |
|-----------|---|------------------|-------------------------------------|------------------|----------------------------------|------------------|
| | Per pound | Relative to 1913 | Per pound | Relative to 1913 | Per pound | Relative to 1913 |
| | Cents | Per cent | Cents | Per cent | Cents | Per cent |
| 1908..... | 0.134 | 72.6 | 0.060 | 70.5 | 0.105 | 81.3 |
| 1909..... | .165 | 89.6 | .065 | 75.9 | .110 | 84.6 |
| 1910..... | .155 | 84.1 | .070 | 82.5 | .115 | 89.1 |
| 1911..... | .148 | 80.3 | .067 | 79.1 | .112 | 86.6 |
| 1912..... | .176 | 95.7 | .064 | 98.8 | .133 | 102.6 |
| 1913..... | .184 | 100.0 | .065 | 100.0 | .130 | 100.0 |
| 1914..... | .196 | 106.7 | .090 | 106.2 | .136 | 105.3 |
| 1915..... | .242 | 131.6 | .087 | 102.3 | .129 | 99.6 |
| 1916..... | .262 | 142.4 | .096 | 112.5 | .138 | 106.7 |
| 1917..... | .327 | 178.0 | .128 | 150.6 | .167 | 127.2 |
| 1918..... | .301 | 163.8 | .164 | 193.1 | .221 | 170.9 |
| 1919..... | .393 | 213.8 | .175 | 205.7 | .233 | 180.2 |
| 1920..... | .312 | 169.6 | .148 | 174.1 | .230 | 176.9 |
| 1921..... | .139 | 75.5 | .087 | 102.3 | .163 | 125.4 |

"In the long run, therefore, higher hide prices, like higher beef prices—only to a lesser extent—mean that higher prices can be paid for live cattle. Though temporary or short-time variations, arising from local or other conditions, may cause the price of hides to move one way and the price of live cattle in the opposite direction, nevertheless over a period of years the two price curves show a fairly close relation. On the basis of yield, a 1,000-pound steer of fair average quality will yield about 550 pounds of dressed carcass and 60 pounds of green hide. An increase of 1 cent per pound in the price of hides is equal to a credit of about 11 cents per 100 pounds on the dressed beef, or 6 cents per 100 pounds on the live weight.

"Briefly, then, there appears good reason to believe that competitive buying in the livestock market forces the packers to pay the true market for live cattle purchased and for the hides they carry. Competition among live-cattle buyers and hide sellers thus quickly tends to correct any apparent discrepancies which may occasionally exist between the values of hides and live cattle. It therefore seems probable that, in the long run, packers would be compelled by competition to add a duty to the price paid for live animals, getting this addition back when hides or leather are sold. It thus would appear that the packer-tanners and independent tanners would be affected practically equally by a duty, and that the chief effect on independent tanners would be the larger credits needed to carry stocks of higher-priced hides."

The objection has been raised that a duty on hides would injure the farmer more than it would benefit him, on the assumption that there are more farmers who purchase leather goods than there are who produce cattle. Apparently this objection, however, is being voiced primarily by industrial interests who utilize hides or leather as raw material rather than by representatives of organized agriculture. Every farmer is both a producer and a consumer, and the position of the American Farm Bureau Federation, representing as it does almost every type of farmer, is that each farming group is entitled to adequate protection upon the particular product or products which each group produces. The livestock producers are consumers of winter vegetables, dairy products, citrus fruits, and other fresh and dried fruits, cotton goods, and woolen goods, manufactured from cotton and wool, on each of which the producers are seeking increased protection. Surely the cattle producers are entitled to their share of protection!

The fact that many industrial products are in turn the raw material for other industrial groups in many instances has not deterred Congress from placing protective duties upon these products. Agriculture asks for the same consideration and requests adequate protection for each producing group of farms.

In response to the request of Senator Thomas, at the public hearing on June 28, the following information is respectfully submitted.

THE SITUATION OF THE CATTLE INDUSTRY

While conditions in the cattle industry have improved during the past two years, due to more favorable prices, the industry has not yet recovered from the terrific losses suffered during the postwar period.

The forced liquidation of herds during this period drove down prices, forced large numbers of cattlemen into bankruptcy, and resulted in a reduction of the number of cattle in the United States by 15,500,000 head in the period, January 1, 1918, to January 1, 1928. (See p. 19, report of the Secretary of Agriculture, 1928.)

The summary of what took place during this 10-year period is contained in the following extract from a statement issued by Hon. W. M. Jardine, while he was Secretary of Agriculture, on December 21, 1927:

"Here is what has taken place in the cattle industry in the last 10 years: Cattle production was greatly expanded during the war in response to demands for adequate supplies of beef for the allied forces. When the war closed the industry found itself with the largest number of cattle on hand and the largest potential production capacity in the history of the country—both much in excess of ordinary peace-time requirements at remunerative prices.

"This situation had to be liquidated, and as cattle numbers can be increased or decreased only gradually, it took six years to complete this liquidation. During 1920 and 1921 there was a decline in cattle prices of over 60 per cent in 16 months and for the next four years enforced liquidation held prices at extremely low levels, actually below pre-war prices over a considerable period of time. During this period cattle slaughter greatly exceeded production and cattle numbers declined 11,000,000 head, or 17 per cent in seven years.

"While cattle prices have advanced almost continuously during 1927 the sharp advance came after the middle of the year, particularly in the better grades of cattle and beef, which, however, make up but a minor proportion of the total supply. The shortage of these better grades this fall is directly traceable to the situation in the latter half of 1926, when the market was overloaded with supplies of well-finished cattle, with resulting low prices and heavy losses to cattle feeders of the Corn Belt States who produce practically all of these high grades of cattle. For example, the supply of choice and prime cattle at Chicago during September, October, and November this year was only 30 per cent as large as for the period a year ago and only 50 per cent of the 5-year average for these months.

"It looks very much as if cattle supplies during the first half of 1928 would be smaller than in 1927 or in any other year in the last five inasmuch as shipments of stocker and feeder cattle into the Corn Belt since July 1 this year were over 16 per cent smaller than last year and 28 per cent below the 5-year average for the period. It is during these latter months of the year that cattle feeders buy their supplies of unfinished cattle for feeding. Barring abnormal conditions, such as widespread drought, supplies of all cattle for slaughter during each of the next two years will probably be small, as compared with any of the last four years."

The cattle producers have been among the hardest hit of the farming groups of the United States during the postwar agricultural depreciation. The Mountain States, including Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada, showed a higher percentage of bankruptcy cases than any other section of the United States during the years 1924-1927, and second only to the west North Central States in 1922 and 1923. From 31 to 46 per cent of all of the bankruptcy cases during the period 1922-1927, were located in the Mountain States, as shown by the following table taken from Circular No. 60, published by the United States Department of Agriculture (p. 48):

| Geographic division and State | Per cent of all cases | | | | | |
|-------------------------------|-----------------------|------|------|------|------|------|
| | 1922 | 1923 | 1924 | 1925 | 1926 | 1927 |
| United States..... | 14.4 | 17.4 | 18.7 | 17.8 | 16.5 | 13.1 |
| New England..... | 4.9 | 4.9 | 5.8 | 5.2 | 4.0 | 3.1 |
| Middle Atlantic..... | 2.6 | 3.1 | 3.2 | 2.6 | 3.4 | 3.1 |
| East North Central..... | 9.0 | 11.5 | 12.2 | 13.4 | 11.3 | 9.2 |
| West North Central..... | 40.3 | 46.1 | 42.5 | 39.2 | 35.4 | 30.3 |
| South Atlantic..... | 17.0 | 17.0 | 16.9 | 17.6 | 12.7 | 10.0 |
| East South Central..... | 4.9 | 9.1 | 9.7 | 9.7 | 9.5 | 9.7 |
| West South Central..... | 19.5 | 20.4 | 22.3 | 23.6 | 25.6 | 20.7 |
| Mountain..... | 38.2 | 43.3 | 46.3 | 41.8 | 42.7 | 31.8 |
| Pacific..... | 11.0 | 16.3 | 15.7 | 14.6 | 11.9 | 10.0 |

The following table, taken from page 44 of the same publication, shows a similar situation with respect to the number of farms changing hands due to delinquent taxes, foreclosure of mortgages, bankruptcy, etc.:

| Geographic division | Forced sales and related defaults | | | | | | | | |
|-------------------------|-----------------------------------|------|------|---|------|------|-------|------|------|
| | Delinquent taxes | | | Foreclosure of mortgage, bankruptcy, etc. | | | Total | | |
| | 1926 | 1927 | 1928 | 1926 | 1927 | 1928 | 1926 | 1927 | 1928 |
| United States..... | 4.2 | 5.1 | 5.2 | 17.4 | 18.2 | 17.6 | 21.6 | 23.3 | 22.8 |
| New England..... | 4.5 | 3.8 | 3.0 | 9.3 | 8.6 | 7.7 | 13.8 | 12.4 | 10.7 |
| Middle Atlantic..... | 3.0 | 3.0 | 3.4 | 8.8 | 8.8 | 8.4 | 11.8 | 11.8 | 11.8 |
| East North Central..... | 3.2 | 3.8 | 4.2 | 15.7 | 16.6 | 16.5 | 18.9 | 20.4 | 20.7 |
| West North Central..... | 4.3 | 5.3 | 5.1 | 28.5 | 26.7 | 27.3 | 30.8 | 32.0 | 32.4 |
| South Atlantic..... | 5.5 | 6.9 | 6.9 | 14.0 | 14.1 | 16.4 | 19.5 | 21.0 | 23.3 |
| East South Central..... | 4.0 | 5.8 | 5.4 | 12.4 | 15.9 | 14.6 | 16.4 | 21.7 | 20.0 |
| West South Central..... | 3.4 | 3.8 | 4.1 | 15.3 | 16.1 | 14.4 | 18.7 | 19.9 | 18.5 |
| Mountain..... | 9.8 | 9.5 | 12.0 | 40.4 | 35.8 | 27.4 | 50.2 | 45.3 | 39.4 |
| Pacific..... | 3.9 | 4.5 | 4.2 | 16.7 | 15.6 | 15.7 | 20.6 | 20.1 | 18.9 |

As a sample of some of the severe conditions through which the cattlemen have passed, the following extract is taken from An Economic Study of the Costs and Methods of Range Cattle Production (Colorado Agricultural Experiment Station and United States Department of Agriculture, preliminary report, 1926), which shows an average loss of \$3,246 per ranch for the year 1923.

RANCH RECEIPTS AND INCOME

"Of the total-ranch sales, 95 per cent were from the sales of cattle and 5 per cent from the sales of lambs, wool, alfalfa seed, hogs, poultry, and dairy products.

"The annual ranch income, or the ranch receipts less the ranch expenses, averaged \$3,246 per ranch for the year 1923, a year of general depression in the cattle industry. Estimates of the amounts and value of items of the family living coming directly from the ranch were not obtained in this study.

"Part of the above loss consisted in depreciation on improvements and equipment and a decrease in the inventory value of cattle. Part of this loss in inventory will be recovered during the next year, or as soon as cattle begin to increase in value.

TABLE 18.—Comparison of receipts and expenses with profits and loss per ranch—15 prairie ranches in Colorado, 1923¹

| Ranch No. | Total per ranch | | | Per acre | | |
|--------------|-----------------|----------|--------------|----------|----------|--------------------|
| | Receipts | Expenses | Ranch income | Receipts | Expenses | Profit or loss (-) |
| 32..... | \$15,217 | \$14,610 | \$607 | \$0.23 | \$0.22 | \$0.01 |
| 18..... | 18,576 | 21,358 | -2,982 | .35 | .41 | -.06 |
| 49..... | 23,310 | 37,966 | -14,656 | .61 | 1.00 | -.39 |
| 52..... | 2,055 | 5,722 | -3,667 | .10 | .28 | -.18 |
| 21..... | 4,756 | 5,575 | -819 | .24 | .28 | -.04 |
| 5..... | 5,240 | 5,648 | 592 | .38 | .34 | .04 |
| 4..... | -510 | 6,640 | -7,200 | -.03 | .46 | -.49 |
| 8..... | 7,278 | 11,725 | -4,447 | .38 | .94 | -.56 |
| 45..... | 4,339 | 10,106 | -5,767 | .40 | .93 | -.53 |
| 9..... | -3,094 | 7,059 | -10,153 | -.29 | .67 | -.96 |
| 44..... | 3,434 | 9,485 | -6,051 | .33 | .91 | -.58 |
| 46..... | 5,350 | 4,264 | 1,086 | .57 | .45 | .12 |
| 6..... | 1,015 | 3,569 | -2,554 | .12 | .41 | -.29 |
| 17..... | 4,076 | 6,018 | -1,942 | .49 | .73 | -.24 |
| 41..... | 8,613 | 2,961 | 5,652 | 1.06 | .36 | .69 |
| Average..... | 6,951 | 10,197 | -3,246 | .33 | .49 | -.16 |

¹ Ranches arranged according to size, largest ranch first.

STATEMENT OF A. F. VASS, LARAMIE, WYO., REPRESENTING THE WYOMING STOCKGROWERS ASSOCIATION

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

Senator KEYES. Will you state whom you represent?

Mr. VASS. I represent the Wyoming Stockgrowers Association.

Mr. Chairman, I have been asked to represent the Wyoming Stockgrowers Association, which is a cattle organization, in behalf of this tariff on hides.

We are asking for a 6-cent duty on green hides and 10-cent duty on dry hides, to correspond with the National Livestock Association.

There have been some questions raised here already this morning which possibly I might answer briefly.

The first is in regard to the effect of a higher price on hides. We have one example, from 1912 to 1916, when the price of hides went from 12 to 18 cents, but the price of beef increased by a rather small amount.

Those figures have been worked out on the basis of the increase in the value of the beef due to the increase in the value of the hides. We find that the effect of the increase in hide prices was from 80 to 90 per cent effective, that is, the increase in the hides was reflected directly in the increase in the price of the beef from 80 to 90 per cent. Those figures have been worked out by members working on this tariff question.

Senator THOMAS. It is your contention that if a tariff is placed on hides, the moment that tariff becomes effective in the increase in the price of hides the price of the hide will be reflected in the price of the entire animal?

Mr. VASS. The tariff on a product like hides will be reflected in the prices of those hides. I believe a tariff on a product functions as a tariff.

Senator COUZENS. That is not an answer to the question which the Senator asked you. He asked you if a tariff was placed on hides, would that be immediately reflected in the price of the cattle on the hoof.

Mr. VASS. If he means that it be given time for proper organization, which would be weeks or months, I would say yes.

Senator COUZENS. Eventually it would be effective?

Mr. VASS. Yes, sir.

Senator COUZENS. In other words, the farmer would get a higher price for his cattle?

Mr. VASS. I see no reason why he should not. It is true of all other tariffs.

Senator WALSH. Even if the rate is only 10 per cent?

Mr. VASS. I think that 10 per cent would have its effect, but it would be a small one. I think in all these things we probably try to assume too much. We will try to base our arguments on what has happened in other kinds of industry and apply it to our question.

In regard to this situation regarding beef, I might state briefly that we have made some very extensive studies on the beef-cattle industry during the last several years in order to determine why the cattle industry in our Western States has been in such a critical condition. I say critical because a very large per cent of our ranchers have been foreclosed. They have lost their lands and their cattle, and if you go through the regions in our best cattle section you will find that there will be miles at a stretch where the rancher does not remain in control of his range.

Senator COUZENS. What has caused that?

Mr. VASS. That is caused by cost of production being greater than the price received for the animals.

Senator COUZENS. Is it caused by the foreign importations fixing the market value?

Mr. VASS. It is caused by importations to some extent. It is caused by the fact that beef cattle have not had the consideration given to other industries, if I may state it that way.

Senator COUZENS. What fixed the price so that you could not get a price for your cattle in excess of what it cost to produce them?

Mr. VASS. The cost of producing beef in Argentina is figured at about \$5.33. The cost in Wyoming will run over 9 cents. That difference in cost is one thing on which we have been basing our requests for a tariff in the meat schedule. It is due to the fact that the cattle industry has not had the influences given other industries which has been reflected in the purchasing power of cattle.

We represent a State where cattle raising is one of the major industries, but we do not rank as high as the Corn Belt States with regard to actual beef production. The Corn Belt States would profit fully as much or more than the western range States from the tariff.

Senator THOMAS. You are producing cattle, are you not?

Mr. VASS. No; I am connected with the University of Wyoming.

Senator THOMAS. You are rather familiar with the cattle industry, are you not?

Mr. VASS. I have studied it.

Senator THOMAS. Is it not a fact that at this time the cattle industry is rather prosperous?

Mr. VASS. I would not say that the industry is prosperous. I will say this, that the price of cattle at the present time is very favorable.

Senator THOMAS. What is that due to?

Mr. VASS. It is due to the embargo on meats.

Senator THOMAS. It is a fact that because of the foot-and-mouth disease in Argentina the Agricultural Department certified to the Treasury Department that fact, whereupon the Treasury Department placed an embargo against the importation of Argentina meats, which, of course, includes Argentina hides; is not that a fact?

Mr. VASS. That is so.

Senator THOMAS. Due to that embargo, preventing meat coming in from Argentina, the United States now has a practical monopoly on meat consumed in the United States, and because of the fact you have the prosperous condition of the cattle industry now, and that will be true, if it is true, as long as the foot-and-mouth disease prevails in Argentina. Then as soon as the foot-and-mouth disease in Argentina ceases to prevail, the embargo will be raised, whereupon the importations of Argentina meats will again come into the United States, causing a major reduction in the price of beef produced here? Is not that the situation before us to-day?

Mr. VASS. That is the way that I view it.

Senator THOMAS. What the cattlemen want is a law that will have the same effect upon the cattle industry as the Argentine embargo has brought about during recent months?

Mr. VASS. That would be very satisfactory to the stockmen.

Senator WALSH. Aside from this embargo, can you give us some idea as to the price of cattle since 1922?

Mr. VASS. The price of cattle since 1922, until the embargo went on—the price received by our cattlemen was \$5.04 per hundred for range cattle, including cows and steers.

Senator WALSH. Was the price steady during all these years?

Mr. VASS. The price was rather steady from 1921 to 1926. It started to go up a little in 1924 and dropped back and then started up again in 1926.

Senator WALSH. Considering that fact, it is your opinion, is it, that the duty which we levied in the tariff act of 1922 on fresh meats was not reflected in the increased price to the cattlemen?

Mr. VASS. I might say that it is rather hard to make a comparison in regard to the effect of a tariff passed in 1922, because that was when everything hit the bottom.

Senator WALSH. Would you say that in 1926 the price increased over what it was in 1924, and there has not been much variation in the price of cattle since? If we put duties of several cents a pound on various kinds of meats, do you not think that ought to be reflected in the price to the cattlemen?

Mr. VASS. We have at the present time reached the point where we are importing, and then the tariff becomes effective. Up until that time we had been liquidating our herds, and the tariff, of course, was not effective until we started importations.

Senator WALSH. That started with the embargo, or just prior to it?

Mr. VASS. It was coming in some prior to the embargo.

Senator WALSH. In other words, whenever there is an embargo on any commodity in America, no matter what tariff you levy, it is quite effective; is that not true?

Mr. VASS. That is my idea of it. In regard to this situation, in 1900 we had 66 beef animals per 100 people in the United States. In 1929 that had dropped to 28. In other words, there was a 58 per cent decrease in beef cattle in the United States during that 28-year period.

The previous speaker mentioned the fact that beef cattle were increasing in Argentina and other countries, which brings out this point, which I think should be considered by this committee, that if we wish to keep beef cattle on a basis where the production will come up to our needs, they must have some consideration.

You may ask why, if that is the situation, these men do not go out of business. But I may say that the beef cattlemen are going out of business very rapidly in our part of the country.

Senator COUZENS. What are they going into?

Mr. VASS. Some of them are going into sheep; some of them are going into retirement; and some of them are going to California.

Senator COUZENS. Do those who are going into sheep find the tariff on wool adequate now?

Mr. VASS. No. I came down here for the wool hearings. They are asking for some increase. However, I do not think they will tell you the wool tariff is not effective, and personally I have been unable to separate the principles of a tariff on hides from the principles of a tariff on other industries.

The price of beef cattle at the present time makes it rather hard to get any consideration, and, as was brought out by one of the Senators, that is due to the embargo chiefly, and also due to the fact that we do have certain cycle movements in the price of cattle, and both of those came at the same time when meats reached their high point.

The difficulty at the present time with many stockmen is this: They are not able to secure financial aid to refinance them due to the uncertainty under the embargo. That embargo may be taken off any day, and under those conditions banks and banking houses will not loan funds to an industry which is on such an unstable basis, because it is impossible to produce beef cattle in the United States to compete with the Argentine prices. Their fertile and cheap lands and mild climate and cheap labor make it impossible.

Senator THOMAS. Is it a fact that some of the large packing houses own ranches in Argentina and produce a portion of their supply and import it to America and process it here, and sell it here?

Mr. VASS. They can not bring it in at the present time as fresh meat.

Senator THOMAS. Is it not a fact that that system is in existence now?

Mr. VASS. I have heard that; I have no definite information on it. I know that in our State packing houses have bought up quite a few ranches.

Senator THOMAS. I have reference to packing houses like Swift, Armour, and Wilson.

Mr. VASS. I judge that they have.

Senator WALSH. Are they buying up ranches in your State?

Mr. VASS. They have bought some up in the region where I am living; I see no harm in it.

Senator WALSH. So there are indications that the entire cattle business in America and Argentina may ultimately come into the control of the packers; is that not so?

Mr. VASS. I have not studied the question enough to answer that.

Senator WALSH. But there are indications in that direction?

Mr. VASS. There may be. In all our work we are not trying to do something that is a detriment to some one else. We are trying to put the cattle industry on a fair basis as compared to other lines.

Senator COUZENS. Do the packers disapprove of this tariff on hides?

Mr. VASS. President White, of Armour, made a statement at the meeting of the American Association, the national meeting in Frisco, that they were against the tariff on hides. I think it is true that the packers have rather large interest in some of the tanneries and the other steps down the line, and they are in favor of free hides.

The difficulty is that the livestock interests are not well organized, interests. They should be working harmony.

Senator THOMAS. You said that you came here also on the wool schedule. Do you see any difference in the principle of a tariff on hides and a tariff on wool?

Mr. VASS. I have been trying to do a little studying on this tariff in the last few days in getting ready for this hearing, and I will be frank to say that I have not been able to see any noticeable difference in the principles.

Senator THOMAS. A tariff on wool helps the sheep industry, and therefore, naturally, a tariff on hides would help the cattle industry.

Mr. VASS. I think that that is a safe assumption.

Senator WALSH. Does that not depend on the fact that in the case of sheep there is not an entire production of the consumption, while in the case of cattle there is a complete production of American consumption?

Mr. VASS. That has been true in the past, and in the past the tariff on cattle would not have been noticeably effective. But at the present time I think that we have reached the point in the cattle industry where we are not producing enough for our own consumption. The number of beef cattle at the present time will not produce over 32 pounds of beef per capita. The other 25 or 30 pounds is made up from dairy animals and from imports.

Senator COUZENS. If this embargo keeps up, we will have to have some meatless days.

Mr. VASS. It is very easy to increase cattle production. The farmers of the Middle West can increase cattle numbers very rapidly. The embargo will mean better prices than we have had in the past, but perhaps not as good prices as we have now, if we should exclude all meats.

The present favorable prices would cause an increase of production which would bring prices down; I do not think that there is any doubt about that.

Senator THOMAS. At this time do we produce our demands in wool? In other words, are we producing all the wool that we need in this country?

Mr. VASS. We produce about 70 per cent in the grades we need.

Senator THOMAS. Has there ever been a time when we filled the entire demand?

Mr. VASS. No. That brings up a question on hides in regard to our imports. We produce, I believe, about two-thirds of the hides we use, and there is a very large percentage of exports. I have not been able to find definite figures of how many pounds of those imports are exported. We can find the number of shoes.

But I am inclined to think, from the figures that I have been able to secure, that we export a very large percentage of the hides we import in the form of shoes, leather goods, and leather.

Our industry then becomes a little different from one that just involves the United States.

I would say that if we placed a tariff on hides and would limit our manufactures to the products used in America the importation of hides would be less. It would be under that condition comparable with wool.

In our State we have studied about 140 cattle ranches, running about 500 head of cattle, and we have the figures on the cost of production.

There are one or two points I do wish to touch on, Mr. Chairman. It seems as though the leather manufacturers have made a special issue of this free-hide proposition. I was rather interested in the House hearings before the Ways and Means Committee. There are 160 pages there in regard to protection on leather and about 5 pages of testimony of the American Farm Bureau Federation in regard to a tariff on hides. At this hearing this morning there are two speakers on hides, and I think that industry involves probably 4,000,000 people. There are some 50 speakers who will follow me regarding the tariff on manufactured leather goods. So you might come to the conclusion that the stockmen are not interested in the tariff. I have attended State and national meetings frequently, and I find that the stockmen do feel rather strongly in reference to the tariff. In fact, they have a great deal of faith in the tariff on hides.

Senator THOMAS. The statement is frequently made here that if a tariff is placed on hides it will mean an additional cost of leather goods to the farmer and the cattle raiser, for example.

Mr. VASS. Perhaps you have received this publication put out by the boot and shoe manufacturers, sent to Senators, in which they state that with a 10 per cent duty, would mean a return of \$9,000,000 to the farmer, but they say the cost of the duty to the American people would be \$80,000,000, and they go on to explain in detail what the cost would be to the consumer and how it would mean that additional cost to the people. That is absolutely ridiculous, and it is almost an insult to any thinking American to work out figures of that kind.

So far as I have been able to find in the leather reports there is nothing to show where they got this \$80,000,000.

Senator THOMAS. If it should work out that way, is that any different result than would come from the duty or tariff on wool or any other commodity?

Mr. VASS. That same claim has been made regarding wool, but it has not worked out that way.

We find that the increase of the price does not follow the pyramiding to that extent. There is not much pyramiding under the tariff. That is the reason we have tried to base our arguments on what has happened in other lines of industry which are similar.

This report by the boot and shoe manufacturers, I say, is very misrepresentative. It shows a gross cost of \$80,000,000. On that basis the present tariff on wool would cost the American people something like \$250,000,000, which, of course, is very erroneous.

To answer that question, I have worked out the cost of the tariff to the average farmer, say, the dairy farmer, who has 30 head of cattle. A man who has 30 head of cattle would have approximately 300 pounds of hides to sell, and a 6-cent duty on hides would give him a return of \$16.20, figuring the tariff approximately 90 per cent effective. There is not much use to figure it 100 per cent, for it is never 100 per cent effective.

Then, we have figured that the average family on the farm use 1.4 pair of working shoes and 1 pair of other shoes. Those shoes would cost, on the basis of the increased duties on hides, \$3.12 more, and the return would be \$16.20 more; that is, allowing the tariff as being 90 per cent effective.

Senator THOMAS. You are using the cost of the raw material?

Mr. VASS. I am talking about the raw material; yes, sir. In the case of other things, we have allowed \$2.28 for leather and harness, which would make a total of \$5.40, with a return of \$16.20. Now, if we do allow any pyramiding on those products on a percentage basis, we could still allow 50 per cent for pyramiding, which would certainly cover almost any dealer who is entitled to consideration.

Senator THOMAS. In order to be entirely fair, take a farmer who has no herd of 30 cows but gets his milk out of a can. That farmer would be taxed this \$5 for the additional cost because of the tariff on hides; does not that naturally follow?

Mr. VASS. That would be true, but if we allow this 50 per cent increase for pyramiding, we have a cost of \$8.16, with a return of \$16.20, or still a gain of 50 per cent. That is to say, in other words, any farmer in the United States who has 10 head of cattle will profit by the tariff on hides rather than lose by it, and that will take in four or five million farmers out of a total of 6,000,000.

Senator THOMAS. Conceding that the statement you are referring to is true, that is, the statement put out by the boot and shoe manufacturers' association, is not that exactly in harmony with the results produced by every tariff rate without deviation or exception?

Mr. VASS. It is exaggerated.

Senator THOMAS. If that is exaggerated, the principle naturally follows. You deny the figures, but the principle is the same?

Mr. VASS. I admit that as a rule there is a little increase over what the duty actually is. It costs some one something in the line of profit; you can not have \$40,000,000 coming in without some one getting it.

I object to figures of that kind because they give the wrong impression. We try to keep our figures to the facts as nearly as possible.

Senator WALSH. You speak of the pyramiding of prices under the tariff. Is it not a fact that in that pyramiding to the last dollar of prices under a tariff it is necessary to have control of the output, for an emergency, in times of short production, to make that tariff effective, and in times of overproduction it is not effective; is that not true?

Mr. VASS. I would say excessive pyramiding should be prevented.

Senator WALSH. And the reason why the clothing industry has not engaged in pyramiding prices is because of the overproduction of clothing, and the fact that it is not a monopolizing industry; is that not true?

Mr. VASS. Yes.

Now, in regard to the ad valorem duty, I feel that a straight rate would be preferable. Our objection to the ad valorem duty is that it places a value on a product which is flexible, and it means that that value has to be determined by some one in between the exporter and the importer, and there is always a tendency, where there is a chance to deprive the Government of some of its resources and drain them into private interests, there is always a tendency to juggle those values as they come in the United States.

Our second argument is that ad valorem duties fail in that they give small protection when prices are low, when you need it most, whereas they give high protection when prices are high and you need it least.

The third argument we have in regard to the ad valorem rate is that it does not give what it is supposed to give, a duty which represents the difference in the cost of production at home and abroad.

There have been arguments advanced as to why we should not have a tariff on hides. As I say, I feel that the more you study the situation the more you will feel that hides compare with other products in regard to the tariff, and so far as the leather manufacturers are concerned, I might say I do not believe the cattle men would expect a tariff on hides and free manufactured goods, and why the leather manufacturers should insist on free hides and a high protective tariff on their manufactured goods is rather hard to understand.

But in behalf of the cattle growers of the United States—and the larger percentage of them are in the Mississippi Valley, a region where we hear more about farm relief than in any other part of the country—we do feel that a duty on hides should be given in order to keep the cattle industry in line with other industries.

Senator KEXES. You recommend 6 cents on green hides and 10 cents on dry hides?

Mr. VASS. Yes, sir.

(Mr. Vass submitted the following brief:)

BRIEF OF THE WYOMING STOCKGROWERS' ASSOCIATION

A study of the beef cattle industry during the last eight years brings out the fact that the financial losses to the cattle producer have been great and that a large per cent of the cattle and ranches have passed into the hands of loan companies. The men who have remained on the ranches have heavy mortgages on the land and cattle and will in most cases require several years of present prices to get back to where they were in 1914.

These heavy financial losses are the result of producing beef at a cost of over 3 cents more than the price received during the 1921-1926 period, or until the embargo was placed on imported meats.

It is a well-recognized fact that our cattlemen were not able to pay their operating expenses during the period from 1921 to 1927, and in a great many cases lost not only their cattle, but also their ranches due to foreclosure. Hundreds of country banks have also gone under with the cattlemen. You may ask why do they continue to raise cattle if they lose money?

Those who can turn to some other enterprise have done so, which is well illustrated by the fact that the number of beef cattle per capita in the United

States has decreased from 66 head per 100 population in 1900 to 28 head of cattle per 100 population in 1929. This 58 per cent decrease in the number of beef per capita during the last 28 years is well worth the careful consideration of this committee, and this Congress that has been called to consider the possibilities for improvement in the agricultural situation. There is not another agricultural industry in the United States unless it be the wheat-producer who has operated under such adverse conditions during the last nine years as have the cattlemen.

The favorable prices of beef cattle during the last two years have been a great help to the cattlemen who were fortunate enough to be able to take advantage of the better prices. Some, however, can not secure financial aid under the uncertain conditions which exist under the present embargo. The embargo may be removed whenever the President and Secretary of Agriculture so desire, and with its removal, in the absence of a favorable tariff, prices will immediately drop back to the unprofitable level.

The beef cattle industry in the United States can not function efficiently unless given the same consideration as is given to other lines of industry. The number of beef cattle in the United States is not sufficient to supply our own needs. There are sufficient numbers to supply about 33 pounds of dressed beef per capita. The remainder must be supplied by dairy cows and importations from abroad.

Extensive studies have been made of the cattle industry in the State of Wyoming. One hundred and forty ranches on which were run 75,000 head of cattle were included in the studies. These studies show that the cost of producing beef is \$8.65 per hundred pounds live weight for all classes of beef. As steers sell for about \$2 above the cows and heifers, the price for which the steers must sell in order to pay cost of production is \$9.65 per hundredweight. The cows and heifers must sell for \$7.65 per hundredweight. This places the American producer at a disadvantage when competing with countries in which the cost is much below our own.

The cost of producing beef in Argentina is relatively low because of cheap land and labor, a fertile soil, and a mild climate. The cost of production of a chilled beef steer delivered to the freezing plant is estimated by the subcommittee of the Rural Society of Argentina in Comercio Exterior de Carnes 1927 at \$61.04. The average weight of steers for chilling is 1,146 pounds. This gives a cost of production for steers delivered at the chilling plants of \$5.33 per hundred. The average cost of producing steers on Wyoming ranches is \$8.65 per hundred to which must be added a marketing charge of \$1 per hundred, making a total of \$9.65 per hundred for producing and delivering steers at the packing plant.

The above figures show rather conclusively why the embargo has influenced prices and why the beef producers of Argentina have a 4-cent per pound advantage over our western stockmen in producing steers. They produce live steers (including meat and hides) at a cost of \$4.32 below our own.

This differential cost of \$4.32 per hundred pounds between domestic and imported beef is what held down our beef prices until the 1927 embargo on meats was put into effect.

A 4 cent per pound tariff on live beef is being requested and a 6 cent per pound tariff on green hides, and a 10 cent per pound tariff on dry hides, in order that the cattle industry may be placed on a fair basis with other industries.

The 10 per cent ad valorem duty suggested by the House is looked upon with disfavor by our stockmen. In the first place, it is too small to be of much value, and in the second place an ad valorem duty is not satisfactory because, first, it introduces an additional factor which is subject to error, namely, the placing of the proper value on the goods. There is a strong probability of undervaluation of imports when it means a loss to the Government and a profit to the importer; second, there is a variation in the amount of the duty with every change in price and the duty thereby fails to fulfill the purpose for which it was levied, in that it does not represent the difference in the cost of production in foreign and domestic countries; third, it affords a low tariff when tariff is most needed and a high tariff when there is the least need for it.

We can not understand the attitude of the leather and shoe manufacturers in expecting a protective duty on their manufactured goods and still asking for free hides. The cattlemen are not asking for a tariff on hides and expecting manufactured leather goods to come in free. The publications that have been

put out by the Boot and Shoe Manufacturing Association have misrepresented the effect of tariff on hides.

The pamphlet put out by the National Boot and Shoe Manufactures seems to be opposed to allowing the farmer even 10 per cent ad valorem on hides and says that the 10 per cent would return to the producers \$9,304,396, and would at the same time cost the consumer \$80,077,510. This loss seems to be a case of pyramiding with a calculator, without regard for the truth. It is an old argument that has been used against other tariffs, but it has never worked out that way on articles which now have a tariff.

The argument has continually been made that a tariff on hides would be detrimental to the dairy farmer of the East and the general farmer of the Corn Belt. The above statement is not well supported by the facts.

The articles by the Boot and Shoe Manufactures goes into great detail to figure out to the last dollar just what will be the loss to each of the individual States on a 10 per cent ad valorem tariff on hides. Even Wyoming whose chief resource is livestock is shown to have a loss of \$35,533, whereas the actual facts of the case show there would be a substantial gain to Wyoming as well as to all other States which produce beef and dairy cattle.

The annual return from a 6 cent per pound tariff on the hides produced in Wyoming would be approximately \$750,000 which would be five times the amount of the cost of the tariff to a livestock state such as ours.

Take, for example, the farms on which dairy cows are an important source of income. Such a farm would have on the average some 20 head of cattle from which there would be approximately 300 pounds of hides to sell each year. If we figure the tariff 90 per cent effective, and we have nothing to show that it would not be, the increase from hides would be \$16.20. The average farm family of four people using 1.5 pair work shoes, and one pair of other shoes, would have their shoe costs increased \$3.12 per pound due to the hide tariff. There would be some harness and other leather supplies on which the tariff would cause an increase of \$2.28 or a total of \$5.40. This cost is only one-third of the gain due to the tariff.

The above is based on the supposition that there would be no pyramiding. If we allow 50 per cent increase for pyramiding there would still be a saving of \$8.10 to the farmer. The farmer therefore with 10 head of cattle will reap a benefit from the tariff on hides, and the more cattle he has the greater the benefit. The number of farmers in the United States who do not have 10 head or more of cattle represent a very small per cent of the total number of farmers.

Another erroneous statement commonly made by the advocates of free hides is that the price of hides has no effect on the value paid the farmer for the live animals, and give us proof that the price of hides may go up while the price of beef declines. The above statement means nothing. There may be two distinct factors influencing beef and hide prices and may cause them to move in opposite directions.

That the price of hides do influence the price paid the farmer for the live animal is shown when we study the movement of the prices of meats, prices of hides, and the price paid the producer for the live animal. Take for example the period 1912 to 1916. The price of hides increased greatly, the price of the live animal to some extent and the price of meats less than either of the above.

When the value of the hide is given its proper relation in regard to the animal we find that the increase in hide prices was reflected directly in the value of the live animal. The hide is an asset to the packer and as such is given its proper weight. Packing houses operate on the basis of making a certain per cent on the turnover. The greater the value of the hide the more they can pay for the animal.

Arguments that apply to other tariffs apply equally well to hides. Hides are part of the animal the same as wool and should carry their share of the cost of production. There have been times in Argentina when hides were the chief source of receipts from their cattle. The argument that a tariff on hides would result in the use of substitutes has very little weight. The same argument applies to all tariffs, and much less to leather than to many other articles. A book on skins and hides, published by the Hide and Skin Industry, says: "There are many substitutes for beef but no alternative for leather."

A favorable tariff of 6 cents per pound on green hides would increase the annual value of our cattle products approximately \$48,000,000 which would be distributed among some 4,000,000 farmers in the United States, the greatest number

of which are in the Middle Western States. It would give assistance to an agricultural industry which involves some 4,000,000 workers and represent some \$25,000,000 in capital.

Hides should carry their share of the protective tariff needed on cattle. It would not be fair to charge all of the loss to beef in order that our leather manufactures may have free hides. Food is fully as important as leather goods, and those who indulge in luxuries are more likely to do so in wearing apparel rather than in food.

If it is necessary that the leather manufactures have free hides and a high duty on their manufactured products it may be advisable to make some adjustment in the leather industry. Should an industry which represents some 6,000 owners and employs some 300,000 workers be given a consideration which would be detrimental to some 4,000,000 owners and workers in another industry?

Another reason for a tariff on hides is the very low price of country hides. One dollar to one dollar and fifty cents is about all the small buyer claims that can be paid the rancher, and this is hardly enough to pay for the removal of the hides. It would seem advisable to insure a market for our own products and thereby prevent waste, before encouraging heavy importation.

On the above facts, we indorse the 6-cent tariff on green hides and 10-cent tariff on dry hides.

**STATEMENT BY HON. TASKER L. ODDIE, UNITED STATES
SENATOR FROM NEVADA**

Senator ODDIE. The committee has before it my amendment to H. R. 2667, providing for a duty of 6 cents per pound on green hides and 15 cents per pound on dry hides.

Since the introduction of this amendment, I have made an extensive investigation to determine whether the relationship between the duty on green hides and dry hides is properly proportioned, and have found that in view of the relative quality of dry and green hides and the added expense of getting dry hides into condition, the 15 cents per pound provided in my original resolution should be reduced to 10 cents per pound, so that the amendment would provide, in effect, 6 cents per pound on green hides and 10 cents per pound on dry hides.

The authorities of the Tariff Commission and of the American National Live Stock Association concur in this ratio.

The livestock industry is an extremely important factor in the State of Nevada. There can be no question but that this item of hides comes strictly within the administration's program to readjust agricultural products on a basis more nearly on a parity with the existing tariff on manufactured and other products. The 10 per cent ad valorem duty which the House has provided for is a seriously inadequate protection. Based as it is on foreign valuation, the duty might vary from a minimum of less than 1 cent per pound to a maximum of no more than 2 cents per pound. The factor of variation in itself destroys in large part the value of a duty on the ad valorem basis. In view of the fact that hides are dealt with on a weight basis, it would seem highly desirable to provide for the duty as presented in my amendment, of 6 cents per pound on green hides and 10 cents per pound on dry hides.

The rate of duty has been carefully analyzed by the authorities of cattle organizations and represents the minimum which should be allowed in order to afford the necessary protection. Should this amendment be adopted it would be a great insurance to the normal development and the greater stability of the cattle industry, which is subjected under present conditions to serious ups and downs

because of inadequate protection. The duty on hides provided in my amendment, under certain economic conditions which have occurred in the past and which are bound to arise in the future; might well mean the difference between profit and loss, and, consequently, this item, small as it is in relation to the entire value of the animal, becomes of great importance as a factor in the prosperity of the cattle industry. Furthermore, if the cattle industry can be rendered more economically independent and more stable, it will afford an increased market for hay and cereal products, and thereby materially assist in creating more favorable market conditions for them. This, I take it, is one of the primary objects of the present consideration of the tariff for the relief of the agricultural industry. On the other hand, a failure to provide adequate protection for hides will accentuate the economic disadvantage with which the cattle industry is now struggling, tending further to reduce the herds.

In time, and in the not distant future, this lessened production of cattle would result automatically in increasing the price of all cattle products to the consumer. I, therefore, urge upon the committee the great importance of considering and adopting this amendment.

There are many technical details which should be made available to the committee, and I bespeak for Mr. F. E. Mollin, an authority on this subject and secretary of the American National Live Stock Association, your kind consideration.

STATEMENT OF F. E. MOLLIN, REPRESENTING THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION, DENVER, COLO.

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

Mr. MOLLIN. Mr. Chairman and gentlemen, I am secretary American National Live Stock Association; Headquarters, Denver, Colo. We represent the entire western range cattle industry. We have associated with us all the western State live stock associations, Nebraska, South Dakota, and all the States west of there, including Texas and New Mexico and Colorado.

I am specially authorized to appear for the Kansas State Live Stock Association. Mr. Mercer, their secretary, was here last week and asked me to appear for them. It is a large association and I wish to read this message from the National Live Stock Producers Association, Chicago. It says:

In discussing the tariff on hides you are authorized to represent the National Live Stock Producers Association with its 250,000 members located in 28 States, the majority of the membership being confined to 10 Corn Belt States.

They are a cooperative organization.

Mr. Chairman, when the special session of Congress was convened for the express purpose of passing farm relief legislation and a limited revision of the tariff, in order that the discrimination which has for years existed toward agriculture should be removed, we all thought there was no question but what hides would be taken from the free list.

Senator WALSH. Would you not be willing to have that paper printed?

Mr. MOLLIN. Well, Mr. Senator, there are only two of us that are appearing for this whole hide matter against some 50 witnesses on the other side, and in order to develop any argument or to get our statement across it does seem that we ought to have a few minutes to present it.

Senator WALSH. I agree with you. You can have a week if you want it, but there are 25 or 50 men here from all over the country as against your 2 witnesses.

Mr. MOLLIN. I am very sorry to ask for this permission, but Mr. Spiller and I are both scheduled to appear in Chicago to-morrow for semiannual meeting of the National Live Stock and Meat Board, and if we waited until after the meeting of the board we would have missed your hearings, and for that reason we asked this permission. In Senator Watson's committee I was about the seventh witness scheduled and I waited four days for an opportunity to appear and I made no word of protest.

Senator KEYES. You were more fortunate with this committee.

Mr. MOLLIN. Yes. If I am allowed to present this—

Senator COUZENS (interposing). I do not just get the object of reading it and putting it all in the record too.

Mr. MOLLIN. The statement that I am reading is entirely apart from our brief, and the point is this: For 20 years hides have been on the free list and the situation in regard to hides has been very much misunderstood. It has been cited as a farm problem and a problem that would not benefit the farmer. It is a livestock problem, and there are several points along that line that I would like very much to develop with your committee, in order that you might ask questions and bring out the full facts. It will take perhaps 15 minutes.

Senator WALSH. We are dealing with so many subjects here that I for one, as one member of the committee, would not remember two days from now much of what you have said, but I will have in the record what you have said and I will study it and think about it. The idea of your oral argument being more impressive than what you say in writing is not well founded.

Mr. MOLLIN. The only object I had, Senator, was in the hope that if I had not made myself entirely clear, we would have this chance of further explaining our position.

Senator WALSH. It is not fair for us even to ask questions of you in the absence of these other witnesses that are coming here on Friday to speak on this subject. All the manufacturers are to be here on Friday, and it is not fair for us to go into a discussion with you without them being present to hear the discussion. However, I do not care to be an obstructionist.

Senator KEYES. Can you not very briefly touch upon just a few items that you want to emphasize, that are covered in your brief?

Mr. MOLLIN. Well, I can. Of course, it will not do our case justice, but I will skip down to—

Senator KEYES. We do not want you to feel that you are not being treated fairly.

Mr. MOLLIN. I am very sorry. When I came down here a week ago Saturday I was advised by wire that our case was coming up, and I assumed that hides were being considered along with cattle. For that reason I have had to wait here nearly two weeks, and if it were not for this meat board meeting in Chicago I would be very glad to

wait, but that is a specially important meeting, on account of a big advertising program that has come up, to try and do something toward advertising the greater use of beef, and there are so many angles to it that it is almost necessary that I be there.

Senator KEYES. Well, go ahead, Mr. Mollin, but please be brief, as brief as you can.

Mr. MOLLIN. It is charged that a duty on hides would not benefit the farmer, and yet every livestock, farm, and dairy organization of any consequence is earnestly urging you to give them a satisfactory duty. I firmly believe there is no other single item in the bill on which the benefits of a duty would be felt as quickly and as widespread as on hides. Every stockman, every dairy farmer, and every farmer-feeder of consequence would directly benefit. It is true that certain fruit, vegetable, and grain farmers are not interested or would not benefit, but they are given protection in their own schedules, should not be, and are not, opposed to a duty on hides.

Now, if we were to apply the same tariff to any other item in the agricultural schedules, as to whether every farmer would benefit, we would not have any protection at all. The device used to show relative unimportance per farmer by dividing the average annual take-off of some 15,000,000 hides by 6,000,000 farmers, including those most directly interested, is tricky to say the least; nor do they include the annual take-off of some nine or ten million calf and kip skins.

Of equal merit is the claim that the annual shoe bill would be increased from \$100,000,000 to \$150,000,000. When we recall that they assert that the farmer will not benefit, isn't it passing strange that some one does not appear to claim this huge sum. The packers have long been on record in opposition to a duty; the leather and shoe trade were likewise practically unanimous in opposing it and filled many pages of the record of the House committee hearings. What better proof is needed of where the duty will go—namely, to the producer, where it belongs.

Now, I will skip some of this matter, if I may file this statement later, but there are two or three things that I would like to read. Here are some quotations from a statement of the Federal Tariff Commission in 1922, on the subject of hides, in which they say:

Hides and skins are the most important by-products of the meat-packing industry; in the case of cattle about 6½ per cent of the live weight consists of hides, and about 11 per cent of the value of the live animal is in the hide.

In this connection the position of the packer may be contrasted with that of small butchers and local packers. Hides removed by most of the latter, and by all of the former, are classed as country hides, which also include those removed by farmers and ranchers. In fact, country hides may fairly be taken as a trade name for those removed in establishments not subject to Federal inspection. Such hides, therefore, constitute about 40 per cent of those produced in the United States during recent years, and approximately 25 per cent of the consumption.

The relative values of dressed meat, hides, and other by-products may vary considerably from time to time, according to the changing supply of and demand for the respective products. However, in order to give a rough indication of a normal situation it may be said that the meat packer obtains about 79 per cent of his total returns of the beef-packing end of his business from the dressed meat carcass, 11 per cent from the hide, and about 10 per cent from a large number of minor products, such as tallow, oleo oil, stearin, casings, and the like.

In the long run, therefore, higher hide prices, like higher beef prices—only to a lesser extent—mean that higher prices can be paid for live cattle. Though

temporary or short time variations, arising from local or other conditions, may cause the price of hides to move one way and the price of live cattle in the opposite direction, nevertheless, over a period of years the two price curves show a fairly close relation. On the basis of yield, a 1,000-pound steer of fair average quality will yield about 550 pounds of dressed carcass and 60 pounds of green hide. An increase of 1 cent per pound in the price of hides is equal to a credit of about 11 cents per 100 pounds on the dressed beef, or 6 cents per 100 pounds on the live weight.

Briefly, then, there appears good reason to believe that competitive buying in the livestock markets forces the packers to pay the true market value for live cattle purchased and for the hides they carry.

It has already been indicated that, owing to the necessity to import nearly one-half of the hides and skins required, a tariff on hides probably would raise the price of domestic hides over the foreign level laid down in our ports by approximately the amount of the duty, assuming that there is a world hide market.

This is well shown by the fact that, owing partly to high freight rates, during 1921 country hides often had little or no value at country points, while in the markets they sold for only 50 to 60 per cent as much per 100 pounds as packer hides. Normally they sell for 80 per cent of the packer price. The immediate effect of a duty probably would be a temporary restriction of imports. Heavy stocks on hand in the United States should then move more freely and country hides should be in greater demand than at present. Their price then should rise relative to packer hides until approximately the normal price relation was reached.

The figures contained in the above are average ones; as you get to the cheaper classes of animals, canner and cutter cows culled from our range and dairy herds, the percentage of value of the hide to the animal is much higher. Attached to our brief is a chart showing that the relative value of hides to such animals averages from 25 to 35 per cent, and late in 1922 was as high as 46 per cent. In the great campaign that has been under way in recent years to rid the bovine herds of tuberculosis, the hide is the principal item of value in the salvage of a condemned animal. I could give you many instances from my own observations on the Omaha and Chicago markets that clearly indicate the packer considers the hide as one of the important price-determining factors. Anyone who asserts to the contrary is simply exposing his total ignorance of the practices that prevail in our great cattle markets. To assert that the packer will pocket the duty is of equal density. I hold no brief for the packers. Happily to-day there is a better feeling between the producers and the packers than for many years. But we have fought them in the past when occasion arose and will do so again in the future, if necessary.

Senator THOMAS. Let me ask you a question right there. An animal that dies from some contagious or infectious disease, does that injure the hide?

Mr. MOLLIN. No; of course, in the case of foot-and-mouth disease there would not be any chance to skin the animal, but in any other diseases with which I am familiar there is no restriction on taking off the hide. Even in blackleg, if you want to, you can remove the hide. I am not familiar with anthrax. We have never had it to contend with in our country, and there might be some restrictions on anthrax.

Senator THOMAS. Then it is your testimony, your judgment, that an animal dying from some natural cause, the fact that death was caused by natural causes does not injure the hide?

Mr. MOLLIN. Oh, no. But, unfortunately, during recent months—and there are periods like that too often—they do not remove the hides because they are not worth taking off. And that is one of the principal points we have got here in this argument, and I will touch on that briefly, in just a moment.

I want to say this in regard to the packers: Fairness, however, compels one to say that their percentage of profit is small and their volume big. If we were going to assume that they were going to pocket a duty of \$2.50 or \$3 on a hide, that would be two or three times the amount they make on a big fat steer now. Their percentage of profit, I think, is about 1 per cent on total sales—at least, that is Armour's percentage.

The effect of such an unstable market on butchers and small packers is very severe. They do not have the connection with the tanning industry that some of the large packers have, nor the resources to hold their take-off in the cellar indefinitely awaiting a more favorable market. Hence, they are often forced to dump them just when the market is at its worst. One small packer in Kansas, handling about 200 cattle a week, recently told a member of our executive committee that the hide situation was so unsatisfactory he would like to get out of the business. I had a letter recently from a butcher in the East suggesting that in our efforts to secure a tariff on hides it would be very easy to organize the butchers and small packers of the country to cooperate with us, as the recent disastrous market had played havoc with them. I did not follow this suggestion simply for the reason that I desire to appear before you strictly in the interest of the producers themselves.

When the hide market is on a fairly even keel, I do not believe the value of the hide has much effect on the price of dressed beef, but when we run into these demoralized conditions, and the butchers and packers have difficulty in disposing of their take-off, quite naturally in the adjustment period they attempt to make the dressed-beef carcass carry an increased burden. This tends to retard distribution, as beef, especially at current levels, is very sensitive to any undue influence.

In February, 1929, hides were about 10 cents per pound less than in February, 1928. A representative of Armour & Co. told me last week that due to this condition they stood a loss of about \$1,000,000 in six weeks.

While it is true that farmers use less leather as tractors displace horses, our human population is increasing steadily and our cattle population has decreased about 11,400,000 since 1921. With some new uses, such as leather jackets, etc., to offset the possible losses, we have nothing to fear from lack of demand.

The argument that a duty on hides would increase the cost of shoes is applicable to every item on which a duty is levied. The actual effect on shoes is somewhat problematical. The strenuous campaign to keep hides on the free list indicates that the manufacturers of high-grade shoes, who have been the most active, anticipate some difficulty in passing the duty on to the public. In the past they have benefited by the fluctuations in the hide market. The even tenor pursued by shoe prices shows that they have failed to pass on to the consumer any of that benefit. In fact, the hide is a minor item in the cost of a pair of shoes. There is about 3½ pounds of raw hide in an average pair of shoes. It serves as a screen for advertising, patent-machine rent or royalties, labor, and profits which comprise

the greater part of the retail cost. Stabilize the price by placing a duty and they will not enjoy that advantage any longer. It is interesting to note from the Bureau of Labor Statistics that in spite of a 31-cent duty placed on wool in 1922 the index figure for boots and shoes, from 1913 to 1927, has advanced 48 points, while that of wool and worsted textiles has only advanced 43.9 points. Hides and skins in the same period have only advanced 13.6 points.

Now here is a most important thing, to my mind. The most serious element in the whole situation is the waste that prevails in this country under the present system. The situation that existed in 1921, when according to the Tariff Commission report, hides had little or no value at country points, exists again to-day. I was in the Northwest recently, and on June 4 the Seattle Post-Intelligencer quoted green country hides at 7 cents per pound in that market. Deduct 2 cents for a handling charge and they are not worth enough to pay a rancher at any distance from the railroad to skin dead animals. Representative Hudspeth, of Texas, told me recently that a foreman in his district sold 1 dozen hides at 75 cents each. A man from Wyoming Saturday told me a rancher friend of his had just been offered \$1.50 each for some hides. Mr. Will J. Miller, president of the Kansas Live Stock Association, testified last Friday before Senator Watson's committee that hides were not worth enough in his country to pay to skin dead animals. Yet, for every hide of the thousands thus wasted during these recurrent depressed markets, due to excessive importations, we import a foreign hide to take its place. Place a duty on hides so that we are no longer the dumping ground of the world, and the first effect will be to bring country hides up to their proper position relative to packer hides and make them worth enough so that none will be wasted.

In spite of statements to the contrary in the House Record, all but two nations producing hides or skins to any extent collect a duty on imports, according to a speech of Congressman Sloan on the subject. They are dutiable in Bulgaria, Greece, Portugal, Russia, Spain, and Switzerland, comprising more than one-half the area of Europe. They should be here in line with our oft-stated policy of protection.

Hides and skins are strictly competitive and a duty would be at once effective. Only four other products, namely, raw silk, coffee, crude rubber, and cane sugar are imported into this country in larger amounts.

The amendment adopted by the House is far from satisfactory. In the first place we want a specific rate, not an ad valorem one. We import hides from almost every country in the world and an ad valorem rate—unless very high—would be of little value in many cases. Next, we want a real duty, not an imaginary one, such as the proposed 10 per cent rate. The figures furnished to Congressman Ramseyer by the Tariff Commission indicate that the duties allowed on the various kinds of leather are from one and one-half to five times a compensatory duty to the 10 per cent rate on hides. The duty allowed on shoes is between five and six times a compensatory duty to the 10 per cent on hides.

We have no desire to suggest what the rates on leather and shoes should be, but certainly the house bill is unfair. It appears from the record that certain groups in the leather trade, particularly the calf tanners, are in need of some help. The element in the shoe trade who are in distress must be a small minority, as our imports of those are less than 1 per cent of our production, and most of their fight has been for free hides and not for protection. Apparently the bulk of their troubles are due to the overexpanded condition of the industry in this country. Taking a 6 cent duty on green hides, which is what the livestock people generally are asking, it would take about 25 per cent ad valorem on sole leather, 12 per cent on belting leather, 18 per cent on harness leather, and 12 per cent on shoes to compensate. To these rates can be added whatever measure of protection you found necessary. Our only request is that the rates be reasonable so that they can not be used as an excuse for killing the whole schedule as was done in the last tariff fight. I think it was killed in conference on account of high rates on leather and shoes.

It is apparent that the situation is changing somewhat and that eventually there will be a united demand for protection. Stockmen would long resent being denied suitable protection until such time as the other interests demanded it—in other words, being treated as a pawn in the shoe and leather trade game.

We need to stimulate the production of cattle, or we will soon face a serious situation. Fortunately, we will have a ready home market for both the beef and the hide increase and favorable action by your committee will have far-reaching effects in the future of our industry.

To show how easy it is to get signers to petitions, regardless of whether you can fulfill the promise made therein, we also tried it. We placed blanks, similar to this sample in 50 retail meat shops in San Francisco, stating that a tariff on hides would result in cheaper beef, and in one week secured 5,218 signers. That statement is nearer the truth than the statement that free hides will mean cheap shoes, as a duty on hides would have a stabilizing influence on the market that would be of benefit to all concerned, producer, packer, and consumer.

The graphs I am filing with my brief show vividly the effect on importations of the removal of the duty in 1909. Even ignoring the war period the figures are startling.

It is our earnest hope that you will satisfactorily adjust the entire schedule.

Senator THOMAS. What do you recommend?

Mr. MOLLIN. We recommend 6 cents a pound on green hides and 10 cents a pound on dry hides.

Senator KEYES. And the House bill is 10 per cent ad valorem?

Mr. MOLLIN. Ten per cent ad valorem. And at the present time that 10 per cent ad valorem would probably range from less than 1 cent a pound to not to exceed 2 cents a pound. There seems to be a wide variation in foreign values. I do not have the 1928 figures. The Department of Commerce could not give them to me when I asked for them recently, but they run from 8 to 20 cents in the 1927

figures, and if we get a flat rate per pound, then we know just what protection we have.

Senator KEYES. Did you ask 6 cents a pound in the Ways and Means Committee?

Mr. MOLLIN. We did, unfortunately, not make an appearance before the Ways and Means Committee on the free list, and we appeared in January, when they were considering meat schedules, and incidentally mentioned the question of hides, but we really made no argument on it at all. But that was the rate we asked, 6 cents on green hides. We asked at that time 15 cents on dry hides, and we have since found that that is unreasonable, compared to 6 cents, and we have reduced that figure to 10 cents, which seems to be in line with 6 cents on green hides. They figure 2 to 1, that a dry hide will double in weight to get on a green-hide basis. But there is some expense of bringing it back, and there is some difference in quality. Dry hides are not as desirable, I am told, as the green hides. Therefore, instead of doubling the 6 to 12, we have taken off 2 cents to cover that extra cost and the less desirable quality.

Senator THOMAS. What does the average green hide weigh?

Mr. MOLLIN. The average green cattle hide weighs from 45 to 50 pounds. I think that takes the average for the country. Of course, everything from 25 pounds up is classed with cattle hides. Many fat steer hides would weigh up to 75 pounds, or even more, but I think the total averages are 45 to 50 pounds.

Senator THOMAS. What would an average dry hide weigh?

Mr. MOLLIN. Well, very close to cutting it in two. The figures don't vary a great deal, and the Federal Tariff Commission in converting dry hides on to a green-hide basis to estimate the total imports, figure on a 2 to 1 basis.

Senator THOMAS. That is 25 pounds for a dry hide?

Mr. MOLLIN. Yes; compared with 50 for green hides.

Senator THOMAS. Will you give the range of prices for hides during a term of years, if you have not already done so?

Senator COUZENS. Is that in your brief?

Mr. MOLLIN. No; it is not. Well, to go back to 1921, starting with January, heavy native steer hides were quoted at 17 and a fraction, and they run along—they drop down to 13 and 14 cents during the balance of 1921. In 1922 they got up to 20 cents, and there seems to have been quite a variation from 15 to 20 cents a pound during 1922.

Senator THOMAS. Have you a schedule there giving a range during past years?

Mr. MOLLIN. I could file this if you would like to have it.

Senator THOMAS. Yes; I would.

Mr. MOLLIN. I will make some notes on it that will show it a little plainer. It shows the price of the light native cowhides and also of heavy native steer hides, two classes, and then this runs up to include 1928. Now, I have information since that time—you take January, 1929, heavy native steer hides started in at 22 cents a pound—

Senator THOMAS (interposing). What I wanted, if you will prepare some sort of a statement and insert it in the record at this place, to give the range of the price of hides in recent years.

Mr. MOLLIN. I just wanted to mention that from January of this year until May 11 they dropped from 22 cents to 14½.

Senator THOMAS. You said a moment ago it took 3½ pounds of hide to make an average pair of shoes. You mean green hides?

Mr. MOLLIN. Green hides. Somewhere in the neighborhood of 2 pounds of dry hides.

Senator THOMAS. So that if hides were selling for 15 cents a pound and it took 3½ pounds of raw hide to make a pair of shoes, the cost of the hide would be only about 50 odd cents?

Mr. MOLLIN. Yes, sir. The cost of the hide is a very minor part of the cost of a pair of shoes.

Senator THOMAS. In the event of the tariff you are recommending being placed in the bill, how much would that probably increase the price of a pair of shoes?

Mr. MOLLIN. About 20 cents.

Senator WALSH. The specific duty that you ask represents, judging by recent prices of green hides, about 33½ per cent ad valorem?

Mr. MOLLIN. Well, just about. Possible a little bit more on this present depressed market. The market is very low right at this time. I say at this time; the last authentic figures I have are May 11. Now, I think there has been a slight upturn since that time, but I have not the figures. I think there has just been a turn in the hide market. It has been at a very low level.

Now, may I file these briefs?

Senator KEYES. Certainly.

Mr. MOLLIN. And I will also leave this statement, because I skipped a good many things that go into statistical information.

Senator KEYES. Very well, you may file that, too.

Mr. MOLLIN. And I will get this data on hides in a little better shape and mail it to you. If you get it in a day or two, will that be all right? I will mail it from Chicago.

Senator KEYES. Yes.

(Mr. Mollin submitted the following brief:)

BRIEF OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION, DENVER, COLO.

The COMMITTEE ON FINANCE,
United States Senate:

This organization represents primarily the cattle-raising industry of the western range States. Affiliated with us are 14 State livestock associations in that territory, many local associations, breeders' associations, regional as well as national, and hundreds of individual members.

We are especially authorized to represent also in this hearing the Kansas State Live Stock Association and the National Live Stock Producers Association; the latter is a cooperative organization and has about 250,000 farmer members located in 28 States, the bulk of them, however, in the 10 Corn Belt States.

We, therefore, recommend the following duties on cattle hides: Green hides, 6 cents a pound; dry hides, 10 cents a pound; calf and kip skins to take such rates as your committee finds are comparable to the 6-cent basis on green cattle hides. A duty on hides is of particular importance at this time in connection with the move to restock the ranges and increase production. With this accomplished, it should be possible to regain at least part of the ground lost in average annual consumption of beef. In the last two years beef consumption has declined 9 pounds per capita. A beef-demonstration campaign has been arranged and is now just getting under way and has the enthusiastic support of stockmen all

over the country. The exhibit will be shown to meat cutters and housewives all over the country with a view of educating them as to the best ways of cutting meat and the palatability of some of the cheaper cuts.

The following table shows the comparison between the cattle and sheep populations of the United States for the years 1921 to 1929, inclusive. The figures are for January 1 of each year. It is interesting to note that the sheep population has made a gain of approximately 10,000,000 head during that period, while the cattle population has declined between eleven and twelve million head. Wool was given an emergency tariff rate in 1921 and a 31-cent rate was written into the tariff act of 1922. Cattle hides, on the contrary, were allowed to remain on the free list.

| Year | Cattle | Sheep | Year | Cattle | Sheep |
|-----------|------------|------------|-----------|------------|------------|
| 1921..... | 67,184,000 | 37,452,000 | 1926..... | 59,123,000 | 39,730,000 |
| 1922..... | 67,264,000 | 36,186,000 | 1927..... | 56,832,000 | 41,881,000 |
| 1923..... | 66,156,000 | 36,212,000 | 1928..... | 55,681,000 | 44,554,000 |
| 1924..... | 64,507,000 | 36,876,000 | 1929..... | 55,751,000 | 47,171,000 |
| 1925..... | 61,686,000 | 38,112,000 | | | |

† Revised.

It is true that with the exception of the tariff act of 1897 hides have for many years been on the free list. This does not, as has been assumed, reflect a lack of interest on the part of producers. Ever since hides were placed on the free list, our association and many State associations have repeatedly urged Congress to again place a duty on them and give some measure of protection to an industry that has gone through countless vicissitudes of fortune.

Nor has the refusal to grant a duty been based on sound economic policy. Although it was claimed by prominent shoe manufacturers at the time the duty was removed that consumers would pay less for shoes, there was no lowering of the price; instead the added saving was absorbed in overhead, etc., and did not reach the consumer. Then, too, in the tariff acts which have been in force during that 20-year period the products of the farm have not been given the same consideration as the products of industry. To-day we are promised that this condition is to be rectified.

It is true that during the last two years the cattle industry, generally speaking, has made some progress toward recovery from a long period during which the selling price of their product did not equal the cost of production. It was this condition that forced the liquidation of many entire herds of cattle.

Pleased as we are with the improvement, it must not be assumed that all is well in the industry to-day. It takes more than one or two good years to overcome five or six bad ones.

Primarily responsible for the prosperity of the last two years is the embargo against Argentine beef. We want to put ourselves on a more substantial footing, and the best way to do it is to get a satisfactory tariff on all our cattle products. In the meantime, the bankers are refusing to finance any program of expansion and our western country is dotted with idle ranches.

It is too often the case that one branch of the industry profits at the expense of the other. Two years ago the producers did not benefit much from the rapid rise in prices in the autumn, as most of the cattle had been contracted by speculators. They went to the feed lots and made a great deal of money. Last fall the feeders came out to duplicate the program, paid too much for their feeders, and lost heavily. Last winter was a very severe one in all the mountain cattle-raising States; feed supplies were exhausted and purchases of hay made as high as \$50 a ton.

To-day along the west coast and in parts of the Southwest it is abnormally dry, and while this has not reached the "drought" stage, it is causing some concern.

I cite these instances to show the various things the cattle industry has to contend with. There is scarcely a season but what some part of the western range is adversely affected by weather conditions. In the Mountain States they figure that they will have one bad winter out of every four.

The branding of cattle has been cited as evidence that the producers consider the hides of little value. The modern cattleman does no more branding than is absolutely necessary, realizing fully the effect it has on hide values. There is no satisfactory substitute for branding. As a means of identification in the range country, and with smaller units in operation, it is very difficult to secure a 1-letter or 1-figure brand, sometimes making necessary larger brands.

It is a well-known fact on the market that packers pay more for native unbranded cattle than for branded "westerners" of equal quality and finish—another proof of the active part the hide plays in determining the on-the-hoof price paid to the producer.

According to the United States Bureau of the Census during the six years, 1922 to 1927, inclusive, 84 per cent of the total cattle hide leather production in this country went into the manufacture of shoes. For 1926 the percentage was 83; for 1927, it was 86, an increase of 3 per cent in spite of comparatively high priced hides in 1927. In 1927 only 1,016,000 pieces of leather were used for the manufacture of harness, as compared with 2,944,000 pieces in 1914. The increased use of the tractor is, of course, responsible for this decline in harness manufacture, thereby greatly lessening the effect on farmers of a tariff on leather.

Our rapidly increasing population and the tremendous capacity of the shoe trade to absorb large stocks assures us that we need not be concerned as to a demand for our product.

We attach three graphs, which show the effect of the removal of the tariff in 1909. Note that prior to 1909 the imports were on a plane under 150,000,000 pounds a year and that since that time they have been well up toward 350,000,000 pounds a year.

Even eliminating the 10-year period, 1910 to 1919, which includes the war period, the percentage of increase is still startling.

We also attach a graph issued by the United States Chamber of Commerce showing the 25 chief imports for 1928, with raw hides and skins fifth, at \$150,000,000.

We also attach a graph showing the percentage of value of the hides to the value of canner cows at Chicago.

There is also attached a graph showing the trend of hides and skins, boots and shoes, and woolen and worsted textiles, 1913 to 1927.

We quote from monthly letter to Animal Husbandman, issued by Armour's livestock bureau in May, 1925:

"Next to the beef, the hide is the most important cattle product. Nevertheless, the cattle industry operates almost entirely on the basis of beef production and the hide is considered an incidental, though important, by-product. When hides are high in price, they constitute an important source of revenue and contribute materially to establish favorable cattle values. * * * The relative lower value of cattle, caused by low hide values, will, however, diminish the profit in the cattle business and may seriously affect the industry in areas of marginal production."

President Hoover, as well as many of the leaders in Congress, have repeatedly indicated that they believe the farm problem the most serious one confronting the country to-day. There are many farm products on which a tariff is only partially effective, due to the fact that we produce a surplus. In the cattle industry, however, we are on an importing basis—beef as well as hides—and immediate relief can be secured by the placing of a proper duty.

On November 14, 1928, the United States Chamber of Commerce issued a special bulletin showing the vote on various referendums submitted to their members. Proposition No. III read as follows:

"The committee recommends that the chamber reaffirm its commitment to the principle of reasonable protection for American industries inclusive in its applicability of those branches of American agriculture subject to destructive competition from importation of foreign agricultural products and of benefit to any considerable section of the country."

The vote was 2,915.5 in favor of and 29.5 opposed. If they had been referring to hides alone, they could not have more thoroughly described the situation in their wording.

The raising of cattle has played a major part in the building of the West. It is one of the basic industries of that entire region.

Favorable action by your committee will have a far-reaching effect on the reestablishing of our industry. In no other way can as direct a benefit be brought about to the millions of farm, range, and dairy cattle raisers and feeders, and in no better way can faith be kept with them.

Respectfully submitted.

AMERICAN NATIONAL LIVE STOCK ASSOCIATION.

STATEMENT OF E. B. SPILLER, FORT WORTH, TEX., REPRESENTING THE TEXAS AND SOUTHWESTERN CATTLE RAISERS ASSOCIATION

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

Mr. SPILLER. I am secretary Texas and Southwestern Cattle Raisers Association.

I have no particular statement to make, other than to say that I am associated with Mr. Mollin in his activities here. The association that I represent, the members are in the States of Texas, Oklahoma, and parts of New Mexico, and it is a State association and is a member of the American National Livestock Association that Mr. Mollin represents, and we indorse his brief and his statement.

The only statement I have to make would be as to the importance of the hides to the cattle industry, and I would simply call attention to the fact that an effort now is being made by the packers and others to improve the quality of the hides. So much has been said about the hides representing such a small part of the value of the animals, and it means so much to the producers of cattle, that we desire to call attention, particular attention, to those facts as mentioned in the brief.

I have no further statement to make.

BRIEF OF CHARLES W. HOLMAN, WASHINGTON, D. C., REPRESENTING THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION

The importation of numerous quantities of hides and skins into the United States exerts a depressing influence on the price of domestic hides and skins which is reflected adversely to the livestock producer either directly in the prices of the hides which he has to sell, or indirectly in the prices which he receives for cattle and calves. The importations of cattle hides, kip skins, and calfskins into the United States during the period 1923-1927 have been as follows:

CATTLE HIDES

| Dry or dry salted (over 12 pounds) : | Pounds | Wet salted (over 25 pounds) : | Pounds |
|--------------------------------------|------------|-------------------------------|-------------|
| 1923----- | 36,881,715 | 1923----- | 254,746,050 |
| 1924----- | 13,431,685 | 1924----- | 172,182,487 |
| 1925----- | 17,224,057 | 1925----- | 149,561,273 |
| 1926----- | 12,422,285 | 1926----- | 138,600,964 |
| 1927----- | 18,278,325 | 1927----- | 218,973,312 |

KIP SKINS

| Dry and dry salted (6 to 12 pounds) : | Pounds | Wet salted (12 to 25 pounds) : | Pounds |
|---------------------------------------|-----------|--------------------------------|-----------|
| 1923----- | 8,765,246 | 1923----- | 8,326,111 |
| 1924----- | 1,623,368 | 1924----- | 7,529,145 |
| 1925----- | 1,497,492 | 1925----- | 3,156,769 |
| 1926----- | 1,480,856 | 1926----- | 4,579,899 |
| 1927----- | 1,734,441 | 1927----- | 5,153,157 |

CALFSKINS

| Dry and dry salted (less than 6 pounds) : | Pounds | Wet salted (less than 12 pounds) : | Pounds |
|---|--------------|------------------------------------|--------------|
| 1923..... | 11, 329, 929 | 1923..... | 20, 285, 685 |
| 1924..... | 9, 668, 154 | 1924..... | 22, 291, 560 |
| 1925..... | 6, 432, 354 | 1925..... | 17, 725, 234 |
| 1926..... | 8, 985, 083 | 1926..... | 30, 093, 970 |
| 1927..... | 6, 933, 421 | 1927..... | 30, 249, 303 |

Although the supply of domestic hides is dependent upon the number of cattle slaughtered, the fact that the supply of domestic hides may be augmented by the importation of numerous quantities of hides from other countries constitutes a serious menace to the maintenance of a profitable price level for hides in the United States. The extent of this menace is indicated to some extent when it is realized that approximately one-third of the total consumption of hides in the United States is supplied by imported hides.

The United States Tariff Commission published in 1922 a study (Tariff Information Series No. 28, Hides and Skins) in which the conclusion was reached that "in the long run, therefore, higher hide prices like higher beef prices—only to a lesser extent—mean that higher prices can be paid for live cattle"; and also that "there appears good reason to believe that competitive buying in the livestock market forces the packers to pay the true market for live cattle purchased and for the hides they carry"; and further, that "It, therefore, seems probable that, in the long run, packers will be compelled by competition to add a duty to the price paid for live animals, getting this addition back when hides or leather are sold."

The principal interest of the dairy industry in a tariff on hides relates first of all to calfskins. The sale of calves for slaughter is an important phase of the dairy industry. Unprofitable prices for calfskins mean that the dairy farmer will receive a lower price for his calves which are sold for slaughter than otherwise would be the case if it be assumed that other factors remain constant; and conversely a favorable market for calfskins will tend to stimulate the price received for calves for slaughter.

The dairy industry, however, has a concern for the maintenance of a profitable market for cattle hides also because of its desire to see agriculture generally prosperous, and more particularly because of its own direct interest which is involved. Efficient production necessitates regular culling of dairy herds to eliminate unprofitable animals and replace them with animals with higher productivity. This means that the dairy industry has a considerable number of animals for sale for slaughter each year. The value of the hide, constituting as it does approximately 12 per cent of the total value of the animal, necessarily is an important factor in determining the value of the animal for slaughter.

It is recommended, therefore, that the following rates of duty be placed upon cattle hides and skins:

Cattle hides, raw, pickled, or wet salted, over 25 pounds, 8 cents per pound but not less than 45 per cent ad valorem; dry or dry salted, over 12 pounds, 11 cents per pound but not less than 45 per cent ad valorem.

Kipskins, raw, pickled, or wet salted, 12 to 25 pounds, 10 cents per pound but not less than 45 per cent ad valorem; dry or dry salted, 6 to 12 pounds, 12 cents per pound but not less than 45 per cent ad valorem.

Calfskins, raw, pickled, or wet salted, 6½ to 12 pounds, 12 cents per pound but not less than 45 per cent ad valorem; dry or dry salted, 2½ to 6 pounds, 23 cents per pound but not less than 45 per cent ad valorem; raw, pickled, or wet salted, 6½ pounds or less, 8 cents per pound but not less than 45 per cent ad valorem; dry or dry salted, 2½ pounds or less, 15 cents per pound but not less than 45 per cent ad valorem.

Respectfully submitted.

CHARLES W. HOLMAN.

Representing the dairy tariff committee of the National Cooperative Milk Producers Federation, George W. Slocum (chairman), John Brandt, Frank G. Swoboda, W. S. Moscrip, Harry Hartke, Charles W. Holman.

Subscribed and sworn to before me this 9th day of July, A. D. 1929.

[SEAL.]

LEE BROWN,
Notary Public, District of Columbia.

**STATEMENT OF D. G. ONG, REPRESENTING THE UNITED STATES
LEATHER CO., NEW YORK CITY**

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

Mr. ONG. I represent the United States Leather Co., of New York. We are the largest tanners of sole, belting, and harness leather in the world, being so-called independent tanners in that we have no packing connections. Our assets are approximately \$50,000,000. We employ between 4,000 and 5,000 persons—

Senator THOMAS. Where?

Mr. ONG. In some 30 plants in 12 States, with branches and stores in 5 additional States. I can give you the States, if you wish.

Senator THOMAS. In a general way, please.

Mr. ONG. Michigan, Wisconsin, Pennsylvania, New York, Massachusetts, West Virginia, Virginia, Tennessee, Kentucky, Missouri, and Illinois.

Senator THOMAS. All controlled by the United States Leather Co.?

Mr. ONG. Yes, sir.

Senator COUZENS. Who owns the United States Leather Co.?

Mr. ONG. Eight or nine thousand stockholders.

Senator COUZENS. Is there any one controlling individual?

Mr. ONG. No, sir.

Senator THOMAS. Does any bank own a controlling interest?

Mr. ONG. No, sir.

Senator THOMAS. No firm owns a controlling interest outside of the company?

Mr. ONG. No, sir.

Senator THOMAS. Is the stock listed on the New York Stock Exchange or the produce exchange?

Mr. ONG. On the New York Stock Exchange.

Senator THOMAS. What has been the tendency of that stock in the last year—up or down or fluctuating?

Mr. ONG. It has held its own very well until the past six months, when it is off slightly.

Senator WALSH. What is it selling for?

Mr. ONG. The preferred, being 110, sold yesterday at 104½.

Senator WALSH. What dividends?

Mr. ONG. Seven per cent. The A stock, with no par, paying \$4. sold yesterday at 40, closed at 40, common at 24.

Senator WALSH. No dividends on the common?

Mr. ONG. No dividends as yet.

We manufacture about 30 per cent or better than 30 per cent of all the sole and belting leather in the United States. We buy between two and two and a half million cattle hides every year.

Senator WALSH. What percentage is that of your total production?

Mr. ONG. The total kill in the United States is between nineteen and twenty million.

Senator WALSH. But of your total production you buy two million and a half?

Mr. ONG. That is our raw material.

Senator THOMAS. Where do you get those hides?

Mr. ONG. We get 30 per cent, or between 600,000 and 750,000, imported mainly from South America.

Senator THOMAS. What countries in South America?

Mr. ONG. Brazil and Argentina.

Senator THOMAS. Do you buy hides from the packers or from small producers, or both?

Mr. ONG. Both.

Senator THOMAS. How does the price compare for the local product and the imported product?

Mr. ONG. Generally about the same.

Senator THOMAS. Who fixes the price of the raw hides in America?

Mr. ONG. The packers.

Senator THOMAS. Do you pay the packers' price or do you fix the price?

Mr. ONG. We pay the packers' price or we do without or import them.

Senator THOMAS. What packers fix the price on hides?

Mr. ONG. In fixing the price, for example, hides are quoted at a certain price. If we want them we can get them at that price.

Senator WALSH. From any one of the packers?

Mr. ONG. The four large packers, I presume.

Senator THOMAS. Are the prices the same from each of the packers?

Mr. ONG. Not always.

Senator THOMAS. Is there competition among the packers?

Mr. ONG. Yes, sir.

Senator THOMAS. You buy where you can buy the cheapest, of course?

Mr. ONG. Yes, sir; considering the quality. Certain hides are not cheap in our estimation, and others are.

Senator WALSH. Is the spread very large?

Mr. ONG. No; they are very close.

Senator THOMAS. If a tariff is placed upon hides what effect will that have upon your industry?

Mr. ONG. It will be rather serious, in our estimation, because it will increase the cost. It will necessarily increase the cost on shoes, harness, belting and any leather product.

Senator THOMAS. A 10 per cent duty on raw hides will be reflected, in your judgment, in the price you have to pay for hides?

Mr. ONG. Yes, sir.

Senator THOMAS. So that 10 per cent duty on raw hides will cause you to pay more to the packer, and unless he pays more to the producer, he makes that difference; is that correct?

Mr. ONG. That is the way we feel.

Senator THOMAS. Do you think that the packer will pocket this difference or pass it on down to the consumer?

Mr. ONG. We think the packer will retain that.

Senator THOMAS. Why do you think that? You know them pretty well.

Mr. ONG. No; that is not the reason. The price of the hide has no relation to the price of cattle on the hoof, as has been shown here, I think, before this morning.

Senator THOMAS. Are you testifying upon information received here?

Mr. ONG. No; I can cite you another example.

Senator THOMAS. Do that, please.

Mr. ONG. Between the 1st of March this year and the 1st of June the price of cattle on the hoof increased about 6 per cent. During the same period hide prices have increased 24 per cent. It is obvious that the farmer is not getting anything.

Senator THOMAS. Had the price of hides not increased, do you think the price of cattle would have increased that much?

Mr. ONG. I do not know.

Senator THOMAS. That is just your opinion; you have no figures to show?

Mr. ONG. I say that the price of hides has nothing to do with the price of cattle on the hoof.

Senator THOMAS. If the price of hides should be increased a dollar a pound, then that would not have any effect on the price of the animal on the hoof?

Mr. ONG. I could not answer that. I presume it might.

Senator THOMAS. A small tariff evidently would not help the producer of cattle perceptibly?

Mr. ONG. No, sir; I do not think so.

Senator THOMAS. Ten per cent?

Mr. ONG. No, sir.

Senator THOMAS. It would help the packer perceptibly?

Mr. ONG. It would help the packing tanner, the packer who is in the tanning business; and some are.

Senator THOMAS. Which ones?

Mr. ONG. Armour and Swift.

Senator THOMAS. Where?

Mr. ONG. Pennsylvania, New York State; some in the South.

Senator WALSH. And they have contractual relations with many independent packers to tan their hides, have they not?

Mr. ONG. Possibly through control or stockholding interests in certain companies.

Senator THOMAS. You are not interested in shoe leather, are you?

Mr. ONG. We make sole leather; we tan sole leather.

Senator WALSH. It was suggested in 1922 that if a substantial duty were placed upon hides it would ultimately result in the entire tanning business passing into the hands of the packers. Do you share that view?

Mr. ONG. I think so; yes, sir.

Senator THOMAS. Is not that the natural result of all high tariffs, pyramiding and stimulating and causing interests to become organized and, through organization, becoming centralized and centrally controlled? Is not that your experience?

Mr. ONG. Yes. We wish to go on record as being opposed—I presume you have inferred that—to this proposed tariff bill which imposes 10 per cent duty on hides. Any duty on hides we are opposed to.

In the brief that I will file I have shown the price of cattle on the hoof, the price of beef and of hides from 1916 to date. I noticed you asked about that this morning.

In closing my remarks I would like to read a letter that was written 39 years ago and which our company feels is just as apropos to-day.

Senator COUZENS. By whom is it written?

Mr. ONG. James G. Blaine to William McKinley when he was chairman of the Ways and Means Committee of the House of Representatives. It is dated 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 farmer by adding 5 to 8 per cent to the price of his children's shoes. It will yield a profit to the butcher only—the last man that needs it. The movement is injudicious from beginning to end—in every form. Pray, stop it before it sees light. Such movement as this for protection will bring the Republican Party into speedy retirement.

Hastily yours.

Senator KEYES. I understood you want to be on record as opposed to any duty on hides?

Mr. ONG. Yes, sir.

Senator KEYES. I did not hear you say anything about your attitude on a duty on leather of any kind.

Mr. ONG. We are in favor of a duty on leather, and the industry needs it, but not to the extent of accepting a duty on hides.

Senator KEYES. What do you advocate in the way of a duty on leather?

Mr. ONG. Our advocacy has been for 15 per cent duty. We asked for 10 per cent duty on the free-hide basis on leather.

Senator COUZENS. In other words, you would prefer to have no duty on leather and no duty on hides?

Mr. ONG. Just as is; yes. We have a better chance.

Senator WALSH. You agree with Mr. Bush, but if any favors are to be passed around you would like to have a 10 per cent duty on leather and no duty on hides?

Mr. ONG. That would be fine.

(Mr. Ong submitted the following brief:)

BRIEF OF THE UNITED STATES LEATHER CO.

This brief is submitted by the United States Leather Co. as representing their opinion and belief that free hides are essential to the best interests of the American tanning industry.

The industry consumes the domestic production of all cattle hides (only a slight percentage being exported) and in addition imports large quantities from abroad, such imports amounting to from 30 to 40 per cent of the cattle hides tanned in the United States.

Hides are a by-product, no cattle ever being raised or slaughtered for anything but beef; therefore we contend that the proposed duty on hides has no relation to farm relief. The proposed 10 per cent duty will not add one cent to the farmer's return on his cattle. The elimination of brands or the reduction of the size of brands will increase the hide value to the farmer more than the proposed tariff could hope to.

A duty on cattle hides has been proposed whenever a tariff bill has been under consideration, but during the past 60 years no duty has been placed on cattle hides, except for 12 years following the act of 1898.

As far back as 1890 when tariff revision was under consideration, James G. Blaine wrote to William McKinley, chairman Ways and Means Committee of the House of Representatives:

APRIL 10, 1890.

HON. WILLIAM MCKINLEY,

*Chairman Ways and Means Committee,
House of Representatives.*

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 to the South Americans, with whom we are trying to enlarge our trade. It will benefit the

farmer by adding 5 to 8 per cent to the price of his children's shoes. It will yield a profit to the butcher only—the last man that 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 bring the Republican Party into a speedy retirement.

Yours hastily,

JAMES G. BLAINE.

No foreign country engaged in the tanning of leather on a commercial basis places a duty on the importation of cattle hides.

The sole and belting leather industry of the United States is dependent on foreign markets (principally South America) for 30 per cent or more of its raw material which it converts into leather required for the needs of the people of this country; therefore there is no sound reason for levying a tax upon such an essential raw material.

The production of hides being an incident in the production of meat for food, during five years the value of the hide averaged a little less than 8 per cent of the value of a beef animal. Nor does the trend of hide prices follow beef prices, but on the contrary it frequently is just the opposite.

From December, 1916, to December, 1917, prices on cattle advanced 29 per cent; beef prices advanced 36 per cent; while hides advanced but 5 per cent.

From June, 1918, to December, 1918, cattle prices advanced 7 per cent; beef, 3 per cent; while hide prices declined 12 per cent.

From June, 1921, to December, 1922, cattle prices advanced 27 per cent; beef declined 3 per cent; while hides advanced 43 per cent.

From December, 1922, to December, 1923, cattle prices declined 1 per cent, while beef advanced 18 per cent and hides declined 33 per cent.

From December, 1926, to April, 1927, cattle prices advanced 30 per cent, while both beef and hide prices remained unchanged.

From April, 1928, to August, 1928, cattle prices advanced 14 per cent; beef, 20 per cent; while hide prices declined 8 per cent.

It is particularly curious to note that at the beginning of January of this year cattle on the hoof averaged \$14.87 per hundredweight, while on the 1st of June they averaged \$14.37 per hundredweight, or a drop of about 3 per cent. On the same dates hides sold at 22 cents per pound in January against 16.5 cents per pound in June, which is a reduction of 28 per cent.

Since 1912 the average annual domestic slaughter of cattle has produced approximately 700,000,000 pounds of hides, of which an average of but only 28,000,000 pounds have been exported, leaving a domestic kill for domestic consumption of approximately 675,000,000 pounds of hides annually.

The net imports in the same period averaged 315,000,000 pounds, or 32 per cent of the total cattle hides converted into leather in this country annually, of which the United States Leather Co. uses approximately 143,000,000 pounds annually, or better than 14 per cent of the entire leather industry using cattle hides.

Cattle hides are bought and sold in world markets, and the prices realized here are as good or better than at any other place in the world and will continue so if unrestricted.

It can be contended with reasonable certitude, and has been shown in numerous treatises on the subject that the imposition of an import duty on cattle hides would make hide prices higher than they would otherwise be, and higher hide prices will obviously increase leather prices. With the increased use of substitutes for leather, any increase in leather cost will be exceedingly harmful to the leather industry, especially so when considering that the cost of materials represents so large a part of the value of the finished product. The Bureau of the Census shows that 66 to 80 per cent of the value of the finished product, leather, is represented by cost of materials, while in other industries the materials are frequently considerably less than 50 per cent.

The entire leather industry employs many thousands of wage earners and pays annually from \$65,000,000 to \$90,000,000 in wages. The value of the product produced was about \$500,000,000 in 1927, while in 1919 it was close to \$1,000,000,000.

The United States Leather Co. represents about 31 per cent of the sole and belting leather group. We are what are classed as independent tanners, in that we are in no way connected with the packers, and pay cash for all hides we buy. Our chief competitors are the two largest packers, who are also in the sole-leather tanning business. As we are the largest independent tanners in

the world, a duty on hides of even 10 per cent places our competitors, the packer-tanners, in a decided advantage, as they have first call on their hides in quantities sufficient for their requirements.

To summarize, the following are the pertinent facts substantiating our urgent plea for free hides:

I. Extract from letter from James G. Blaine to Hon. William McKinley, April 10, 1890:

"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 to the South Americans, with whom we are trying to enlarge our trade. It will benefit the farmer by adding 5 to 8 per cent to the price of his childrens shoes."

The fundamentals to-day are the same as 39 years ago. America is still exerting every effort to enlarge her trade throughout South America and has made tremendous progress which should be in no wise jeopardized.

President Hoover's recent good-will tour of South America was undoubtedly a step in the right direction to cement even closer the industrial relations between North and South America. Thirty-nine years ago Mr. Blaine realized the fallacy of the farmers getting any benefit from duty on hides.

II. A tariff on hides would:

(a) Aid no American industry, except the packers.

(b) Be harmful to American leather industry.

During the last 60 years hides have been on the free list, with exception of the Dingley bill in 1898, when a 15 per cent tax was added in the Senate as a compromise. This duty was effective for a period of only 12 years.

III. No important leather-producing country levies a duty on hides.

IV. It is felt that the cattle raiser, farmer, could add 15 to 20 per cent more value to domestic hides by smaller brands—better skinning and curing.

V. Personnel of tanning industries, including wage earners and salaried employees, are 75,000 and upwards.

VI. Quite frequently tanneries are located in sections where the whole community is dependent upon operation of the tannery.

VII. Hides are by-products of cattle. Past price movements of hides, cattle, and fresh beef show no relation to each other, thus demonstrating higher prices for hides do not benefit the farmer.

VIII. Eighty-five per cent of all cattle-hide leather goes into the manufacture of shoes. The cost to consumers of shoes would more than offset the increased return to hide producers, even if all of the duty levied were passed on to producers, of which there is no possibility.

IX. A tariff on cattle hides would aid the packer tanners, as they would have first call on their hides in quantities sufficient for their requirements, giving them a decided advantage over independent tanners.

X. The sole and belting leather tanners use an average of 9,000,000 cattle hides annually.

Sixty to seventy per cent are domestic hides, 5,400,000 to 6,300,000 hides, the balance must be imported.

Substitutes used in 1927 for shoe soles were equivalent to 1,152,000 hides; 1928 consumption of substitutes for shoe soles were 20 per cent greater than 1927, and upwards of 170 per cent greater than 1926, due primarily to high leather prices, occasioned by high hide prices.

It naturally follows that the more hides advance, the greater inducement for increased use of substitutes. In 1926 and 1927, when substitutes for leather soles were growing by leaps and bounds, we had a hide market that advanced 100 per cent. Past experience demonstrates that farmer or cattle raiser will not be benefited by the duty on hides, because hide prices are controlled by what the tanner can afford to pay for same. Substitutes for leather limit what the tanner can charge for his finished product. These two economic factors place a limit on any price advances of hides and leather.

XI. Representatives, speaking for National Association of Shoe Manufacturers, estimate that America's shoe bill will be increased on an average of 30 cents per pair, or roughly \$100,000,000 annually by reason of prices being pyramided on the part of each interested branch of the industry, from the rawhide to the buyer of shoes. It would not be far amiss to estimate the farmer's share of this increased total shoe cost at \$25,000,000, which would exceed his revenue from any hide duty, provided he received 100 per cent of same.

STATEMENT OF J. FRANKLIN McELWAIN, NASHUA, N. H., REPRESENTING THE NATIONAL BOOT AND SHOE MANUFACTURERS ASSOCIATION

[Including shoes, par. 1530 (e)]

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

Senator WALSH. How large is your association?

Mr. McELWAIN. I have it figured here, sir. In 1927 there were in the United States 1,357 establishments engaged in the manufacture of leather shoes. They employed 203,110 wage earners and paid wages in excess of \$225,000,000. The industry produced in that year 343,975,000 pairs of shoes, valued at nearly \$1,000,000,000.

The members of the association manufacture over 70 per cent of the leather shoes produced in the United States, including over 80 per cent of the shoes for men and women.

The association agrees to the rates of duty on hides and on leather shoes which are comprised in paragraph 1530 of H. R. 2667, as introduced into the Senate and referred to the Committee on Finance, to wit, hides, 10 per cent; boots and shoes of leather, 20 per cent.

The association agrees to these proposed rates of duty, not because it believes them to be ideal, but because in its opinion they probably represent the most acceptable compromise possible at this time between the conflicting interests that are represented before Congress.

The association, before the Ways and Means Committee of the House, opposed a duty on hides. The grounds of its opposition were that such a duty—

(1) Would result in an increase in the cost of leather and of shoes, since we need to import 30 per cent to 40 per cent of our requirement of hides and calfskins (as is not the case with shoes), and a duty would therefore be reflected in the price of the domestic supply;

(2) Would injuriously affect our declining export trade in shoes, since we would be obliged to compete in the limited market that remains to us, with countries imposing no duty on hides;

(3) Would increase the cost of living for all our people;

(4) Would encourage the use of substitutes for leather; and

(5) Would not add to the income of the farmer, to the extent that it would increase his living costs, since, on account of the way in which hides are handled and marketed, the farmer would realize but a small portion of any increase in their value, but would be obliged to pay increased prices for all articles of leather that he uses.

The association has found no reason to modify its views in these respects. It has decided, however, not to oppose, at this time, a duty of 10 per cent on hides, because—

(a) The association realizes that one of the principal objects of the present session of Congress is the relief of agriculture; and that if the farmer still believes that he will profit from a duty on hides, Congress may feel obliged to yield in some degree to his demands in this regard.

(b) A duty of 10 per cent is two-thirds of the duty on which the arguments of the association are based, and is less than the rate first urged by the American Farm Bureau Federation.

Necessity for compensatory duty on shoes.

It will probably not be denied that if there is to be a duty on hides, there should be compensatory duties on leather and on shoes. Briefly,

the argument is that in the case of raw materials like hides, the domestic supply of which is insufficient for the domestic demand, the price at which the imported article is sold in this country determines the price of the domestic supply. If it were not so, the farmer would have no possible case for a duty on hides, for such a duty would not increase the value of hides that are produced here. If the price of the imported raw material is increased by reason of a duty, the price of the domestic raw material rises accordingly. The only question is, who profits by the increase, whether the farmer, the packer, the middleman, or some other handler of the hide in its path from the animal to the tanner?

Since all tanners in this country would therefore be obliged to pay for all their hides, both foreign and domestic, a price higher than at present, approximately to the extent of the duty, their costs of production are correspondingly increased, and they must sell their finished product at a correspondingly higher price. Yet they must compete with foreign tanners for the American market, and foreign countries which are considerable exporters of leather or shoes (for example, Czechoslovakia, France, Austria, Great Britain, and Germany) impose no duty on hides.

If there is a compensatory duty on leather to safeguard our tanners the cost of such leather to the manufacturer of shoes will be increased, and for the same reason that operates in the case of the tanner the manufacturer of shoes must himself have a compensatory duty upon his own produce.

The great majority of our shoe manufacturers, manufacturing the greater part of our shoes, do business on a very slender margin and can not absorb the effect of a 10 per cent duty on hides.

How large a compensatory duty on leather and on shoes will be necessitated by a 10 per cent duty on hides is a complicated question that the Tariff Commission can best answer. At any rate a part of the proposed duty of 20 per cent on shoes is compensatory as the bill now stands, and while essential if there is to be a duty on hides does not constitute genuine protection to the shoe industry.

Protective duty on shoes: The association contends that shoes of leather should be taken off the free list and given a protective duty, in addition to a proper compensatory duty in case duties are placed on hides and on leather. Its argument for protection is fully contained in its brief before the Ways and Means Committee of the House, a copy of which is appended hereto. We would add the following:

(1) The platforms of the parties in the campaign of 1928 justify protection for this industry.

The Republican platform read:

However, we realize that there are special industries which can not now successfully compete with foreign producers because of lower foreign wages and a lower cost of living abroad, and we pledge the next Republican Congress to an examination and, where necessary, a revision of these schedules, to the end that American labor in these industries may again command the home market, may maintain its standard of living, and may count upon steady employment in its accustomed field.

While at present imports of leather shoes amount to a small per cent of our domestic production, such imports are increasing at a

rate exceeding 100 per cent a year, and it seems that they will find no limit except the capacity of efficient foreign factories.

The Democratic platform read:

The Democratic tariff legislation will be based on the following policies:

(a) The maintenance of legitimate business and a high standard of wages for American labor.

(b) Actual difference between the cost of production at home and abroad, with adequate safeguard for the wage of the American laborer, must be the extreme measure of every tariff rate.

There seems to be no doubt that the average wage in the shoe industry of Czechoslovakia is about one-third that prevailing in the shoe industry of this country, and to that extent at least the cost of production abroad is less than the cost in this country.

(2) Our industry needs and the country in general will benefit from a protective duty.

The astonishing rate at which imports of shoes into this country are increasing has already been referred to. Statistics to and including the year 1928 are complete and prepared for the Ways and Means Committee. The statistics for 1923 to 1928 imports of leather shoes increased from 1,064,120 pairs of leather shoes for women 1,653 pairs of men's shoes. The statistics down to date.

In the first four months of 1929 there were imported 386,808 pairs of leather shoes of a total value of \$6,000,000 compared with 1,064,120 pairs of leather shoes of a total value of \$10,000,000 for the same four months of 1928. The increase in the number of pairs was 110 per cent, and the increase in value 100 per cent.

Continuing dependency on foreign shoes is obvious. The growth in imports is most noticeable in the case of men's shoes. Imports of men's leather shoes in the first four months of 1929 amounted to 180,000 pairs, an increase of 180 per cent over the same months of 1928.

By far the largest part—name—of the leather shoes imported into this country during these four months of 1929 came from Czechoslovakia. The imports of shoes from the United States increased 163 per cent in the same months. Czechoslovakia has become the principal source of shoes for the entire world.

If the rate of increase in imports of leather shoes for four months shall be maintained during the whole year, imports of leather shoes into the United States during this year will be nearly, or quite, 6,000,000 pairs.

As this statement is being completed, information is received to the effect that there were imported during May, 1929, 566,342 pairs of leather shoes. This means that the imports for the first five months of 1929 were 2,804,150 pairs, an increase of 113 per cent over the same months of 1928.

These shoes manufactured abroad take the place of shoes that would be manufactured here if none were imported. Of course, not all shoes of foreign manufacture will be barred by any duty that is likely to be imposed. Some wearers will buy foreign-made shoes whatever their price or quality. But it is fair to assume that two-thirds, or perhaps 4,000,000 pairs, might perhaps be shut out by a 20

per cent duty. The labor cost of a pair of such shoes is estimated to be about 70 cents, which would mean, in the case of 4,000,000 pairs of shoes, about \$2,800,000 in additional wages paid to the American shoe operative. This is exclusive of the labor employed in the manufacture of supplies, including leather, which enter into the shoe. This additional purchasing power would indirectly benefit all industries, including agriculture, which produce what the shoe operative needs to buy.

(3) A protective duty on shoes, at the proposed rate, will not increase their cost to the American wearer.

It has been previously asserted, and has not been denied, that the productive capacity of our American shoe factories exceeds by from 50 per cent to 100 per cent the demands of our domestic and export trade. It naturally follows that there is a severe and gruelling competition among our manufacturers. No one manufacturer makes any large part of our requirements. There are no large combinations in the shoe trade as in so many others, and our manufacturers of shoes number over 1,300. Monopoly or anything like monopoly or price control are impossible.

Under these conditions prices can be trusted to remain at the lowest possible level consistent with costs of production in this country. It is altogether unlikely, if not absolutely impossible, that a protective duty will have any other material effect than to remove the foreign producer to some extent from this market and to place his products on a cost basis more nearly comparable with that of the American manufacturers.

To-day the price at which an American retailer can buy women's shoes produced in Czechoslovakia makes them attractive to him. He is able to sell such shoes at the American retail price and to make an excellent profit. If, however, the imported article is made more expensive by a duty, the retailer will buy American-made shoes. His prices to the consumer will generally be no higher.

(4) The association originally asked for a duty of 25 per cent on the basis of free hides. A duty of less than 20 per cent, some of which is merely compensatory for the proposed duty on hides and leather, would clearly be inadequate.

Labor costs in Europe, outside of Great Britain, run from about 66 $\frac{2}{3}$ per cent to about 75 per cent less than labor costs in this country. Since labor represents approximately 25 per cent to 30 per cent of the cost of manufacture of a shoe, foreign manufacturers have a material advantage of us in this respect. This is in addition to probable advantages in other directions, such as a freedom from duty on certain of the supplies that enter into the manufacture of the shoe and the lower cost of such supplies, due to lower labor cost in their production.

We would rest content with such findings as the Tariff Commission might make with regard to the differences in the cost of production to which we have referred.

(5) It is no valid objection to a duty on shoes that our imports have heretofore constituted no large percentage of the domestic consumption or of domestic production. The answer is:

(a) That protection is at present given to many commodities where the percentage of imports to domestic production or consump-

tion is smaller than in our case, and to some commodities where imports are not appreciable. This is true even with respect to a number of products of agriculture. Instances in point, among many, are some steel products, automobiles, corn, dairy products, and livestock.

(b) That imports of approximately 6,000,000 pairs of shoes, valued at approximately \$17,000,000 (the estimated imports for 1929, if the present rate of increase continues), are not a negligible item and are sufficient to reduce American factories to part-time operation and to unsettle the industry.

(c) The importation of leather shoes for women alone increased, from 1926 to 1927, 10½ per cent; from 1927 to 1928, 105 per cent; and from the first four months of 1928 to the first four months of 1929, 130 per cent.

(d) That at the present rate of increase imports of leather shoes will, by the time the next tariff revision may be expected, reach a very material figure.

In 1932, if the present rate of increase should have been maintained, at least 48,000,000 pairs of leather shoes will enter this country.

Senator WALSH. What percentage is that of the total consumption?

Mr. McELWAIN. Forty-eight million pairs would be, roughly, about 15 per cent. I think that would mean that the number thrown out of employment would be approximately 30,000 people.

(e) The American manufacturer is increasingly confined to his domestic market. Exports have been declining steadily of late years. From 1926 to 1927 exports of leather shoes declined nearly 200,000 pairs, and from 1927 to 1928 nearly 1,200,000 pairs. This year they will undoubtedly fall below the amount of our importations, for in the first four months of 1929 we exported only 1,683,488 pairs, as against imports of 2,237,808 pairs. Our imports for the four months were about one-half our exports for the entire year 1928.

Between 1923 and 1928 our exports of leather shoes declined to the extent of about 3,000,000 pairs, and our imports of leather shoes increased to the extent of over 2,000,000 pairs. It may be said, therefore, that the industry is worse off than in 1923 to the extent of the total of at least 5,000,000 pairs of shoes, of which the labor cost at 70 cents per pair would amount to \$3,500,000, not to mention the labor concerned with the manufacture of leather and other supplies.

(f) That the shoe industry is not, like so many industries that are represented before Congress, asking for an increase in an existing protective duty. It merely asks that it be given like consideration with other manufacturing industries. It doubts whether any other industry in this country where labor represents as much as 25 per cent of the manufacturing cost is without protection, and is left to compete with the cheaper labor of Europe on unequal terms.

The statement has been made that American manufacturers have on the average about a 40½ per cent protective tariff, and agriculture 22 per cent. Shoes have no protection whatever in this country. They are protected in all foreign countries, except Great Britain, which ship them to us in considerable volume. Canada, for example, imposes a duty upon us of 30 per cent.

In conclusion, the National Boot and Shoe Manufacturers' Association therefore asks that a duty not less than that of 20 per cent placed on shoes by H. R. 2667 be enacted into law, and firmly believes that such will be for the best good of the people of the United States.

The association can not in principle favor a duty on hides, but if the proposed duties on shoes and leather are retained, it will not oppose the duty of 10 per cent on hides.

There are one or two interesting things that I would like to call to the committee's attention. Shutting off of exports does not shut off our exports of the raw material. So simply shutting off exports of shoes shuts off the labor but does not shut off the overhead, because for every pair produced in this country we must produce raw material for the production of that pair of shoes. So it is quite different from some other industries.

My brief is made up on the basis of the average condition, the condition of the average manufacturer. We presume that this tariff is based to protect the average man, not the strong man, not the weak man, but the average man. My figures are based on the average figures of production. Men in other factories call my figures very conservative as compared with theirs, and justly so; but I have endeavored to arrive at figures based on the average condition.

It is very fortunate that hides and shoes are connected. We do not see why they should be. We think they should stand each one on its own basis. If hides deserve a duty they should have one irrespective of whether shoes are on the free list or the ad valorem list, or vice versa.

Referring to the remarks made by the gentleman from Wyoming relative to the increased cost of shoes based on a duty, I was responsible myself for those figures which he referred to, and I should be very glad to defend them with him before the Tariff Commission and let them act as judge.

In the first place, a duty on hides: Our brief was based on a 15 per cent duty on hides before the Ways and Means Committee, which meant an increase to the ultimate consumer of \$120,000,000, of which the farmer would pay 25 per cent, or in the vicinity of \$25,000,000. The total amount accruing from a 15 per cent duty on hides would be approximately \$25,000,000. Therefore, he would be buying articles in the form of leather, made from hides, and paying a price that he was getting back, if we assume that he gets back two thirds of the duty. We do not believe he will get two thirds of the duty—

Senator THOMAS. Who would get the balance?

Mr. McELWAIN. We figure it would be lost in the shuffle. There are so many country hides that pass through innumerable hands. You will see junk dealers in hides, and it is not our belief that the junk dealer will treat that purchaser of hides in a fair way and give him all that he is entitled to get. Competitive conditions will regulate them. The price of hides will regulate them. Hides are a by-product regulated by world conditions, and they will be regulated to that extent. But the fluctuation will be so small that we feel he would not get even the two-thirds that we claim he should get. The consumers will be taxed \$90,000,000. If we place a 15 per cent duty on hides, costing the ultimate consumer, say, \$125,000,000, costing the farmer—

because the farmer himself is a 25 per cent consumer of leather—\$25,000,000, it would make approximately a difference to the consumers of the country of \$90,000,000.

Senator THOMAS. Is there any difference in the result of this tariff on hides and a tariff on wool or on sugar or on any other commodity?

Mr. McELWAIN. I wish I had time to study it and express an opinion based on the facts as I see it. Hides are a by-product. I do not think wool is. You probably know more than I do about it, but I do not think wool is. It represents a much larger percentage of the value of the sheep than the hide does of the cattle. Wool is carefully taken care of; a hide is not. The farmer brands the hide. He starts off with the idea that it is not of much value. If the farmer would take proper care of the hide he could raise the value of that hide to the extent of 10 or 15 per cent.

Senator THOMAS. The farmer does not brand his hide. The professional cattleman may do that.

Mr. McELWAIN. I mean the cattleman. Excuse me.

Senator COUZENS. What is your basis of arriving at your ad valorem recommendations? Is it the difference between the cost of production at home and abroad?

Mr. McELWAIN. It is wholly the difference between the cost of production at home and abroad. We do not want protection for inefficiency at all. We did not approach it from that standpoint.

Senator COUZENS. Have you submitted any figures to indicate the difference between the cost of production at home and abroad?

Mr. McELWAIN. They are in the brief which was submitted to the Ways and Means Committee.

Senator DENEEN. What percentage of the hides are purchased from the farmers on the farms?

Mr. McELWAIN. As a guess, about one-third.

Senator WALSH. Direct from the farmer?

Mr. McELWAIN. Not direct from the farmer; it is in some cases direct, and in some cases through a local man who picks up the hides; in some cases where the farmer sends his cattle to be killed in a small slaughtering plant.

Senator WALSH. Do they all find their way to the packers?

Mr. McELWAIN. No, they do not. The packers probably take off and sell 60 per cent of the hides in this country. The balance of cattle and calf skins are sold in other ways.

Senator THOMAS. You admit, do you not, that the duty would increase the price?

Mr. McELWAIN. Yes.

Senator THOMAS. That would be reflected in both the raw product and the finished product, whatever it might be?

Mr. McELWAIN. Yes.

Senator THOMAS. Can you give the committee the benefit of your opinion as to who will get this increased price?

Mr. McELWAIN. I presume the Government will take a third. That may be reflected in taxes on the producer of shoes and the consumer of shoes. The latter will have to pay for it. Part of it will go to the packers. Part of it will probably trickle down to the farmer, but it seems like a pretty devious path, and it seems unlikely that he will get the benefit of it. As you know, the hide simply

represents approximately 6 per cent of the value of the cattle, and it is hard to think that the packer would turn that directly over to him. Competition will regulate it, not the fact that he has a little increase in the value that he is getting for his hides.

Senator COUZENS. Would you say that if we took the tariff off motor cars we would have an influx of foreign motor cars?

Mr. McELWAIN. No; I do not think so.

Senator COUZENS. Is not the boot and shoe business as efficient as the motor car business?

Mr. McELWAIN. I would state this, that the automobile business in this country is extremely efficient because of its ability to produce in mass production and in big volume. In European countries they have as yet not had the demand that would permit them to produce in great big mass production, such as Ford or such as the General Motors. They have not the tools to work with. They have low labor costs. With regards to shoes, in the foreign countries they have low labor costs and are efficient. They are producing as much as we are. I used to believe that they could not produce. I think that is a fallacy. I think they are able; I think they have just as much brain power, and a man will produce per day as many pairs of shoes and as many feet of leather as we do in this country.

Senator COUZENS. Could they not do the same thing in motor cars? If they are just as efficient and have full access to the American market, would they not have the same opportunity?

Mr. McELWAIN. That may take place in time, but it has got to grow. If they do use this as a selling market in which to dump their products, I would not be surprised if it did develop in the automobile industry. I believe they have brains. If they have the same tools to work with, I think they could do as well as we could.

Senator DENEEN. On a steer costing \$80, what would the hide be worth, approximately?

Mr. McELWAIN. It would be worth about \$10.

Senator WALSH. The hide is worth that, you say?

Mr. McELWAIN. Yes, sir.

Senator DENEEN. I think the packers claim that they make less than 2 per cent on each animal, do they not?

Mr. McELWAIN. I could not answer that.

Senator DENEEN. You do not think if we put a 10 per cent tariff on hides that the packer will pass that to the producer?

Mr. McELWAIN. I do not.

Senator WALSH. Have you observed that there has been a decrease in the number of shoe establishments in recent years, particularly since 1923?

Mr. McELWAIN. There has been a decline, I think. In 1923 there were probably about 1,425 shoe manufacturers in this country, and to-day there are about 1,357. There is a decline, probably—this is a guess, but I think I am correct—of about 75 shoe factories in this country.

Senator WALSH. The tariff statistics show that in 1923 there were 1,606 establishments, and in 1927 there were 1,357—a decline of about 250 establishments in four years.

Mr. McELWAIN. I did not realize that.

Senator WALSH. What is the condition of the shoe industry as a whole? At what capacity is it running?

Mr. McELWAIN. The condition of the shoe industry as a whole is, I think, about this. We produced last year 343,000,000 pairs of shoes. I think we will produce this year about 340,000,000 pairs of shoes.

Senator WALSH. So you would say that the condition as a whole was normal?

Mr. McELWAIN. So far as the total number of shoes produced, yes. We produced, in 1923, 350,000,000 pairs of shoes. To-day we are producing 343,000,000 pairs. That may have been a peak; it may not be fair to use that; but we did produce that amount in that period, and we have dropped since 1923 from 350,000,000 down to 340,000,000.

Senator WALSH. I get a great many complaints from my State about unemployment and depression in the shoe industries other than those industries affected by the Czechoslovakian imports. What is the reason for that?

Mr. McELWAIN. Are you confining that to shoes?

Senator WALSH. Yes. I can understand the reason for the depression in those particular factories which are met with the competition from Czechoslovakia, but I can not understand the unemployment or the depressed condition of the business in other lines, when you say that the industry on the whole is normal.

Mr. McELWAIN. If the industry as a whole is normal, to follow out the logic of it, if there is any one section that is depressed and that is not affected by the tariff, it is due to the fact that they are not doing their job quite as well as some one in another section is doing, or there are some peculiar conditions surrounding that particular zone or section.

Senator WALSH. The larger industries, such as the St. Louis industries and the Johnson & Endicott industry, and your own, are doing a normal business at the present time?

Mr. McELWAIN. I should say they were doing a normal business at the present time.

Senator WALSH. One other question. Have you shoe manufacturers given thought and consideration to what the future may bring to them by the commencement of levying a duty upon hides? Let me say to you for your benefit that a witness yesterday here representing the cattle industry asked for a duty representing an ad valorem rate of 30 per cent on hides. Do you not think that the commencement of levying a duty means that your industry, every time the tariff is revised, is going to be confronted with a continuous demand for increased duty upon hides until it reaches as high as the wool duty now, of 31 to 36 per cent?

Mr. McELWAIN. I think that is the danger.

Senator WALSH. What would happen to your industry if that occurred?

Mr. McELWAIN. I believe that a duty as high as has been talked about this morning would be a serious detriment and would be disastrous to the leather and shoe industry.

Senator THOMAS. If the condition of the cattle industry demanded that, you would not oppose it?

Mr. McELWAIN. I would not oppose it if I thought it was for the best interests of the country as a whole. Disregarding my own personal opinion, I would certainly advocate it.

Senator THOMAS. You advocate now a 20 per cent duty on shoes, yet you state that your conscience will not permit you to oppose a 10 per cent duty on hides. Is that correct?

Mr. McELWAIN. No. We have tried to put ourselves in your position. Here you have the farmer confronting you. What is the best compromise?

Senator THOMAS. On a \$10 hide a 10 per cent tax would increase that hide \$1?

Mr. McELWAIN. Yes.

Senator THOMAS. On a \$10 pair of shoes the 20 per cent tax would increase the pair of shoes \$2. Does it cost more for the manufacturer to handle a hide that is taxed than it does a free hide? Otherwise, why do you ask for a tariff on your product greater than the farmers are conceded to need on their product?

Mr. McELWAIN. We ask for it, first, because we think we are entitled to protection, and then we think we are entitled to a compensatory duty beyond that, covering what it would add to the increased cost of the shoe—

Senator WALSH. The increased cost of the raw product?

Mr. McELWAIN. Yes.

Senator THOMAS. Do you hold that this dollar increase on a cowhide will necessitate your adding 20 per cent to the cost of a pair of shoes?

Mr. McELWAIN. No. A dollar increase, which is 10 per cent of the value of the hide, would mean in the increased cost of a pair of shoes 12 cents a pair. Adding on to that the pyramiding through the wholesaler and through the retailer would add approximately 50 per cent, which would bring it up to 20 cents a pair to the ultimate consumer. Twelve cents goes to the manufacturer.

Senator HOWELL. In so far as the manufacturer is concerned, you are only considering, now, 12 cents?

Mr. McELWAIN. Yes.

Senator HOWELL. What proportion of this 20 per cent duty which you are asking do you consider compensatory? It is not over 6 per cent, is it?

Mr. McELWAIN. No. It brings down the protective duty on the item, to be perfectly frank, to about 14 per cent.

Senator WALSH. Of course the hide has to pass through the leather industry before it goes to your industry?

Mr. McELWAIN. Yes.

Senator WALSH. And the costs there are being handled by the tanner.

Mr. McELWAIN. Yes, surely.

Senator HOWELL. But he has taken that into consideration when he speaks of 12 cents.

Senator WALSH. I did not know that he did.

Senator HOWELL. The point I wanted to make was this, that of this 20 per cent duty which they are asking, only 6 per cent is compensatory. The rest of it is for protection.

Senator THOMAS. How many pounds of rawhides does it take to make a pair of shoes?

Mr. McELWAIN. It is very difficult to figure that way, but I can figure it another way. For every cent a pound increase because of duty it means 6 cents a pair. In other words, there are 6 pounds in a pair of shoes if you calculate it out that way.

Senator THOMAS. It takes 6 pounds of green leather to make one pair of shoes?

Mr. McELWAIN. Yes.

Senator HOWELL. You do not mean to say that with reference to all shoes?

Mr. McELWAIN. The average of all shoes in the country.

Senator HOWELL. The 343,000,000 pairs?

Mr. McELWAIN. Yes.

Senator THOMAS. Then a 50-pound hide would make approximately six pairs of shoes?

Mr. McELWAIN. No; it would make seven and a half pairs.

Senator THOMAS. Then a dollar tax on seven and a half pairs of shoes would be about 15 cents a pair?

Mr. McELWAIN. Yes.

Senator HOWELL. Your production is 343,000,000 pairs. How much of that production do you use for uppers other than cattle and calf skins?

Mr. McELWAIN. My estimate is 20 to 25 per cent.

Senator HOWELL. In other words, cattle and calf skins cover about 80 per cent?

Mr. McELWAIN. Seventy-five to eighty per cent.

Senator HOWELL. And 25 per cent are the other skins?

Mr. McELWAIN. Yes, sir.

STATEMENT OF MILTON S. FLORSHEIM, REPRESENTING THE FLORSHEIM CO., CHICAGO, ILL., AND OTHERS

[Including shoes, par. 1530 (e)]

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

Senator KEYES. Will you state whom you represent?

Mr. FLORSHEIM. I represent the Florsheim Co., of Chicago, Ill.

It is my intention to file a brief, and I only intend to use a very few moments of your time now, Mr. Chairman, because the group I represent, who are a very substantial part of the business of the United States, are very much opposed to dutiable hides.

Senator WALSH. And on leather?

Mr. FLORSHEIM. And on shoes. I will get into that, if you will give me just a moment or two. The reason why we feel as strongly as we do regarding dutiable hides, personally, I and many of us have made a very careful study of the situation over a period of years, and if we thought it would be of any benefit to the farmer, there is not one but would subscribe to dutiable hides; that is, in the group which I represent.

We are very anxious that constructive legislation should pass which will help the farmer, but we are unalterably opposed to legis-

lation being passed which in effect is of no advantage to the farmer but which will cost the people of the United States many millions of dollars.

The hide is a very small part of the animal, and basing my reasons on the bill as passed by the House, a 10 per cent duty on an average hide would amount to 90 cents per animal. We know from our business experience that that 90 cents would not go to the farmer. If it did, there would be so little of it that he would more than pay it out in the increased cost of shoes. So on the one hand you might be giving him something, but on the other hand you are taking it away from him. We do not believe that that kind of legislation in the long run is constructive.

Another reason why we oppose dutiable hides is that we do not want to see the living costs of the people of the United States unnecessarily raised. If we thought it would be of benefit, we would be very favorable thereto, but I can not see that it is anything but a handicap. It does not give the people it is supposed to help any advantage, and it takes from all of our people quite a large sum of money each year.

The third reason for our attitude is that the minute we commence to get a tariff on hides, as has been expressed very well here this morning, there are going to be in subsequent years requests for additional duties.

The packers to-day, if there is a duty put on hides, controlling a substantial percentage of the heavy-leather business of the United States and some of the lighter-leather business, will have a distinct advantage over any independent tanner. Of course, it will not be so marked with only a 10 per cent duty. But the mere fact that they are acquiescent and are saying nothing, and have stated that they do not care for a duty, does not mean a thing, because the only beneficiary, in our opinion, from dutiable hides will be the packers, and when I say that I mean substantial benefit. There may be a small amount go to a cattle raiser or a farmer, but it will be so small he can not figure it.

There is another thing that I would like to touch upon, and I will cover it more fully. That is the bracketing of shoes and hides. It is not quite fair, in our opinion, to do that, because it might be economically sound, and we believe it is, to have hides and skins free and still have shoes dutiable. There is no reason why that is not sound under the protective system such as we have, particularly where the duty on the basic material brings nothing to the producer of that basic material.

However, in view of the attitude of the controlling forces here in Washington, we are willing to subscribe to free shoes in order to retain free hides.

Senator WALSH. What percentage of the industry do you represent in that statement?

Mr. FLORSHEIM. Of course, I do not want to make any statement that is going to be a sort of a guess, but I should say 35 per cent and more of the productive capacity of the United States, not numerically, but in productive capacity. It may be a trifle less or it may be a trifle more. I can get those figures for you.

Senator WALSH. How large is your own industry?

Mr. FLORSHEIM. My own factory?

Senator WALSH. Yes.

Mr. FLORSHEIM. We make 10,000 pairs of shoes a day.

Senator WALSH. What percentage is that of the production of America?

Mr. FLORSHEIM. It is a very small percentage.

Senator WALSH. That is in your own factory?

Mr. FLORSHEIM. Yes. We make a high-grade shoe, and in dollars it amounts to very much more than in percentage. The International Shoe Co., as I figure it, make about 15 per cent of the shoes of the United States, and I think the Brown Shoe Co., who were represented here this morning by Mr. Bush, come next.

We have in the group the Dunn & McCarthy Co., who produce between twenty and twenty-five thousand pairs of shoes a day. We have also the Selz, Schwab Co., of Chicago; the Booth Shoe Co., of Milwaukee; and the R. P. Hazzard Co., of Gardiner, Me. I am inclined to think it would be between 30 and 36 per cent. That would be the best I could give you.

Senator WALSH. Do all of these companies maintain their own retail stores?

Mr. FLORSHEIM. Not all of them.

Senator WALSH. Do you?

Mr. FLORSHEIM. Yes, sir; we have some retail stores.

Senator WALSH. The companies that are manufacturers and have retail stores have somewhat of an advantage over the manufacturer who sells to the wholesaler and jobber, have they not?

Mr. FLORSHEIM. We think that they have, or else we would not have started retailing. That is merely a matter of distribution. I should say as to some men selling to jobbers and retailers, if they are good merchants and have the proper distribution, there is no disadvantage. But it is an efficient method of distributing products. Of course, we believed in it 30 years ago and started it that way.

Senator WALSH. How many stores have you?

Mr. FLORSHEIM. About seventy-odd stores and departments.

Senator WALSH. Are they incorporated separately?

Mr. FLORSHEIM. They are all incorporated separately and owned by us in part or all, and we sell the bulk of our goods, of course, to the retailers.

I would like to say a little something on the importation of shoes. I think the effect or the seriousness, rather, of the importation of shoes is very largely exaggerated. I do not think that it is nearly as great a menace as some of the men who have spoken here this morning, or some of the men in the industry seem to think.

In the first place, the figures of this year are not, in my opinion, an accurate index of the normal importations of shoes, because they have anticipated possible tariff legislation, and they have imported more shoes on that account, to take advantage of the possibility of a duty. That is a perfectly natural thing to do, and that is what we all would do if we were in business.

Then there are certain types of shoes that are purely a style factor. We have here a shoe that is being imported, what is known as a Deauville sandal, a hand-made ribbed shoe. I do not believe that it is possible to make it in this country, and if it is it has not been

made to any great extent. In any event, the duty will not keep that kind of shoe out of the country because it is purely a style proposition that may last the balance of this year and all of the next year, or it may not.

Senator WALSH. That shoe is in competition with the so-called ladies' oxford?

Mr. FLORSHEIM. Yes, sir; it is a woman's style shoe; it is what they call a lace shoe, made largely by hand, and we have not the workmen to make that shoe. I would not like to see our workmen put to work on that class of stuff. They can make more money in a year making other shoes.

Senator WALSH. Do you make ladies' shoes?

Mr. FLORSHEIM. No; but some of the men I am talking for are exclusively manufacturers of women's shoes, like the Roger Selby Shoe Co., of Portsmouth, Ohio.

I have not anything further to say, Mr. Chairman, unless the committee desire to ask me questions.

Senator THOMAS. I want to ask you some questions.

What is your position with reference to this paragraph? Do you favor any tariff, any of the shoe duties, or duties on other branches of the industry?

Mr. FLORSHEIM. I think I stated my position; I tried to make myself clear, that while I believe it would be economically sound to have dutiable shoes and basic materials free, inasmuch as the attitude here in Washington was quite contrary, and they bracketed hides, skins, and shoes, that we would be agreeable to accepting free shoes and to retain the free hides and free skins.

Senator KEYES. You are in favor of the present law, or you would prefer the proposed law?

Mr. FLORSHEIM. I would favor the retention, I think, of the major part of the provision of the present law.

Senator THOMAS. You are yourself opposed to the proposed tariff on skins and hides, and also the proposed tariff on calf and kip leather?

Mr. FLORSHEIM. No; I will not say that.

Senator THOMAS. I am trying to get your position.

Mr. FLORSHEIM. If you will pardon me for putting it in this way, if I were writing a tariff bill I would give the calf skin manufacturer a small duty, because I believe he is entitled to it in the first place, and, secondly, I do not think it would raise the price of shoes one penny in this country.

Senator COUZENS. You have no direct interest there at all?

Mr. FLORSHEIM. One of the number of changes suggested—you mean in a calf tanner?

Senator COUZENS. Yes.

Mr. FLORSHEIM. None at all. I am a shoe manufacturer, and I buy the finished materials from the different tanners and use them.

Senator THOMAS. You are opposed to a tariff on hides and favorable to a tariff on calf and kip leather, and favorable to a tariff on shoes?

Mr. FLORSHEIM. No, I am strongly against a tariff on hides or skins, or boots and shoes.

In view of the situation here in Congress I would like to see the calfskin men get a certain percentage of a protective duty.

Senator THOMAS. That is what I understand. When you say you would like to see that, do you recommend it to be done?

Mr. FLORSHEIM. Yes; if it could be done, I would like to see it done.

Senator WALSH. Then, you really think that that is a distressed industry at the present time?

Mr. FLORSHEIM. I think that the calfskin men are entitled to the consideration by Congress. I do not think the shoe manufacturers need much, and I am sure free hides are going to be essential for the welfare of the shoe industry, and even if we get along in later years we will be very sorry we got on the protective list with our basic materials.

Senator THOMAS. You say that 10 per cent on raw hides would amount to about 90 cents per hide.

Mr. FLORSHEIM. On the average.

Senator THOMAS. That 90 cents would be an additional profit to some one other than the farmer?

Mr. FLORSHEIM. Very likely so; yes.

Senator THOMAS. Of that 90 cents, in your judgment, how much would the farmer receive, if anything?

Mr. FLORSHEIM. If you ask my opinion, I can not see how he would get a cent.

Senator THOMAS. Then if we double the proposed rate and give 20 per cent, how much would he receive?

Mr. FLORSHEIM. I do not think he would get a thing.

Senator THOMAS. How high would we have to make the tariff to enable the farmer to get something?

Mr. FLORSHEIM. Out of his hides?

Senator THOMAS. Yes; out of his hides.

Mr. FLORSHEIM. I do not think that it is possible.

Senator THOMAS. How long have you been in the shoe business?

Mr. FLORSHEIM. All my life.

Senator THOMAS. Your factory is located in Chicago?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. Is your firm incorporated?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. Your company has been making income-tax reports for the past several years?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. What is the condition of prosperity of that particular industry?

Mr. FLORSHEIM. In general?

Senator THOMAS. Yes.

Mr. FLORSHEIM. I think comparably with other lines of work, practically taking into consideration the deflation period of 1920, 1921, and 1922, it is on a very good basis.

Senator THOMAS. They have reasonable profits?

Mr. FLORSHEIM. I think the active, progressive shoe factories are making a reasonable amount of money on the money invested, and also on the volume of their business.

Senator THOMAS. Based upon the present rates, in your opinion, does the shoe industry need, or necessitate, or demand any protection upon the finished product?

Mr. FLORSHEIM. I do not think the shoe manufacturers in order to be successful require a duty.

Senator THOMAS. They are all making money now, are they?

Mr. FLORSHEIM. I do not say that. It is not possible in these days of concentration and mass production for all in any line of business to make money.

Senator THOMAS. Restrict that to your own factory. What is the status of your own factory regarding prosperity?

Mr. FLORSHEIM. We are satisfied with conditions.

Senator THOMAS. Making satisfactory profits?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. You have reported an income in the last several years in your income-tax returns?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. Your stock is listed on the New York Stock Exchange?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. You make your reports to the New York Stock Exchange each year?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. Do those reports show the New York Stock Exchange you have made a profit?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. You have copies of those reports?

Mr. FLORSHEIM. Yes, sir. I will give you the figures or mail them to you. There is no secret about it; there is no secret about anything like that on the New York Stock Exchange. It is a public record, and if you care to see those figures I will give them to you.

Senator THOMAS. I will quote some figures that I have to see whether they are correct.

For 1926 I have figures before me showing that you reported to the New York Stock Exchange a net profit of \$2,384,505; is that approximately correct?

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. And in 1927 you reported approximately \$2,273,250 profit; that is approximately correct, is it?

Mr. FLORSHEIM. I think so.

Senator THOMAS. And in 1928 you reported an approximate profit of \$2,240,482.

Mr. FLORSHEIM. Yes, sir.

Senator THOMAS. The figures I have show that in 1927 your net profit upon the invested capital amounted to 21.52 per cent, and in 1928 it was 22.53 per cent. Are those profits approximately correct?

Mr. FLORSHEIM. I think so.

Senator THOMAS. During those years?

Mr. FLORSHEIM. I can not carry the figures in my mind, but you have them there, and I assume that they are accurate.

Senator THOMAS. So this statement shows that for three years your company made a net profit of \$7,102,238. That would be evidence that in your particular manufacturing plant you are showing a reasonable degree of prosperity.

Mr. FLORSHEIM. As I said before, I am not talking for myself, and am not appealing for any help for myself. I am talking for a group of shoe manufacturers who are equally as successful as we are, and who do not feel they need any duty on shoes; they are willing to forego it in order to retain their hides and skins and keep operating costs down, in the honest belief that the farmer will be the one who will pay if we increase the price of shoes.

Senator THOMAS. I can readily understand why the shoe manufacturers are not asking for a duty in the event that duties are not placed on raw hides, or chemicals going into the tanning products, and the calfskins.

On the other hand, if duties are placed on hides and on chemicals, as they evidently will be, and duties are placed on shoes and leather then I can understand that in that contingency you might need a tariff on your shoe products.

Mr. FLORSHEIM. There is no doubt if you start to put a duty on the basic material we must of necessity have a tariff on the finished commodity. We can not get away from that. And it has to be compensatory; so if you go into that, if you are going to give us a protective tariff, you will have to give us a protective tariff on the shoes.

But if you leave the raw materials free, the basic material, as far as the group I represent are concerned, we are agreeable to maintain shoes on the free list.

Senator THOMAS. Then you understand that the tariff is a pyramiding process.

Mr. FLORSHEIM. I think that anybody else will agree to that; it must be a pyramiding process.

Senator THOMAS. When you put a tariff on the raw material, and the integral parts which make up the manufactured article, the manufactured article must of necessity have a compensatory tariff?

Mr. FLORSHEIM. Naturally.

Senator THOMAS. And because of the proposed tariff on hides, on chemicals and on leather, the shoe industry is asking for a tariff on shoes, and if these others are not included, then you will not need to have a tariff on shoes; is that correct?

Mr. FLORSHEIM. Except with one slight correction, and not to put myself in the wrong attitude for the group I represent. You are making a correct statement, but I would like to say I can not speak for the whole shoe industry, because I represent only a certain portion of it.

Senator THOMAS. What we want are the facts.

Mr. FLORSHEIM. I am trying to give them to you; I am trying to be accurate.

Senator WALSH. The group which you represent, if we had the figures, could show the same degree of profit making as your own figures illustrate?

Mr. FLORSHEIM. I can not analyze it in percentages, but they are all prosperous concerns and have been successful, so far as I know, and have made money right along and will continue probably to make money.

Senator WALSH. What percentage of hides that you use in your industry are American produced?

Mr. FLORSHEIM. As I understand it——

Senator WALSH. I am talking about your own industry.

Mr. FLORSHEIM. My own factory?

Senator WALSH. Yes.

Mr. FLORSHEIM. That is pretty hard to say. When we buy the leather it may be made of domestic hides or foreign hides. Not being interested in where the hides come from, we have not kept tab on that; we do not know.

Senator WALSH. Would it not run a good deal over 50 per cent?

Mr. FLORSHEIM. Not as between the foreign and the domestic.

Senator WALSH. That is, the use of foreign tanned leather?

Mr. FLORSHEIM. No; you are confusing hides and leather.

Senator WALSH. First, I asked you about hides.

Mr. FLORSHEIM. In leather we have used quite a substantial amount—I can not mention the percentage—of foreign calfskins.

Senator WALSH. You use much more foreign leather than you do foreign hides?

Mr. FLORSHEIM. I would not say that, but I would say that it is correct that we have used foreign leather. I also want to make the statement here that we have not used foreign leather because of the price. We have paid more for the foreign leather than we would have to pay for the domestic leather.

Senator WALSH. You do not tan hides yourself?

Mr. FLORSHEIM. No, sir; we do not keep track of where the hides come from.

Senator WALSH. Have you any information as to how much of this duty of 10 per cent on shoes would be reflected in the increased price of shoes to the consumer?

Mr. FLORSHEIM. It is a good deal like Mr. Bush explained this morning. The net cost may be 12 or 15 or 20 cents a pair, depending on the leather you use and how you use the leather. Where one concern uses up all the goods in making shoes, the cost will be less than in the case of the concern making a high-grade article, which has more waste in the skin, as we have to do, because we can not get the same number of shoes out of a certain number of feet that they can. But the price would be pyramided so the retail price would be reflected much more than the actual net cost to the manufacturer.

Senator WALSH. Let me see if I understand you. You have no way of knowing whether the leather which you buy in the market is produced domestically or imported, but your belief is that it is likely imported in your own industry?

Mr. FLORSHEIM. No; we have no way of knowing whether the finished leather comes out of the domestic or the foreign hide, but we have full knowledge of any leather we buy of foreign manufacture.

Senator WALSH. What percentage is that?

Mr. FLORSHEIM. It would be a very small percentage, but still it is a substantial amount. I can get you the figures if you are interested.

Senator WALSH. Do you share the opinion that the levying of a duty on hides is likely to increase the control of the tanning business on the part of the packers?

Mr. FLORSHEIM. Most positively.

Senator WALSH. To what extent do they now control?

Mr. FLORSHEIM. They bought, either directly or indirectly, the larger ones, and they are owned through subsidiary companies which have tanned considerable leather for their account.

Senator WALSH. Have they tanning establishments abroad?

Mr. FLORSHEIM. The packers?

Senator WALSH. Yes.

Mr. FLORSHEIM. I am uninformed as to what they are doing there. (Mr. Florsheim subsequently submitted the following brief:)

BRIEF OF THE FLORSHEIM SHOE CO. AND OTHERS

We believe hides and skins should be retained on the free list.

The purpose of putting hides and skins dutiable in the House bill was ostensibly and only to help the farmer, and if it fails to do this hides and skins should remain on the free list.

The farmer will not receive any benefit from dutiable hides and skins. The Farm Bureau in 1922 made a thorough investigation and stated, as the records of the Ways and Means Committee show, that they did not want dutiable hides and skins—that the farmer would not be benefited thereby.

A 10 per cent duty, as proposed in the House bill, will approximate 90 cents per hide. If anyone receives this amount it will be the packer. The farmer will never see one penny of it.

Of the cattle received at the yards to-day, some have perfect hides and others have hides that are more or less branded. After the hide is removed from the animal, hides with more than one brand are less valuable than hides that are free of brands. The difference in value is almost equal to the proposed duty of 10 per cent, nevertheless, the packer pays exactly the same price for the animal.

The farmer, even if he received the full amount of the duty (although he will not receive one penny, in our opinion) would pay out more in the increased cost of shoes for himself, for his wife, children, and help than he would receive, without considering the additional cost of harness and other products made from leather. He would just be "out of luck"—"out of pocket."

Dutiable hides and skins would increase the cost of living for every American citizen, without benefiting the group it is intended to help. The American public will pay out over \$70,000,000 per year in the increased cost of their shoes, without considering other leather products, if the proposed House bill is passed. We do not believe it fair to tax the public, inasmuch as the farmer can not obtain any benefit.

We are not asking for a duty on shoes. If hides and skins are retained on the free list, we are willing to have boots and shoes remain on the free list.

We are not in agreement with the present thought of bracketing boots and shoes and hides and skins. Under our protective system, we think it would be not only economically sound but perfectly justifiable to cover the difference in the labor cost of foreign countries and our own labor cost by putting a duty on boots and shoes and still retain hides on the free list.

The number of pairs of shoes imported during the last fiscal year is no indication of the actual demand—the number of pairs imported has been considerably more than heretofore but this does not indicate normal conditions, as they have been shipped in anticipation of possible tariff legislation.

There is only one type of shoe or slipper being imported and there is only one kind of leather being imported in any quantity—both of these special items can be made dutiable and fully protected without in any way advancing the price of shoes to our own people.

International Shoe Co., by F. C. Rand, St. Louis, Mo.; Brown Shoe Co., by John A. Bush, St. Louis, Mo.; Selz Schwab & Co., by A. K. Selz, Chicago, Ill.; Dunn & McCarthy (Inc.), by F. L. Emerson, Auburn, N. Y.; Selby Shoe Co., by Roger Selby, Portsmouth, Ohio; The Julian & Kokenge Co., by H. N. Lape, Cincinnati, Ohio; R. P. Hazzard Co., by R. P. Hazzard, Gardiner, Me.; Freeman Shoe Manufacturing Co., by R. E. Freeman, Beloit, Wis.; Freeman-Beddoe Shoe Manufacturing Co., by R. E. Freeman, Beloit, Wis.; Nunn, Bush & Weldon Shoe Co., by H. L. Nunn, Milwaukee, Wis.; The Florsheim Shoe Co., by M. S. Florsheim, Chicago, Ill.

STATEMENT OF JOHN A. BUSH, REPRESENTING THE BROWN SHOE CO., ST. LOUIS, MO.

[Including shoes, par. 1530 (c)]

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

Senator KEYES. You represent whom?

Mr. BUSH. The Brown Shoe Co., of St. Louis.

Senator KEYES. Are you connected with that company, or are you simply an attorney?

Mr. BUSH. I am the president of the company. We manufacture 55,000 pairs of shoes a day in 16 factories located in the Mississippi Valley, in Missouri, Illinois, Indiana, and Tennessee.

I have no prepared brief, and my remarks will likewise be brief.

Senator KEYES. Do you desire to present a brief later?

Mr. BUSH. I have no brief.

I also represent other large interests of St. Louis, such as the International Shoe Co., who feel as I do, that they can not join with either those advocating a tariff on hides or with those in favor of a tariff on shoes.

Senator KEYES. In other words, do you want the present law to stand?

Mr. BUSH. We would prefer to have the present law stand for the good of the greatest number. A duty on shoes would logically call for a tariff on hides. Hence, we can not advocate a duty on shoes.

The seriousness of a tariff on hides is such that we feel, coming from that section of the country that makes shoes for the farming populace largely—and our product goes 60 per cent to the farmers in the farming States—we feel that this tariff can not be supported by sound reasoning. The very people whom it is intended to protect are bound to carry the eventual load.

Senator KEYES. Do you manufacture women's shoes?

Mr. BUSH. Women's, children's, men's, boys', and youths' shoes.

The 10 per cent tariff on hides suggested naturally pyramids itself. It may seem small, but you Senators know that only too well. May I give an example? The 10 per cent is placed on hides. The tanner comes to us with an increase for his leather. We have, for example, a shoe that we are selling to the retailer at \$2.60. Suppose that advance is only 10 cents per pair. We, in order not to go into the red, must necessarily advance our cost to the retailer from \$2.60 per pair to, say, \$2.70 per pair. The retailer has been selling that \$2.60 shoe for \$3.50, a very modest, fair profit. When he pays \$2.70, or perhaps \$2.75, for the shoe, he can not continue to sell the shoe for \$3.50. The American public and the retailers are used to a method of pricing shoes in multiples of a dollar or a half dollar. Hence this \$3.50 shoe will likely be raised, or part of them, at least, to \$4. And so throughout the industry I say, again, that the 10 per cent tariff which may seem very small is bound to be pyramided.

After those raises are made, naturally the retailer and manufacturer meet price resistance with decreased sales.

We feel very strongly that the greatest good for the greatest number of people, and especially the plain people of this country who are

bound to have to pay more for their shoes, will best be met by free shoes and free hides.

Senator WALSH. What percentage of the production of shoes in America does your company produce?

Mr. BUSH. My company produces about 4½ per cent. The International Shoe Co., who feel identically as I do and who have signed the paper which Mr. Florsheim will present, manufacture three times more than we do, or 15 per cent. Therefore there is represented in St. Louis alone in this petition about 19 per cent of the shoes.

Senator WALSH. Have you or the International Shoe Co. any plants abroad?

Mr. BUSH. We have none abroad, Senator.

Senator WALSH. You nor the other company?

Mr. BUSH. No, sir.

Senator WALSH. There are American manufacturers now producing shoes in England, are there not?

Mr. BUSH. I do not know of any.

Senator WALSH. Do you not know of George E. Vogel?

Mr. BUSH. No, sir. They must be very small.

Senator WALSH. Do you know what the attitude of Johnson & Endicott is?

Mr. BUSH. I think Mr. Johnson—

Senator WALSH. They are very heavy producers, are they not?

Mr. BUSH. They are second in the industry; we are third, and the International Shoe Co. are first.

Senator COUZENS. What percentage of hides do you import of your total consumption?

Mr. BUSH. About 40 per cent of all the hides used in the manufacture of shoes are imported.

Senator COUZENS. How are the prices fixed—by competition among the home producer and the foreign producer?

Mr. BUSH. By supply and demand, largely. Hides are a by-product, and figures can be given you that will show that many times the hides are high when cattle are cheap, and the reverse thereof.

Senator COUZENS. In other words, you mean us to infer from that that any duty that would be put on would not get back to the farmer?

Mr. BUSH. I do not feel that the farmer will gain one iota from a duty on hides.

Senator KEYES. Do you know of anybody who would gain?

Mr. BUSH. Do I know of anybody who will gain?

Senator KEYES. By a tariff on hides.

Mr. BUSH. The producer of hides in this country would naturally gain, as the level would be raised to the extent of the duty.

Senator WALSH. You mean, the packers?

Mr. BUSH. Naturally.

Senator WALSH. How about the farmer?

Mr. BUSH. He will get nothing, in our opinion. Certainly he will pay far more for what he buys.

Senator COUZENS. You heard this gentleman from Wyoming a while ago who pointed out that the farmer would get much more by the tariff than he would have to pay for shoes?

Mr. BUSH. He may feel that way.

Senator COUZENS. He testified from figures, and that does not necessarily mean that he only felt that way. He spoke with assurance.

Mr. BUSH. In my opinion, figures can be presented and will be presented by others who are dealing in those figures that will refute that statement.

Senator THOMAS. Do you reason that a tariff on leather will cause shoes to sell for more and that a tariff on hides will not cause cattle to sell for more?

Mr. BUSH. I did not say that cattle would not sell for more, but I do not think they will sell for more as a result of the duty on hides.

Senator THOMAS. You said the farmer would not get any benefit from it. The farmer produces cattle.

Mr. BUSH. I do not believe figures have proven that the small amount that a duty on hides would give to the price of the steer would cause that steer to sell for any more. Furthermore, the price of cattle is always fixed upon supply and demand for beef, and not for hides. No cattle are ever killed for hides. They are killed because beef is wanted at a certain price, and then hides are either in supply or not, and the price is up or down depending upon that supply.

Senator THOMAS. It may be that a tariff on hides would restrict the importation of hides?

Mr. BUSH. It might and it might not.

Senator THOMAS. If it did not restrict the importation it would at least raise the price on the foreign hide?

Mr. BUSH. And the domestic hides.

Senator THOMAS. And the farmer producing the domestic hide would inevitably, it appears to me, receive some benefit.

Mr. BUSH. He does not sell the hide; he sells his cattle.

Senator THOMAS. That is your statement, of course, and you can not take any other position, from your standpoint, I suppose.

Senator KEYES. Would you consider 6 cents a pound a small duty on hides?

Mr. BUSH. I would say that was a tremendous duty.

Senator KEYES. That is what the hide people are asking for.

Mr. BUSH. Naturally. We would like a duty on shoes, but we know well that it is not logical to ask for a duty on shoes without a compensating duty on hides.

Senator WALSH. Speaking of American concerns manufacturing shoes abroad, I have been given this memorandum which I would like to read to you.

Mr. BUSH. I would like to hear it, Senator.

Senator WALSH. And ask you if you are familiar with this fact:

George E. Vogel, for many years a manufacturer of high-class men's shoes in Brooklyn, N. Y., some years ago closed down his plant in Brooklyn and a short time later he commenced manufacturing high-class men's shoes in northern England. This concern had previously been making high-class men's shoes in Brooklyn for many years, as Vogel originally took over his father's business. The lasts which Vogel used were imported from America. The shoes which Vogel made in England were imported into America. This concern now has three manufacturing shoe plants in England and operates under the name of Bangs & Co.

Among the many American concerns who now have manufacturing establishments in foreign countries are found the following:

"United Shoe Machinery Co., Hoe Printing Press Co., International Harvester Co., Mergenthaler Linotype Co., Remington Typewriter Co."

Are you familiar with those facts?

Mr. BUSH. I knew of some of them. I did not know of Mr. Vogel. He must be very small, Senator.

Senator WALSH. I also have a table here from the Tariff Commission which shows that at the present time, at least sometime recently, when this table was made up, beef was selling for about \$1.25, and the hides were valued by the Tariff Commission at about 6 per cent. Does that conform with your notion of the relative value of the beef and the hide?

Mr. BUSH. I have no figures and therefore could not give them to you. The only figures I have on hides and the price of cows or animals are from our own department by wire yesterday, when I asked this question:

Can you show that the price of cows on the hoof to the farmer was sometimes higher or as high when hides were lower?

And they gave me this data:

In 1928—In January and in April, 1928—the price of cowhides was approximately 25 cents, and the price to the farmer 9 cents. In October, 1928, the price of hides was 19½ cents and the price of cows was 9½ cents.

They were a half cent higher when hides were selling for 19½ cents in October than they were in January, when hides were 25 cents.

Senator WALSH. The statement which I have shows that between 1922 and 1925 the price of steers increased, in the main, quite substantially, but during the entire period the price of hides declined. Since 1925 to the present time there has been a decline both in the price of steers and in the price of hides.

Mr. BUSH. I think that is correct.

STATEMENT OF CHARLES H. JONES, REPRESENTING THE COMMONWEALTH SHOE & LEATHER CO., BOSTON, MASS.

[Including leather, par. 1530 (b), and shoes, par. 1530 (c)]

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

Senator KEYES. Will you state whom you represent?

Mr. JONES. The Commonwealth Shoe & Leather Co., Boston, Mass.

Senator KEYES. You are representing yourself?

Mr. JONES. Yes, sir; and I represent also the National Boot and Shoe Manufacturers. I am chairman of the committee on tariff of the New England Shoe and Leather Association, but I do not wish to speak for them at all to-day, because they have so many different shades of opinion among the different leather and shoe makers, so I am going to speak for the National, and also supplementing Mr. Florsheim's remarks, a large group of successful manufacturers who are not particularly affiliated with any association.

Mr. Bush spoke this morning of the International, and Mr. Florsheim spoke of Hazzard and some others.

There are other concerns, and I figured it up one day and found that they represented a production of 50,000,000 pairs of shoes a

year, who have no particular interest in the tariff situation at all, as long as their basic raw material is free.

I wanted to speak to-day simply on the proposition of a tariff on hides and skins. That is a pretty threadbare subject which has been discussed and gone over a great many times, but nobody has ever gone through with it, as far as I can see. They do not stick it out. They make statements and do not follow things to their conclusion.

It has been stated a good many times that the duty on hides and skins would help the farmer, and good reasons have been given to show that. The farmers have never given any reason to show what that will do, or that that will be true, except that it increases the prices for their animals, and they hope in some way to get that increase; the packer must return it to them in some form.

That can easily be boiled down to an answer within a few seconds.

Whether the farmer gets any of it or all of it depends wholly on the conditions under which his cattle are sold. He parts with the hides when he sells the animal; if he gets any of it back it is by the grace of the packers, or some good fortune. He does not control it. It is an accident, so to speak.

Here is the situation. The cattle are put up, as most other commodities, in a competitive market. If the competition, when the cattle are sold, is keen enough so that the buyer has to go down to the last cent that the animal is worth then the farmer can get something out of the duty on hides because it would add something to the value of the hides. In practice, if that condition prevails, it does not prevail in any locality for very long at a time. There may be days in the stockyards in Chicago, St. Paul, Kansas City, or Omaha where cattle are scarce and competition is very close. All these men who buy cattle have a record, and the results of their purchases is tabulated and it is shown to them, and it is on the basis of the results of their purchases that they get their salaries and promotion. If a fellow buys cheaply enough so his purchases show a good profit, he is a good buyer. If he gives any more than he has to give, he is a poor buyer, and he loses. So he does not give up a cent. The control of that market is wholly in the hands of the stock raisers themselves.

If they send too many cattle in they are going to suffer, the prices of cattle drop, and the consideration of the duty on hides is ended; it passes out of sight instantly. That feature of the case is almost negligible; it is an accident.

I have talked with the closest students of that situation in the country, and they point out certain places where they think at times this competition prevails so the farmer would get some recognition, but that is a very rare situation at the present time.

That, to my mind, is the conclusive reason why we can say a duty on hides does not materially help the farmer, and we are confirmed in that view by what the farmers themselves have said.

Mr. Taber told you a few days ago that 10 per cent was of no account. In 1922 the Federated Farm Bureau made a very exhaustive study of the effect of the duty on hides, if one were put on. They not only discussed it, but they had a board of economists go over it, and they could not agree, so they took a vote of all the farm bureau

organizations, and the States voted that they did not want a duty on hides, and the farm bureau put in a brief which they filed with the Senate Committee at that time the statement that the cattle industry needs stimulation, but a duty of 15 per cent, or one-sixth of the value of the animal is a small duty, too small a duty, and in consequence it would not stimulate the industry, and they said, "We prefer to have everything free."

If the Federated Farm Bureau speaking officially says that, I do not think it is of much use for anybody to try to contradict them.

Senator COUZENS. Did you hear their discussion this morning in reference to that matter?

Mr. JONES. Yes, sir.

Senator COUZENS. They have changed their minds.

Mr. JONES. Yes. They are asking for everything in sight. We have the statement of Mr. Taber, representing the Grange, who said that 10 per cent was of no account.

Senator THOMAS. Conceding that to be true, do you not believe that the rates asked for by the Farm Bureau Federation would be of benefit?

Mr. JONES. I am just coming to that now, Senator. I was just going to say that if 10 per cent is of no account, if it is too small, and we all agree to that; it is merely a promise to save the face of some people who wanted to get something for the people at home, and the only practical alternative is to raise it, and they are proposing to raise it. Somebody is proposing a duty of 45 per cent, with 6 cents for green hides and 5 cents for dry hides. Would that work? Utterly impossible. It is just as far from possible as it can possibly be, and for two or three reasons.

The first is a political reason. It would raise the price of shoes so much that the people in this country would not stand for it. There would be a different Congress here at the next session. That is the first consideration.

It would raise the price of shoes from one to two dollars, so that every one of the 25,000 shoe retailers would tell their customers, "You see what Congress did for you. You have to pay us \$2 more, or \$1 more."

If you remember in the year 1909, when the Payne-Aldrich Bill was passed, Mr. Taft was elected on a platform to reduce the cost of living, and he tried to get it lowered, but when the Congress put it over it was as high as ever, and the people of this country resented it at the very next election, and lots of Republicans who voted for the bill were replaced by Democrats.

Senator WALSH. We hope that history will repeat itself.

Mr. JONES. I tell you, Senator, there is no surer way, there is no more certain thing in this world than that history will repeat itself if they put on any of the high tariffs that they are all talking about. It is a preposterous proposition to raise the rate on the basic raw material of this industry, which has always been free industry, and if you raise that rate it will make such a revolution that I do not believe this Congress could stand for it.

Senator THOMAS. Would an increased tariff on hides be any worse than an increased tariff on sugar, or many other of the articles of largest use?

Mr. JONES. I do not know about that with relation to the morality of it, but it would be more involved; it would be specific; it would be positive, and therefore it is one of the things they talk about.

What will happen when the Member gets home? When he gets home he would be overhauled by half of his constituents, who will say, "We can not pay this much for shoes."

The conditions to-day in the shoe business are very peculiar in that respect. The fact of price resistance is tremendously important to-day, and it was not formerly as great, and a slight change in price did not mean so much. But a little change in price to-day means a great deal more, because a very large part of the shoes in this country are sold at fixed prices—that is, prices that have been advertised—and if there is an attempt to raise that price by a half dollar or a dollar a pair you will see what will happen. It will be a revolution.

I do not believe the country, I do not believe the Congress, I do not believe anybody in any position of authority would stand for such a proposition.

Then I will go a step farther.

Senator THOMAS. The argument you are making applies to all proposed raises, does it not?

Mr. JONES. No, sir; I am not talking about anything except shoes.

Senator THOMAS. You are in the shoe business?

Mr. JONES. Yes, sir. I want to make that point clear. I am not talking about general principles at all, because there is nothing in the whole list that is comparable to a hide.

One gentleman this morning said that he assumed the position he now holds on the condition that he should be allowed, or would not be called upon to oppose a duty on hides, if he can get a duty on his commodity. If he can do it, he did not see any reason why he should not have a tariff on his industry.

There is this difference: His industry is an industry that produces something for which undoubtedly provision ought to be made, and for which certain things are necessary for its production, and nobody ever had any of those things to produce a hide. No hide ever had any labor expended on it, or any capital employed in its production, and it is in no sense an industry. So that there is no comparison with an industry that employs labor and which is entitled to reasonable protection. A hide is an incident to the business of producing cattle.

I have challenged economists to name another article in the list comparable with hides. Take cotton seed. They said that cotton seed was an incident to the raising of cotton. The planter takes his lint to the gin and he gets his cotton back and he gets his seed back. So there really is no comparison there at all. Hides pass out of the hands of the person who created them or developed them when he sells his beef, and there is no record.

Senator WALSH. To have a comparable situation the farmer would have to get his hide back?

Mr. JONES. Yes, sir; so much allowed for his beef and so much handed back with his hide. That never happens.

We will allow, for the sake of the argument, and to go through with it, that you can put over 40 per cent duty on hides and in that

way increase the cost so much that the packer must recognize it in dealing with the farmer and hand him some of it, if not all of it. Of course, there is the point that it would increase the cost of the steer so much that the packer could not ignore it.

We will say that it increases the price. Then, theoretically, they keep out the foreign hides and make the manufacturers in this country use the domestic hides exclusively, which would force the price of them up.

Undoubtedly that would be the first result, but it would last only a very short time.

There is another peculiar situation in regard to hides. People will buy hides and use them properly at a moderate price. If they get above that price they stop buying them and use something else.

Let me illustrate that. In 1919, as you all know, hides went to the highest point that they had ever touched, and people were paying fabulous prices for shoes. In the spring of 1920 they quit buying shoes. We had a situation more acute than any I have ever seen, and I have been for a great many years in the shoe industry, and that was the most acute situation that I have ever seen in that industry. You could not sell a shoe at any price.

Hides began to fall down again and they fell down so far that nobody knew where the bottom was. They went from 39 down to 7 or 8 cents a pound.

At that time some of you gentlemen may recollect that Senator Bursum came here in December, 1921, and asked you for a tariff on hides of \$3, and he said that it was necessary for the preservation of the livestock industry in his section—in the Southwest.

He pointed out what was true, that the warehouses of the packers were clogged with hides, and they could not market them, and they had to have this tariff to save the situation. Of course, just at that time a tariff would not have done the seller of the goods any good, because nobody was importing any of those goods and they could not sell them. The business was prostrate, and it was only as it slowly recovered and came back to normal that prices began to run to normal. That was a very extreme case. That applied to almost every sort of industry.

Last year we had the same thing on a smaller scale, only in hides and skins.

In 1927 the big leather manufacturers did not make any money. In fact, very few of the large tanners of sole leather have made any money since 1920. They lost very heavily then and there has been no profit in the business.

They decided that they would cut down production, and they reduced the quantity on hand. They decided that they would do that and ask more for it. I do not know how it was about hides, but it was at that time that leather went up. They all went up from 1927.

As usual, when a commodity begins to advance in price, purchases increased. People began to be afraid they would not have enough, and they began to buy again, and by the spring of the next year they had leather and hides up to a very high point. Hides were selling for 26 cents a pound, and leather in proportion.

. Our trade, and I guess the bulk of the trade did just the same thing they did in 1920—they stopped buying, and we stopped buying.

We could not sell the goods, because the people would not buy them. The demand for leather shoes fell off, and after two or three months of hesitation hides began to go down, and I guess they went down to 15 cents for the 26-cent hide, and again they began to accumulate.

That did not do the packer, the farmer, or the stock raiser a particle of good. They slumped down lower than ever.

That shows the point I want to make; there is a market for them to a certain price, and no market above that price. In 1927 and 1928 as leather went up people began to use substitutes for it.

As was pointed out in the brief submitted to the Ways and Means Committee, in 1928 and 1927 there were more substitutes used in that season than in the season before, simply because they had gone higher. When a man finds that these things go above a certain price he has to find something else to put in to take their place. When he finds that thing it is not leather, but it is something else, such as composition fiber. They are all right; we do not say they are as good as leather, but they will answer a very good purpose.

And that year, as I say, they used 27,000,000 pounds more than they did the other, simply because leather was high.

Now, there are substitutes available to-day for almost every part of a shoe. Some of the substitutes are fully as good as the original material. To illustrate that—if I am not tiring you—take the matter of belting. Thirty years ago practically all the belting made in this country was made out of hides, heavy sole-leather hides. The tanning of leather for belting was a very large industry. To-day it is almost negligible. Rubber and fiber have taken the place of leather, because hides got so high and belting can be made acceptably and satisfactorily out of this other material.

To come down to a little more recent time, I think you will remember, I think it was about the year 1906 or 1907 when they began making automobiles quite freely, we thought that the spready leather market, spready hides, were going to be all sold to automobiles and upholsterers, and we wouldn't have any for use in our upper leather, but one spring it went off, and they didn't want any more at all. They just quit it. They were provided with a substitute that was perfectly satisfactory, and the substitute is what they are using now. They do not use any leather at all, practically. It is just negligible.

That is the sort of the thing that takes place the minute they get hides higher than a normal price. To confirm my view—I am telling you what I know from my own experience—I was at a meeting of the New England Shoe and Leather Association, on the 24th of April in Boston, and a gentleman called Col. H. S. Wonson—I never saw him before, did not know him at all, but he is evidently quite an experienced man, and he told us that the American leather producers' slogan that "Nothing takes the place of leather" must be modified to read "Nothing takes the place of leather made from hides at 16 cents a pound or less."

Now, it cost him something to learn that, because the people in our sole-leather industry last year—I think Mr. Ong perhaps will confirm this if I overstate it—they were persuaded to buy hides as high as 26 cents a pound, and they bought hundreds of thousands of them. I know that the big packers sold 600,000 hides in a week at 25 or 26 cents a pound, and then they began to go down so fast

that they did not stop till they struck 15 cents, and the men who bought those hides, the tanners who bought those hides have lost a very large sum of money trying to market the leather, and they will lose a lot more before they get it marketed, because they have got to sell it on a 15-cent basis.

Those things are not profitable. There is nothing in it for anybody to try to run a market on that basis. Mr. Ong has found out, and he tells us here where a study of these prices shows that the sole cutter, if he is to make a reasonable profit in cutting soles, he must purchase backs at not over 49 cents; if the tanner is to make a reasonable profit in selling backs at 49 cents, he must buy his hides at 16 cents a pound or less. These figures, of course, will be modified somewhat by changes in the rubber market to affect the price of soles. But he has figured it out here that the moment the substitute soles began to be used in large quantities is when the hides passed that high price. It is an interesting study, and I think it is practically true—I know it is practically true. Consequently I take it this way, gentlemen: That if you put a low duty on hides that doesn't amount to anything at all to anybody, doesn't hurt us very much, and doesn't do the farmer any good at all, and that we accepted, as you know, as a compromise, because it seemed the best way out of a difficult situation over in the House, and if it is going to stand, we shall not object; we will stand for 10 per cent, because it is only a little, but if you want to put up a tariff that is right, that will protect industry, and that will help the farmer and will help the public, the only possible schedule you can enact is free hides and skins. Every country that is a manufacturing country and wants to encourage manufacturing, keeps the cost of its raw materials as low as it can. Make hides and skins free. Give the manufacturing industries, like the upper leather, the sole leather and shoes a very small protection, not what they ask, but a very small one.

Senator THOMAS. How much?

Mr. JONES. Five per cent on sole leather, 7 per cent on upper leather, and 10 per cent or 15 per cent at most on shoes will be ample if there is no duty on raw material.

Senator COUZENS. But you can get along without that entirely?

Mr. JONES. So far as we are personally concerned, we can, and are very glad to, sir. The point I want to make is this, and I want to make it clear: There is a competition at present on women's shoes from certain foreign manufacturers who are exceedingly clever. They are doing what has never been done by manufacturers abroad before. They have taken low-priced labor and by organization and skillful handling they are getting as much production out of them as we get out of high-priced labor here. That means that they develop a shoe at a price we can not reach—that is, some of the most efficient of our manufacturers can approach it. I know that Dunn McCarthy, the concern that has been spoken of here this morning, the largest manufacturer of women's shoes and one of the most progressive, says he is not afraid of their competition. But he is the only one that is not. And he is the topnotcher really, so to speak, the most efficient, I presume, manufacturer in that line. The average manufacturer can not meet that competition. And if you intend to protect American industry and to keep American labor employed to

the fullest extent, then you must put on a small tariff to shut out those things.

Senator WALSH. Could that shoe be segregated from the other boots and shoes and that given protection alone?

Mr. JONES. It could but it would not do any good for this reason: If you put on a 15 per cent duty, it will shut out a large part of those shoes. The shoes that retail now at \$3.95 probably would be retailed at \$4 if that was shut out, and that would be the only cost to the American consumer of that character. On other lines of shoes there would not be any cost at all to the American consumer because none are coming in. None can come in. You know, there is no added cost for tariff on a product where there is none coming in.

Senator WALSH. If the domestic industry is competitive?

Mr. JONES. If it is competitive, as it is, and as you know up to the present time it has been intensely competitive and is still. There is no prospect that I can see of any change in that situation. There are a large number of manufacturers in every particular line, and we are all striving to get all the business we can and sell the shoes as close as we can produce them and get a reasonable profit. And that will continue, so that a duty on shoes, except in that particular instance, cuts no ice at all. We had it. In 1909, when the Payne-Aldrich bill was passed, I personally asked them to cut the duty on shoes. I told President Taft. "You want to scale these things down. We will agree to it. Take off the duty on hides and you can cut our protection in two." And he did it. And it was perfectly fair. We had protection enough. But when the Wilson bill, the Underwood bill, came along they took it all off, and that would not have done much harm except for that Czechoslovakian fellow. He is a very skillful man, a regular Napoleon, and he has organized an industry over there that is too much for the rank and file of our American producers, and for that reason I think they are entitled to something. There are some fine shoes that come in here, ladies' shoes. I don't know how much protection would shut them out, and I don't think myself personally it is desirable to shut them out. They are largely handwork. We haven't got the hand labor to produce them in any quantity. It would hurt some shoe people, and I am not trying to expose them to unfair competition. I don't care. Those things are of no consequence to the business as a whole. I know that half the business in this country, half the production of pairs in this country, can get along without any pairs at all perfectly well. The other half may suffer to some extent, and if you think it advisable to protect them, as this is a protective country, I don't know of any reason why it should not be done. It would certainly do nobody any harm.

Senator COUZENS. If we did not put a tariff on it, they would become more efficient, would they not?

Mr. JONES. They would either perish or become more efficient. Of course there are the two theories. Some people think you ought to protect the average man; some think you ought to protect the inefficient man, and personally I think you ought to protect the best of them and let the rest take their chances. [Laughter.] That is my own theory, because I don't particularly like to see manufacturers flourish that haven't got a good excuse for being alive.

Senator THOMAS. Under the system under which we are operating, is it not a fact that the most farseeing, the smartest, the shrewdest of our business men, are the ones that come to Congress and see to it that their demands are properly presented, and sometimes they even come themselves to present them, to the end that they will not be overlooked, and that they are the ones that get the benefits of the protective tariff system?

Mr. JONES. Well, you want to have my opinion?

Senator THOMAS. That is what I am after.

Mr. JONES. That has been the case, and in my opinion they have overreached themselves. I think the cotton industry in the State of Massachusetts is suffering more from overproduction than from any other one fault. I think I can prove that from a long experience and very intimate acquaintance with a good many of the men. Those mills were established a long while ago by able people with ample capital, and they started making a certain grade of common goods. They were successful and they made money, and those men died and their sons came along, and they had plenty of money and didn't work quite as hard as the old men, and after a while it got to be a question of dividends for the stockholders and all that, and they want to keep these dividends up and they let the mills run down, they employed superintendents that were not up to the minute; they allowed the type of goods they made to continue along, making cheap stuff with skilled labor, when it could be made just as well down south with less skilled labor. They imported millions and millions of dollars worth of fine cotton goods from other countries and sat still and let it come in. Now, I call that inefficiency and I say you can't protect them enough. No amount of protection will cure it. Their own people go down South and beat them out up here, and they will continue to import the fine goods until the South gets trained so that they can make them.

Senator THOMAS. Where is your factory located?

Mr. JONES. Whitman, Mass., and Gardner, Me.

Senator THOMAS. How many people do you employ, your company?

Mr. JONES. About 1,200 to 1,250.

Senator THOMAS. From whence do you get your hides, leather?

Mr. JONES. We buy our sole leather, and it is made from hides, we don't know where it comes from. We don't know the origin of the hides. You can't tell a foreign-made hide. Sometimes we know, but generally speaking the sole leather made from a foreign hide is so closely akin to the leather made from a domestic hide that you can't tell the difference, and we never inquire, because it makes no difference.

Senator THOMAS. Is there any difference between the processes used abroad in manufacturing leather and the local processes, American processes?

Mr. JONES. The leather is not made abroad. The hide is brought in from abroad and tanned here.

Senator THOMAS. Do you not buy some manufactured hides from abroad?

Mr. JONES. No, sir; not in the sole leather. We do in upper leather, calfskin.

Senator THOMAS. What country do you get your hides from?

Mr. JONES. We don't buy hides; we buy finished leather in calf-skin from Germany, Holland, in some cases from Czechoslovakia—wherever we can get them.

Senator THOMAS. You buy where you can get it the cheapest, do you not?

Mr. JONES. Yes, sir; and the best quality. Not the cheapest but the best. We make a good grade of shoes, and we want the best we can get.

Senator THOMAS. The best is always the cheapest, is it?

Mr. JONES. Not always per pair. It may be in the long run, if you have got the money.

Senator THOMAS. What per cent of the raw product entering into your shoes is brought from abroad?

Mr. JONES. Oh, taken as a whole, I should say perhaps one-eighth, possibly an eighth.

Senator THOMAS. One-eighth of the amount of leather you use during the year is of foreign origin?

Mr. JONES. That is pure guess work. I have no statistics on that.

Senator THOMAS. Is your individual factory a prosperous concern?

Mr. JONES. Yes.

Senator THOMAS. And so far as matters are now, based upon present conditions, you are not asking and are not in need of any particular protection or any protection?

Mr. JONES. Not at all. So far as we are concerned, we need none. I am just telling you that we care for nothing; we are only asking for these manufacturers of women's shoes whom we think need it.

Senator THOMAS. You make men's shoes?

Mr. JONES. We make men's shoes altogether.

Senator THOMAS. Then in the event that a tariff is placed on hides, raw hides, and also a tariff is placed on leather, calf leather and kip leather, and a tariff is placed upon other products that go into the cost of raw material to you, then you will have to ask for protection in order to offset the increased cost of your raw product? Is that correct?

Mr. JONES. Generally speaking, yes. Of course, it depends somewhat on how much of a tariff is put on. If this 10 per cent goes on we will not, but if the 45 per cent or 6 cents a pound went on, we certainly should.

Senator THOMAS. Then in your particular case you will not be able to tell how much you would need until you know how much tariff is going to be placed on the raw product?

Mr. JONES. Nobody can tell that.

Senator WALSH. Mr. Jones, I think in 1922 the shoe manufacturers submitted to the committee of the Senate a list of 75 commodities used in the production of shoes which bore tariff duties. Have you any tables this year showing the increases upon those commodities levied in the House bill?

Mr. JONES. No, sir; I do not recall that. I am inclined to think that was the leather manufacturers, was it not?

Senator WALSH. I think it was the boot and shoe. It had strings and eyelets and needles and a large number of things in it.

Mr. JONES. I don't know about that. Practically everything of that kind that we use is made here now, and we have no knowledge of that foreign manufacture.

Senator WALSH. Have you any information of the extent to which the packers are getting control of the leather-tanning business?

Mr. JONES. Yes, sir. In 1908 and 1909 they were virtually in control, because they had a tariff on hides up to that time, and the tariff on hides gave them a certain sort of control, and they were expecting that would be continued and they were operating—at that time over 60 per cent of all the leather made in this country was made by packers or their subsidiaries. Since that time, when the tariff was taken off, it rather trimmed their wings a little, and they haven't had that advantage. You understand the packer buys his hides on the animal. He pays for that hide whatever he pays for the steer, at maybe 11 or 12 or 15 cents a pound. When he takes the hide off it is worth more than the whole animal is worth—I mean per pound. The hide always brings more than the animal will bring on the hoof, because it is more valuable and there is less waste and so forth.

Now, he has that advantage. He has got his hide, say, at 12 cents; the market price for hides that day is 15 or 16 cents, and he has got that advantage over any man that has to buy his hides in the market, hasn't he? If a man is a tanner and is not a packer, don't kill animals and don't take off the hide himself, he can't get the hide as cheap as the packer got it. But you put a tariff on top of that so that not only he has that natural advantage that comes to him, but he has an added advantage of 15 or 20 per cent or whatever the rate of duty is, it gives that packer such a dominant position in regard to the raw material that no independent tanner can compete with him. Mr. Ong's predecessor, who was president of that company in 1909, came down here to Washington and showed me the figures of cost of his leather, and he showed me plainly—he says: "I don't want to make any public talk about this, but if this thing has got to go on, we have got to quit. We can't make leather and compete with those people. They have got too big an advantage. And I think Mr. Ong said today that if they put a tariff on hides and no protection on his leather, they would have to quit. I have no doubt they would. You know, those raw materials and those simple commodities like sole leather are handled on a very close margin, and when a man has got an advantage in the cost of raw materials, his competitor hasn't got any show at all in the long run.

Senator DENEEN. Mr. Jones, I do not quite follow you. You say, for instance, the packer gets the hide off the animal, and it is worth 14 cents to the packer, while on the market it is worth 16 or 18 cents, and he gets an advantage there.

Mr. JONES. Yes, sir.

Senator DENEEN. If it is worth 18 cents, why doesn't the packer sell it for 18 cents and take his 4 cents profit?

Mr. JONES. I will tell you, sir, why he does not. At that time, 1909, the tanner couldn't get it. They asked too much for hides.

Senator DENEEN. But if the market price is 18 cents, that is the basis.

Mr. JONES. That is the basis if you can find customers. They might ask 18 cents without being able to sell them for that.

Senator DENEEN. But the market price, you said, was 18 cents. I take it for granted that means that they sold for that.

Mr. JONES. What I meant was this: That, generally speaking, you must take beef at, say, 14 cents a pound on the hoof. The hides will be 14 or 15 or 16 cents, as conditions may warrant. Of course, he can sell it if he wants to if he finds a good customer, but if for any reason he thinks he wants to make himself a conspicuous factor in the tanning business, if he has a look ahead and decides to use his own product in his own business, then he can put it into his tannery without any loss to himself at, say, 12 cents.

Senator DENEEN. Then he is putting in an 18-cent hide?

Mr. JONES. Yes, sir; he is putting in the hide that he might have sold. But anyway it is some advantage. He can sort the hides. He controls the supply; he is making the price.

Senator DENEEN. He thinks he is making it, that is all.

Mr. JONES. Well, you can figure it any way you want to, but the tariff is different. When they put a tariff on, that is a distinct and positive advantage. So, just in summing up, Senator, I want to say that I hope—I have hoped to live to see the time when they would not discuss tariff on hides when they brought up a tariff bill, because there really is no reason, no economic or justifiable reason for a tariff on hides. None at all. It can not be shown. I have talked with every economist and with every—well, these gentlemen who come here representing them, and they have never been able to give a reason that was tangible.

Senator THOMAS. You mean there is no reason for a low tariff on hides?

Mr. JONES. No, and still less for a high one. It really would be destructive, sir.

Senator THOMAS. Well, your argument is that it is all right to put a tariff on a product if it is concealed and the consumer doesn't find it out, but the moment you put a tariff on a product and the consumer finds it out, it is political suicide.

Mr. JONES. Excuse me, sir, I did not say it was justifiable; I said it was done, like the tariff on sugar and things of that kind, and it would not make such an outcry, because it would not be perceived. But I said a tariff on hides, especially a high one, would be perceived by every man, woman, and child that bought a pair of shoes, consequently would make such an outcry that I should not think anybody would even consider the matter.

LEATHERS

[Pars. 1530 (b), (c), and (d)]

STATEMENT OF MARION DE VRIES, WASHINGTON, D. C., REPRESENTING THE TANNERS COUNCIL OF AMERICA

[Including hides, par. 1530 (a)]

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

Mr. DE VRIES. Mr. Chairman and gentlemen, I represent several groups of the tanning industry of the United States.

Senator WALSH. Are you their lawyer?

Mr. DE VRIES. I am a farmer and lawyer—a lawyer in Washington and a farmer in California.

Senator THOMAS. You are a long ways from your business, are you not?

Mr. DE VRIES. It depends on which is my business. [Laughter.]

Senator WALSH. So you are representing these tanning industries in a legal capacity before the committee?

Mr. DE VRIES. Yes; I represent all the groups of the Tanners Council or the tanning industry of the United States, for the purpose of this presentation.

Senator THOMAS. I take it you are making the money in the law business to support your farm? [Laughter.]

Mr. DE VRIES. Agriculture; yes, sir. I am instructed by the several groups of the tanning industry of the United States to file with the President, the Finance Committee of the Senate, and the Ways and Means Committee of the House the following resolution, which I here present. It reads:

Be it resolved by the tanning industry of the United States, represented by its several groups in convention assembled at White Sulphur Springs, W. Va., this 14th day of June, 1929. That we accept, in so far as they go, the provisions of paragraph 1530, H. R. 2667, as being to an extent beneficial to the American tanners, but we insist that the rates on leather as provided in said section are not sufficient to adequately protect America's tanning industry.

Now, Mr. Chairman and gentlemen of the committee, I want to express just one thought upon the subject of duties on hides and leather; that resolution covers and refers to the duty upon both hides and leather. That thought is this:

Paragraph 1530 of the bill before the Senate (H. R. 2667) provides duties upon hides and leathers. Its obvious purpose is to benefit the farmer and the leather industry. While the degree of benefit of a protective duty may in instant cases, as here, be the subject of discussion and difference, there can be no question that the improvement, development, and extension of a market for a particular product is a direct, substantial, and efficient benefit to that product. So that as between the two classes of provisions, a duty upon hides and a duty upon leathers, the one which will assuredly benefit the farmer is the duty upon leathers. Because our domestic leather market is largely occupied by cheap foreign leathers unquestionably a duty upon leathers, excluding to an extent at least the foreign leathers therefrom, will materially contribute to, if not completely rehabilitate, the leather industry of the United States, thereby causing operating tanneries to run in greater force, the abandoned tanneries to be in part at least rehabilitated, the number of employees therein to be greatly increased and the output thereof greatly enlarged. This is the farmer's principal market for his cattle hides. This development of that market will assuredly create a larger demand for cattle hides and accordingly increase their price and the numbers thereof demanded. This is particularly true when we bear in mind the pro tanto diminution of imported hides and the resultant occupancy of the market by domestic hides. If, therefore, we want to assuredly benefit the farmer in the sales value of his hides, one certain method of the accomplishment of that highly desirable purpose is the rehabilitation of the leather industry of the United States. The duties this day requested should if granted by the Congress greatly aid in

so doing. Not only will the direct benefit to the farmer of a greatly augmented market for his hides flow therefrom, but the indirect benefit of augmented markets for all of his products by the thereby increased consumption thereof by more labor well paid.

Now, Mr. Chairman, the remaining portion of my statement today consists of a review of the provisions of paragraph 1530 as they appear before your committee for revision in the light of the decisions of the courts, which have been rendered thereupon. I have in addition thereto suggested certain amendments which, to my mind, if adopted by the committee, will be a great aid in preserving the intent of Congress as it will be finally registered in those provisions against the innumerable assaults which will be made thereon in the courts.

Senator WALSH. Did you appear before the House Ways and Means Committee?

Mr. DE VRIES. I did not.

Senator WALSH. Were these suggestions submitted to the drafters of this paragraph in the House?

Mr. DE VRIES. The different groups of the tanners of the United States prepared and submitted a form for paragraph 1530, which after conferences among themselves they thought, in view of their understanding of the minute differences between the kinds of leathers produced would affect a legal expression invulnerable to a tax, and properly differentiate between the different grades and kinds of leather as produced by the different groups.

Senator WALSH. You want to just show us by the record that your suggestions are new, being presented to Congress for the first time? Is that true?

Mr. DE VRIES. Yes. Now, I am not now submitting anything of that kind, Senator, but the different tanner groups would like to submit something if the committee would like it.

Senator WALSH. Certainly.

Mr. DE VRIES. As a basis for your consideration, without regard to rates,

Senator KEYES. We will be very glad to have that.

Senator THOMAS. Are you opposed to a tariff on hides?

Mr. DE VRIES. The several groups of tanners are not. The point is, Senator, that at White Sulphur Springs, of the 11 groups, different groups of tanners, 10 of them unanimously passed the resolution accepting the provisions of the House bill, which means yielding to a duty on hides, and they are making no fight against the duty on hides. One group voted 11 to 2 in favor of the resolution. Individual members of one group are here against a duty on hides. They have spoken.

Senator WALSH. They are accepting the duty on hides on the assumption that that is the only way they can get a duty on leather?

Mr. DE VRIES. That is for them to answer, Senator. I would not want to answer that. The resolution speaks for itself.

Senator WALSH. I think that is rather apparent from the testimony here.

Mr. DE VRIES. Yes; but they accept a duty on hides and they are making no fight against the duty on hides. Briefly synopsised, the

condition of the tannery industry of the United States since 1922 is as follows:

Many plants have been dismantled; many plants, operating during that period and to-day, are operating upon part time only; the labor therein employed has been depreciated at least 13 per cent; imports have tremendously increased and are rapidly increasing; exports have tremendously decreased and are rapidly decreasing. In a tabulated statement recently issued by the Bethlehem Steel Co. after a careful investigation, it is shown that for the years 1925, 1926, and 1927, the leather is one of the very few industries in the United States which has not consistently shown profitable conditions. It is third upon the list of 34 such industries. Facts here presented will warrant the statement that 1929 will greatly emphasize that distress.

Leather is one of the key industries vital to our national economic self-preservation and therefore entitled to the necessary protection for its survival.

The briefs which have been submitted in detail demonstrate this condition, wherefore it is not my purpose to dwell thereupon. It has been completely demonstrated. The case is well proven. The answer is for the Congress. It seems trite to say that of equal importance to the granting by Congress of a rate of duty is its permanent continuance in administration of the act. In order that the intent of Congress, as it shall be registered in this paragraph, may be so nearly as possible preserved, after the act becomes a law and passes into administration and adjudication, I deem it a duty as representing several of the tanners groups to make some pertinent observations and invite your attention to what seem to me several weaknesses in the terminology of the bill as presented to this committee.

First, referring to subsections (1) to (7) of (b), pages 196 and 197, there might as well be a consolidation of all those separate enumerations bearing the same rate of duty. This is a matter of simplification. In the view that all six of these subdivisions relate to the leather from the same kinds and classes of hides or skins, the differences chiefly residing, or for import purposes capable of being made to reside, in the part of the hide from which taken or made, or the whole thereof, it is respectfully submitted that any minor excesses of duty such as $2\frac{1}{2}$ or even 5 per cent might well be made to yield, and these rates, in so far as found just, be made uniform in the interest of uniform administration and possible defeat of the purposes of Congress, as is not unlikely by those classes of the intended higher rates being entered at the lower rates. Certainly the rate of subsection (7), page 197, the catch-all paragraph of (d) should be equal to the highest rate in the preceding subsections. Catch-all provisions of our tariff laws are intended to cover overlooked or nonenumerated articles of the preceding specific provisions. That rate, therefore, should equal the highest of those previously enumerated to be certain of effecting the manifest governmental purpose. Then, too, such paragraphs, if lower in rates, always invite and often register evasions of the specific provisions where the rates therein are lower. That is impossible where the catch-all rate is as high as the specific highest. In this case as written that rate should be 20 per cent. As requested 25 per cent.

Again, "use" is employed as a tariff designation in frequent instances in paragraph 1530 as adopted by the House. Contrary to the usual rule of "use" the phraseology therein employed contemplates a future and not a present use. Tariff acts, of course, are enacted in contemplation of trade conditions and usages at the time of the enactment of the law. Trade usages change, sometimes overnight. Therefore, when the "use" of particular merchandise at the time of the enactment of a law is made determinative of its tariff status the law should be so drawn that the use when existing, and not a future use, shall control its classification. Any contrary enactment invites perversion and avoidance. The permission of a future "use" to vary tariff classifications is one of the great instrumentalities of fraud against all tariff acts for all time. It is, therefore, respectfully suggested that such terminology should not be employed. Thus in paragraph 1530 (b), subdivision (3), the term is "to be used." In subdivision (6) the same phraseology is used. In (c) a further and, if possible, more objectionable term is used "if imported to be used." The very difference in these expressions will lead to litigation and without doubt their employment will leave the enactment of Congress the subject of numerous possible commercial devices for its defeat.

In effect, paragraph 1531 in the existing law is subject to the same objections. The term "except shoe leathers" is employed. As time went on numerous leathers imported into the United States and sold for other than shoe purposes were entered as shoe leathers, free of duty, and thereby the intention of Congress and the revenues of the Government were defrauded.

In this respect attention is invited to subdivisions (4) and (5) of subparagraph (b). In subdivision (4) there is rated for duty at 15 per cent ad valorem leathers "suitable for conversion into boots, shoes, or footwear." In subdivision (5) a duty of 20 per cent is put upon leathers of like materials, when used for upholstery, collar, bag, case, and so forth, purposes. It needs little customs experience to indicate that soon after this act becomes a law, if such terminology therein persists, efforts will very likely be made to bring in at 15 per cent as leathers "suitable for conversion into boots, shoes, or footwear" which are in truth and in fact intended to be used as upholstery, or for other purposes than mentioned in subdivision (5). Such efforts would encounter no greater differences in leathers than were presented and sustained under the instant act.

Avoidance of these objections could be had by adding to the paragraph defining "use" as follows:

Wherever in this paragraph use is made determinative of a duty, such shall be held to be the use obtaining at the time of the passage of this act.

For a review of the conflicting decisions and importance of the subject, see hearings, Ways and Means Committee, 1929, Volume XVI, page 10192. Other like objections unnecessary here of enumeration exist. Many nonenumerated leathers if enumerated in this as in other acts would make for greater certainty and certainly less controversy in administration.

Again, your attention is respectfully invited to subdivision (d), so-called "fancy leathers." Therein leathers of various descriptions are made dutiable when "made into fancy leather." Query: Does

not that confine that paragraph, and certainly that would be contended by importing interests, to relate solely to those leathers commercially denominated as "fancy leathers" in the trade and commerce of the United States? Again, the same paragraph at the outset states: "Leathers of all kinds," followed by an enumeration of leathers by designated processes employed thereupon as the first bracket. That bracket ends on page 261, line 2, with the word "leather." Then there follows a coordinated class of leathers described according to shapes and forms. Is the second bracket in that subdivision predicated on "leathers of all kinds" or on "fancy leathers"? If on "leathers of all kinds," and that would seem to be the possible construction of the language as employed in subdivision (d), a rate of 30 per cent ad valorem is thereby placed upon shoe leathers contrary to the earlier provisions upon shoe leathers. At least these several paragraphs in the particulars stated and others unnecessary of mention suggest tenable grounds for tremendous litigation.

When these subjects matter were before the House Ways and Means Committee, the various groups of tanners at a meeting considered in detail proposed language to be adopted by the Congress which would more effectively preserve the finally registered will of Congress. The phraseology was carefully considered and approved. It was advisedly drawn in view of all of the decisions upon the subject and in the light of the experiences and differentiations known to trade by all the groups in the trade. It is respectfully suggested that some such phraseology, which, if desired, would be carefully revised and submitted to the committee, would be less vulnerable to attack, more accurately and permanently preserve the will of Congress, and afford a superior basis of legislation to that appearing in paragraph 1530 presently before this committee.

STATEMENT OF HENRY W. BOYD, REPRESENTING THE J. K. MOSSEER LEATHER CORPORATION, CHICAGO, ILL.

[Including hides, par. 1530 (a)]

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

Senator KEYES. Proceed.

Mr. BOYD. I am president of the J. K. Mosser Leather Corporation, a corporation engaged in tanning and merchandising of leather. The company I represent has some 5,000 stockholders, the majority of the stock of the company being held by Armour & Co., of Chicago, Ill.

Senator THOMAS. You are representing Armour & Co.?

Mr. BOYD. I am not. I am here representing J. K. Mosser Leather Corporation, which is controlled by Armour & Co.

Senator THOMAS. You are representing Armour?

Mr. BOYD. I am not. I could not speak for them.

Senator WALSH. It was formerly called the Armour Leather Co.?

Mr. BOYD. Yes. I am not here to speak for the Armour Leather Co., which is still its trading name, but on this leather proposition. I am here to discuss before your committee a duty upon leather. I am not here to discuss the question of a duty on hides, but to advocate that your committee put a protective and compensatory duty

upon leather. As to what that duty shall be, I will come to in a moment.

I had not intended to speak about hides at all, but there has been a great deal said here, and I will have to speak to it.

Senator THOMAS. I would like to go fully into that because I am looking for information.

Mr. BOYD. I will be glad to give you information, but I can not give it from Armour & Co., but from the leather company. In the past four years our tanneries have used only 23.72 per cent of Armour & Co.'s total kill. Only 40 per cent of hides tanned by us are purchased from Armour & Co. Sixty per cent of hides tanned by us are purchased in the open market. Twenty per cent of the heavy hides purchased by us are imported.

I will say something contrary to what Mr. Jones said, because I organized the leather business for Armour & Co. in January, 1909, and employed every man in the organization, and I have had complete authority in operating. There has never been a time since January, 1909, that we have ever taken hides into our tanneries at one mill less than the other tanning companies. We took them at the full market; in fact, I think they held us up.

Further than that—speaking further about hides—I know that against every bullock that is killed, as far as Armour & Co. is concerned, the market price of the hide is figured against the cost of the beef. It either goes to the farmer or the consumer of meat, I do not know which. It is not going to Armour & Co.

Senator THOMAS. It is your judgment then that a tariff on hides will be reflected to some one besides Armour?

Mr. BOYD. Some one besides Armour.

Senator THOMAS. Either in a cheaper price of meat because of the increased price of the hides or a higher price to the farmer because of the hides?

Mr. BOYD. It is bound to. Every bullock that is killed the packer figures the market price of the hide and it is figured against the bullock. The packer does not care where the hides sell. It does not make any difference to them.

Senator THOMAS. If a sufficient duty is placed on hides to double the present price for a cow's hide, in your judgment would not that added price of the hide be paid by the packer to the producers of the animal?

Mr. BOYD. It would either go to the producer or the consumer of the meat; I do not know which.

Senator THOMAS. Why do you make that statement? Do Armour & Co. and these packing companies operate on a stationary price or profit schedule?

Mr. BOYD. As I said before I could not speak for Armour & Co., but I think that the stockyards act governs everything they do, and I think one of their regulations is that they have to figure the by-products such as the Secretary of Agriculture instructs.

Senator THOMAS. If a tariff is placed on hides and raises the price of hides, then the packer will reflect that increased price to the man who buys the animal?

Mr. BOYD. Either there or to the consumer of the meat. It would not go to Armour & Co.

Senator KEYES. Proceed.

Mr. BOYD. The leather business is not prosperous and has not been prosperous since 1922. Since that time our company, and in fact the whole industry, has been unable to get satisfactory returns on our invested capital. We have found it necessary to reduce our tanning capacity from 40,000 hides a week to 25,000 hides a week by dismantling plants, and have been unable to work this reduced capacity fully. The average workings for the first six months of this year were approximately 17,700 hides per week and during this period since 1922 we have been down as low as 9,000 hides a week. This reduced working since 1922 has necessitated reducing the number of our employees by 1,111, which is equivalent to 37.2 per cent.

Prior to 1922 our company was quite a factor in the exportation of leather to England and the continent. But owing to competition of cheap labor and tanning cost in Europe, we were forced to close this London office in 1927 and our exports have practically ceased. During this period, we have maintained our position in the trade in regard to volume and feel sure that our reduction in workings have not been through lack of efficiency, but caused by importation of leather in sufficient quantities at prices at which it is impossible to pay the rate of wages in this country and make it. Our stockholders, numbering, as I have said, approximately 5,000, have not received any returns on their investment, as our earnings from January 1, 1923 to March 31, 1929 have only amounttd to 2.93 per cent on our invested capital.

Senator DENEEN. Is that per year?

Mr. BOYD. Yes; that is per year.

There has been practically no new capital invested in our industry since 1922. Not only is this true, but we have great difficulty in securing funds from banks at reasonable rates of interest because of the well-known lack of prosperity in the industry during the last several year ..

The leather industry in this country buys practically all hides produced in this country, and the prosperity of such industry is practically allied to the prosperity of the producer of such hides. We feel the farmers and manufacturers are so closely linked that we can not prosper unless they do, nor can they prosper unless we do. When we run our plants on part time, labor does not have the money with which to buy, consequently the price of the farmers' product is low.

The leather industry has not been prosperous, as I have stated, for a number of years. That it has not been prosperous is shown by the hearings before the House Ways and Means Committee. I will not repeat those statistics here, and they will be shown probably by others who will appear before this committee. The leather industry needs protection and we feel should have it.

Coming now to my position, as I stated, I am only appearing before the committee advocating a proper compensatory and protective duty on leather. To translate my position into figures, I will have to take some standard of measure so that I may make clear to the committee what I advocate as a proper compensatory and protective duty on leather. The standard I will take for illustration is that which is now before the committee in the House bill, namely, 10

per cent ad valorem on hides. I take no position as to whether or not that is a proper duty, but merely take it for the purpose of illustration of what I am advocating. When I say that I advocate a compensatory and protective duty on leather, I mean that if there is to be a duty placed on hides, then necessarily leather should take a compensatory duty, which means that leather would then be on exactly the same basis as hides without the inclusion of any difference in manufacturing cost in this country compared to foreign countries. Therefore, in addition to the compensatory duty, there must be a protective duty placed on leather that leather in this country may compete with the importations of leather into this country.

Now, if you take for illustration as a basis of duty of 10 per cent ad valorem on hides, then the compensatory duty on leather would be 7.07 per cent, but this would only place leather and hides on the same basis of entry. The bill as passed by the House of Representatives now before you placed leather at 12½ per cent ad valorem; thus, figuring the compensatory duty at 7.07 per cent, the House bill only gives a protective duty to leather of 5.43 per cent. This is not sufficient.

The difference in the cost of manufacture in foreign countries and this country is much cheaper, owing to cheap labor and free tanning materials. In addition, therefore, to the 7.07 per cent compensatory duty, in my opinion, there should be added a protective duty of 13 per cent ad valorem, making a total duty of 20 per cent ad valorem on leather.

I think such a duty is necessary to revive and stimulate an exceedingly sick industry. I firmly believe and so state to your committee, that if you grant us the protection asked for our industry will be put on a basis where it can make some money and invite new capital to invest in it; that it will not be necessary to advance the price of leather-finished products to the consumer to anywhere near the extent it has been reported by certain interests which are interested in importing leather free of duty, as the very modest protection we are asking for will be largely absorbed owing to our being able to run our plants to fuller capacity.

Senator WALSH. In recent years there has been apparently an increase in importation of leather of from 5 to 10 per cent of the consumption. Do you consider the cutting out of that 5 or 10 per cent will restore prosperity to your industry? It will help some, of course, but do you not think there are other fundamental factors influencing the present depression other than increased imports?

Mr. BOYD. No, sir; I think that the leather coming in comes in at such a low price it affects the entire product we produce in this country.

Senator WALSH. You need a tariff in order to increase the profit?

Mr. BOYD. To give us a better margin. We have not had any profit. Mr. Jones stated that the packer in 1908 and 1909 had 60 per cent of the leather business in this country. He says he has figures to prove it. I can not answer for the packers. I can only answer for Armour & Co., and as I say, we did not own a sole-leather tannery until 1909. In 1908 we made some tanning contracts owing to the fact that no one in the country was buying hides from

us. Armour & Co. had millions of hides in their cellars and went to the Central Leather Co. with cellars full and asked them to buy hides on contract and was willing to give them a year's time to pay for them, but they answered they would take 50,000 at 6 cents per pound. It became necessary to move hides or stop killing, so they made tanning contracts with other tanners and were in leather business in January, 1909, and our first sole leather in the tannery was purchased in November. We have never done over 12 per cent of the total capacity of the heavy leather in this country.

Senator THOMAS. Is it a fact that the packing companies in America have purchased or leased ranches in foreign countries and are producing cattle in foreign countries and bringing them back here?

Mr. BOYD. I can not answer on that.

Senator THOMAS. You can not answer that for Armour?

Mr. BOYD. I can not answer for Armour & Co. I do not know about it. I do not know anything about Armour's business. I am a director of Armour & Co., but I do not know anything as to that, as my time is all devoted to the leather business.

Senator THOMAS. In the event the bill should not carry a duty on raw hides of 10 per cent, would it be necessary to have the tariff figures you suggested in order to give you protection on the leather business?

Mr. BOYD. We feel that we should have 10 per cent.

Senator THOMAS. And free hides?

Mr. BOYD. We ought to have more, but we are willing to accept that. We are not opposing a duty on hides. We would like to see them free. But we think that our industry is a leather business and we have no right to say what some other industry should have. We stick to our own industry.

Senator THOMAS. Would you insist, if the rates were raised on hides above 10 per cent, on having the rate on your product raised in proportion to the raise on hides?

Mr. BOYD. I would think this committee would give it to us without insisting.

**STATEMENT OF JOHN E. WILDER, CHICAGO, ILL., REPRESENTING
THE SOLE, ROUGH, AND BELTING TANNERS OF THE TANNERS
COUNCIL OF AMERICA**

[Sole and belting leather, par. 1530 (b) (1)]

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

Mr. WILDER. Mr. Chairman, the question of free hides has been so thoroughly discussed to-day that I do not care to touch upon it. The ideal condition for the sole, belting, and rough leather tanner is to have his raw hides free, but so long as he pays a duty on the material which goes into the manufacture of those hides, it is necessary for him to have a duty on his finished product that would be sufficient to cover the difference in the cost of labor abroad and in America.

I have reduced to writing, to save your time and to state more clearly than I could in a conversational way, the facts as we dig them out, for the necessity for protection on our finished product.

Senator WALSH. How many industries do you represent other than your own?

Mr. WILDER. I represent the heavy leather group of the National Tanners Council, which numbers practically all that Mr. Ong does not represent. I would say from figures which I have, and were presented to the Ways and Means Committee, probably between eighty and ninety millions per annum production of the heavy leather, sole, rough and belting leather is represented by the council.

Senator WALSH. You are a tanner yourself?

Mr. WILDER. Yes, sir.

Senator WALSH. So, between Mr. Ong and yourself you represent all the heavy leather tanners?

Mr. WILDER. No, sir; there are some who are not in the organization I represent, but conferring with my associate and myself we would estimate there is between eighty and ninety millions of the production of heavy leather which is estimated at 130,000,000.

Senator WALSH. Is the leather industry that you represent prosperous?

Mr. WILDER. No, sir, and has not been since 1920. The 12½ per cent duty granted by the House is insufficient to equalize our industry against foreign competition. Therefore, to obtain equalization it is essential to have 17 per cent duty. To grant some measure of protection over and above equalization, we ask your committee for the very moderate protection of 3 per cent, which requires an increase in the proposed bill from 12½ per cent to 20 per cent.

In the above computation we are basing the needs of the industry on to-day's labor, tanning costs, overhead. With the trend of the above costs constantly mounting we respectfully commend to your careful study and consideration the placing of a proper duty on sole, rough, and belting leather.

We fail to see how, in a protective tariff country, we should be shut out and should have been thrown outside of the banquet hall of protection. It is a rough word, but I have stated it to some of our representatives, that I considered that we had been made the bastard industry of this country with hides and leather on the free list.

Reasons for an increased rate:

Other countries have free access to domestic and foreign hides.

Other countries have lower labor costs—averaging 58 per cent less than the United States.

Other countries have untaxed tanning materials and free hides.

Other countries have a tariff against imports of American leather.

American tannery workers are unemployed.

America's heavy leather tanning capacity is only partially used; in 1927, 42 per cent was idle; in 1928, 39 per cent; and during the first four months of 1929, 42 per cent was idle.

In the past five years sole leather exports have decreased 61 per cent below pre-war years. Pre-war figures are not available on sole leather imports, but in the past six years these imports have increased 127 per cent above 1919 to 1922 inclusive.

Exports on rough leather are practically nil—less than half a million pounds yearly. Against this we have rough leather imports

steadily increasing to the extent of 11,000,000 pounds per annum for the past four years. These figures were obtained from the Department of Commerce.

May we call your attention to the very important fact that imports of sole and rough leather to-day represent approximately 10 per cent of present domestic operations. In our judgment this very substantial dumping of foreign made leather, duty free, in the American markets has a dominating influence on our price structure, contributing greatly to the unsatisfactory results in our industry.

Senator WALSH. Where does this leather come from mostly?

Mr. WILDER. Canada and England.

The importance of the tanning industry was fully demonstrated in the late war. The drastic curtailment in sole, rough, and belting leather tanneries brought about in large measure by the industry having been placed upon the free list by Congress in 1913, so far as its finished product is concerned; and a further continuation of this policy without an adequate protective tariff, is an actual menace to the needed preparedness for the country's national defense in the future.

Right there I want to say, gentlemen, that no boy, no soldier left this country during the World War without being properly equipped with the necessary leather, and no tanner failed in his duty toward the equipment of the necessary preparedness for our Army and Navy.

Earnings on invested capital. In an analysis recently issued by the Standard Statistics Co. of New York City and based on the balance sheets and income statements of 545 American corporations, it was shown that earnings on invested capital were 10½ per cent in 1926 and 9 per cent in 1927 for this wide list of companies.

Three leading leather companies, on the other hand, showed an average of only 2.52 per cent earned on invested capital in 1926, and 1.10 per cent in 1927.

Senator WALSH. Does this include companies that the packers are interested in?

Mr. WILDER. These three companies?

Senator WALSH. Yes.

Mr. WILDER. I prefer not to mention the names, Mr. Senator, because I might be criticized.

Senator WALSH. I meant more particularly the whole group.

Mr. WILDER. I take it that three leading companies, whose stock, I think, is listed on the stock exchange—

A VOICE. The packers are not listed.

Senator WALSH. In this group?

The VOICE. No.

Mr. WILDER. No; no packer tanner is listed here.

Senator WALSH. Is their leather business prosperous?

Mr. WILDER. I will be followed by Mr. Boyd, who is a packer tanner. I would prefer you would ask him about that.

Reduction in tanning capacity: A number of tannery establishments formerly producing sole, rough, and belting leathers, which have been closed, scrapped, or abandoned during the past 10 years for the reason that they could not operate profitably, indicates that the following States are affected by the shutting down of these tanneries:

| | Tanneries |
|---|-----------|
| Pennsylvania | 32 |
| Wisconsin and New York, 5 each | 10 |
| California and Michigan, 4 each | 8 |
| Maine, Georgia, West Virginia, and Virginia, 3 each | 12 |
| New Jersey, Missouri, and Maryland, 2 each | 6 |
| Tennessee, Kentucky, and Connecticut, 1 each | 3 |
| Total | 71 |

Senator WALSH. Did you say they were shut down?

Mr. WILDER. They have been closed, scrapped, or abandoned during the last 10 years.

Senator THOMAS. Through mergers, purchasers, consolidations, or bankruptcy?

Mr. WILDER. For lack of ability to operate them profitably, sir. I scrapped one.

Senator THOMAS. That might be by consolidation.

Mr. WILDER. We scrapped one tannery. We made a million dollars worth of leather in it in 1919 and we couldn't see any prospect of ever running that tannery again profitably under existing conditions. It was costing \$5,000 a year to watch and to insure it.

Senator THOMAS. Was not the tanning business very much stimulated by the unusual demand brought on by the World War?

Mr. Wilder. Certainly, as all business was.

Senator THOMAS. And the tanners you stated saw to it that we had plenty of leather, which naturally caused an overproduction, preparation for production of more leather than was necessary in peace times.

Mr. WILDER. The Government urged me to double my plant in order to take care of the emergency proposition.

Senator THOMAS. You did that?

Mr. WILDER. No. I added to it and fought hard against being commandeered, stating that I would give 50 per cent to the Government but must retain 50 per cent for my civilian demand.

Senator THOMAS. After the war, deflation took place. It was necessary and natural that deflation should take place, and you suffered like every other industry suffered because of the decreased demand for your output.

Mr. WILDER. Only worse.

Senator THOMAS. It seems worse.

Mr. WILDER. It is worse.

Senator THOMAS. Of course, that leads to argument.

Mr. WILDER. Let us not argue because it is too late. You can see my balance sheet, and I think you will agree with me. Even with this great reduction in capacity, current production statistics of the United States Bureau of the Census for the first four months of 1929, show that 42 per cent of to-day's rated capacity is idle.

Now, in reference to unemployment in American tanneries, through a combination of factors such as decreased exports, increased imports, and idle tanneries, a most conservative estimate indicates that more than 15,000 tannery employees have been eliminated. Assuming four members to the average family, we have an excess of 61,000 people who must look for their livelihood in other industries. It is plainly evident, therefore, that this branch of the tanning industry

is seriously endangered and unless adequate protection from foreign competition is granted, it faces almost complete extinction.

Wages paid in foreign tanneries are 58 per cent less than in the United States. Figures contained in Senate Document No. 9, Seventy-first Congress, confirm this great difference.

To show the need for a 10 per cent duty above a compensatory duty we have worked it out here and will give you the figures. It shows that above the 10 per cent duty 4.35 is still needed.

In the event of a 10 per cent duty on hides, and together with existing duty on tanning materials, our need for a 17 per cent equalization duty on sole, rough, and belting leather is plainly shown below, in this table which I have made up, as follows:

Leather costs

| | 10 per cent hides (United States) | 12½ per cent leather (foreign) |
|--|--|---|
| 54-pound hide at 17 cents..... | \$9. 18 | \$9. 18 |
| 10 per cent duty..... | . 92 | . 92 |
| Weighting and freight..... | . 42 | . 42 |
| 36 pounds leather (66¾ per cent) at 12 cents tanning cost..... | 4. 32 | 13. 06 |
| Freight on leather..... | . 26 | . 26 |
| | 15. 10 | 12. 92 |

¹ At 8¾ per cent, 30 per cent less.

Divided by 36 pounds means in leather, 41.94 cents domestic and 35.89 cents foreign, or 16.85 per cent less 12.50 per cent proposed duty leaves 4.35 per cent still needed.

Let us emphasize that the American tanning industry, formerly one of this Nation's leading industries, is rapidly becoming extinct. The fourth generation are now in the industry, or else they do not see enough in it to go into it—one of the oldest industries in this country and one of the most honest industries. It is pathetic. All my business career of nearly 50 years, up to the last 10 years, I have been able to advise any bright young fellow who had ability to come along and get in. I have had to turn them away in the last 10 years and cut our expenses to the bone. The sole-leather and belting-leather industry is in sore straits, and unless given proper protection will in a short time cease to be an American industry and pass to the other side of the waters.

In conclusion we, representing the sole, rough, and belting leather group of the Tanners' Council, are instructed by them to respectfully pray that your committee grant this 17 per cent equalization duty plus the very moderate protective duty of 3 per cent, a total of 20 per cent. Should a duty of 10 per cent be imposed on hides, or a 10 per cent on leather should hides be placed on the free list?

I thank you.

Senator THOMAS. How do you operate your business? Do you buy raw hides and tan sole leather?

Mr. WILDER. Yes, sir.

Senator THOMAS. You do not do any commission tanning?

Mr. WILDER. No, sir.

Senator THOMAS. You stated awhile ago that in a little while the American tanners would go out of business. Who will tan all this leather?

Mr. WILDER. It is cheaper to tan it in countries that have now gained 10 per cent of our sales.

Senator THOMAS. That would give our shoe manufacturers cheaper leather, would it not?

Mr. WILDER. That would depend on the price they pay for hides on the other side. Their labor is cheaper.

Senator THOMAS. Free hides?

Mr. WILDER. We want free hides and a compensatory duty.

Senator THOMAS. You are asking for protection on your leathers but protest against a tariff on hides?

Mr. WILDER. No; we are not protesting. I am saying we put up our fight in the House. We lost in the first House, I think, that has ever passed a duty on hides aside from the Dingley bill and the Civil War, and I think you will find it in the records for over 75 years.

Senator THOMAS. Do you admit that a tariff on hides will raise the price of the product you have to buy and cut in on the business?

Mr. WILDER. That is the theory. The price of hides depends, in my judgment, entirely on what the tanner can afford to pay for them. The tanner is somewhere between the devil and the deep blue sea, the heavy-leather tanner. If he gets the price of leather too high, the substitute comes in, as Mr. Jones showed. Mr. Jones showed that 27,000,000 pairs of shoes have been made out of the substitutes in 1928, more than were made with substitutes in 1927. It is appalling.

Senator THOMAS. It is a fact that substitutes enter more and more into the goods that are made of leather.

Senator WALSH. Such as belting, already testified to.

Mr. WILDER. Belting, leather for automobiles, fancy stuff that has taken the place of leather; any old substitute is put in. Of course, we claim it is not as good. I think you would, too. It is a question of price.

Senator WALSH. Are leather substitutes being used, too?

Mr. WILDER. Yes, sir.

Senator WALSH. Do you buy your hides from the packers?

Mr. WILDER. Yes, and also import them.

Senator WALSH. So that you have to buy from the packers who, to a degree, compete with you in the tanning business?

Mr. WILDER. They do. It is as natural from their point of view to tan as it is for them to make fertilizer. I contend that under the present conditions, if in the judgment of Congress you can not put this tariff bill over without a moderate duty on hides, it will have to come. We hope you will not have to, but if it will have to come, there should be certainly a duty on the manufactured product. Gentlemen, if we had a hole in the ground and could draw out raw material out of that hole, a quarry, a coal mine, or something else, we would not be here pleading to be placed on a protective tariff list; we would be placed there without argument. But because our product is a by-product of the farmer it is different. It is a pleasure to me to see the old wheel horses of 1909 and 1913, Mr. Jones and Mr. McElwain, Mr. Florsheim, and others, because we did obtain a victory in wresting hides from the dutiable list in 1909, and retaining our tariff on leather.

Senator THOMAS. You have mentioned the fact that you are willing to see a moderate duty. Do you regard a 10 per cent duty as a moderate duty?

Mr. WILDER. The group I represent would accept a duty of 10 per cent on hides provided leather carried a duty of 20 per cent rather than have the doors continually shut in our face by being placed upon the free list. We shall pray hard you will place hides upon the free list. If our duties, as finally granted on leather, are too high they can be reduced. If too low they can be raised. Why should not we have the same privilege as electrical machinery and other manufacturers, in proving our case before the Tariff Commission. That is the basis we have arrived at. We die hard. We want free hides and a 10 per cent duty on leather. Gentlemen, I thank you.

STATEMENT OF J. J. DESMOND, REPRESENTING J. W. & A. T. HOWARD CO., CORY, PA.

[Sole leather, par. 1580 (b) (1); also including hides, par. 1580 (a)]

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

Senator KEYES. You desire to be heard on hides and sole leather?

Mr. DESMOND. Hides and sole leather; yes, sir. I just want to say, Senator, that this is a résumé, and I want to make it very short, and it is very short. There have been recommendations put in, but I just want to cover our particular situation.

Senator KEYES. We will be very glad to have a statement from you.

Mr. DESMOND. The heavy-leather industry is in a deplorable condition. It has suffered even more than agriculture. Five representative heavy-leather tanners show a capital shrinkage of 34 per cent in the period from 1920 to 1925, and one of them showed an operating loss of about \$853,000 in the first three months of this year.

Tanning capacity has been very greatly reduced since 1920, many tanneries having been dismantled and scrapped, notwithstanding which the industry operated at only 58 per cent of present capacity in 1927 and 61 per cent in 1929.

Free hides and a small duty on sole and belting leather are essential to the recovery of our industry. A duty on hides will harm instead of help the farmer and will destroy the independent tanner.

When I say the "independent tanner" I mean the tanner not connected in any way with the packing or shoe-manufacturing industry.

It will destroy the independent tanner. It is an economic fallacy and will inevitably result in the packer-tanners tanning all the domestic hides. Hides are a by-product of the packer. No other important nation in the world imposes a duty on hides. The tanners of Canada have free hides, free tanning materials, and a duty of 17½ per cent on leather, plus a 3 per cent sales tax. How can we meet such competition.

How Europe was handicapped financially during reconstruction following the war, we carried on without a duty on leather against low European labor and production; now that financial stability has been established, we can not continue unless we have free hides and a small duty on leather. And in connection with that duty on leather

I want to say that it is figured merely to cover tanning materials and the difference in cost of labor. It amounts, in exact figures, to 9.86 per cent.

We ask to be put on an equality with tanners in foreign countries, that our industry may survive, that we may maintain American standards of living among our employees and steady work. We ask no preference but only a reasonable opportunity.

Now, we are a very small factor in the tanning industry, but I have been in the tanning of sole leather since I was 18 years old, since I finished school, and my son is following me now.

With conditions as they are now, the independent tanning industry can not survive. I thank you, gentlemen.

**STATEMENT OF FRANCIS B. QUACKENBOSS, WORCESTER, MASS.,
REPRESENTING WELTING-LEATHER MANUFACTURERS**

[Leather welting, par. 1530 (b) (2)]

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

Senator WALSH. Whom do you represent?

Mr. QUACKENBOSS. The welting manufacturing companies of the United States, nine of whom have signed this brief. There are about 11 and 9 have signed it. I will make this correction before I make my comment. The number reads, welting leather. Leather welting is correct. I appear in reference to leather welting. It is a process of welting leather from leather welting. The House bill reads incorrectly.

Senator KEYES. It is not very important.

Mr. QUACKENBOSS. It is not important to you but it is to us. Leather welting is a narrow strip of prepared leather which is sewed along outside the shoe to the upper lining, and the insoles are attached and also the outer soles. It is an essential part of the Good-year welt shoe, which is the type made in largest quantities in this country.

The facts regarding the nature of the product, size of the industry, wages, foreign competition, and other data were presented to the Committee on Ways and Means, and appear on pages 8686-8687, volume XV, schedule 15, Tariff Readjustment Hearings, 1929.

To avoid repetition, such data is omitted from this statement and comment is confined to paragraph 1530, subparagraph (b) (2) of H. R. 2667, which reads, "Leather welting 12½ per cent ad valorem." This duty, 12½ per cent, is exactly the same in amount as for the leather from which welting is made and which is specifically mentioned in the preceding subparagraph (b) (1).

Welting is a product manufactured from leather by the application of labor and machinery. In H. R. 2667, leather receives a higher duty than hides, and shoes a higher duty than leather. By the same reasoning, welting should receive a higher duty than the leather from which it is made, because of the labor required to produce the finished product.

Our brief to the Committee on Ways and Means presented statistics regarding wage scales in foreign factories making the same prod-

uct and demonstrated that on the basis of free leather, a 20 per cent ad valorem duty was the exact amount required to equalize only the difference in wage scales in this country and abroad. With a 12½ per cent duty on leather, a duty of 25 per cent is needed to compensate for the duty on leather and equalize the difference in labor costs. Of this 25 per cent we figure 5 per cent is compensatory and 20 per cent protective.

Prior to the present consideration of tariff readjustment the welting manufacturers have not made any requests for a duty. They have appeared this year because competition from abroad is a development since the tariff act of 1922 was enacted. Because of this competition, the industry asks consideration at this time and requests a duty that will protect it against the lower-wage scales of foreign manufacturers and be compensatory for any duty in effect on leather.

The amount of duty requested, 25 per cent, is only an amount equal to the difference in labor costs, plus the compensating amount for a duty on leather. In other words, it is the amount needed to put the industry on an equality with manufacturers in foreign countries.

We feel it is entirely reasonable and logical to expect a higher duty on the finished product than on the raw material out of which the finished product is made.

As H. R. 2667 gives welting only the same amount of duty as it gives the leather from which it is produced, we feel the amount of duty is inadequate and for that reason solicit your consideration of a higher duty because of the facts stated in this brief and in our brief previously submitted to the Committee on Ways and Means.

In making this statement to the committee I submit it as representing the following companies: Barbour Welting Co., W. J. Fallon Leather Co., V. & F. W. Filoon Co., Walter L. Johnson Co. (Inc.), McAdoo & Allen, Rockland Welting Co., Western Leather Co., Wind Welting Co., Worcester Counter Co.

Senator KEYES. Is leather welting used in all shoes?

Mr. QUACKENBOSS. Only in the Goodyear welts.

Senator WALSH. What proportion of the shoes is that?

Mr. QUACKENBOSS. That is 35 per cent of the total of the shoes made.

Senator WALSH. What is the additional process that the leather has to go through to make leather welting?

Mr. QUACKENBOSS. We buy a bottom of rough, unfinished leather and cure it with oils and grease, put it in special condition to make leather suitable for the purpose, so it absorbs water. After that it is put into different thicknesses, according to the type of shoe it is to be used for, leveled, a piece of welt not more than one-half inch wide and one-eighth inch thick, beveled on one side, and grooved on the other, and stitch the parts to the shoe to welt the shoe together.

Senator WALSH. Do you sell the leather hide in those strips?

Mr. QUACKENBOSS. By the lineal yard to the shoe manufacturers?

Senator WALSH. He cuts it up and uses the amount he needs in each shoe?

Mr. QUACKENBOSS. Yes.

Senator WALSH. It is ready for him to use in the shoe?

Mr. QUACKENBOSS. Yes.

Senator THOMAS. The whole thickness is cut?

Mr. QUACKENBOSS. Cut to uniform thickness.

Senator THOMAS. How many cuts can you get out of a piece of leather, in thickness?

Mr. QUACKENBOSS. Only one in thickness.

Senator THOMAS. It is not split?

Mr. QUACKENBOSS. It is split by pieces. Only one thickness is leveled. It has to be leveled before it is sold.

Senator THOMAS. You have by-products?

Mr. QUACKENBOSS. Waste?

Senator THOMAS. That is waste.

Mr. QUACKENBOSS. It is purely nominal, value a few cents a pound.

STATEMENT OF FRED A. HERMANN, ST. LOUIS, MO., REPRESENTING COMMITTEE OF HARNESS-LEATHER TANNERS

[Harness and saddlery leather, par. 1530 (b) (3)]

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

Mr. HERMANN. We are up against the same thing that the sole and belting leather tanners are up against. We use the same class of hides and same class of material they use, and we are also asking to be transferred to a higher rate on harness leather. I think the best proof we have is the fact that in the last 20 years our industry has gone down one-fifth of its former size, and whereas a great deal of that is due to the automobile, a lot of it is due to the increased imports, from 4 per cent in 1924 to over 10 per cent last year, and in the first five months of this year, up to almost 25 per cent. So we are being squeezed pretty hard.

Senator WALSH. Have you a brief?

Mr. HERMANN. Yes.

Senator WALSH. You confirm what the other leather people say about the industry?

Mr. HERMANN. Yes.

Senator WALSH. Will you be content with filing the brief?

Mr. HERMANN. Yes.

(Mr. Herman submitted the following brief.)

BRIEF OF THE HARNESS LEATHER TANNERS OF THE UNITED STATES

We respectfully submit that the tariff bill of 1929 as passed by the House levies a 12½ per cent duty on harness and saddlery leathers although we requested the House to grant a protective duty of 20 per cent.

Our brief as filed with the Ways and Means Committee and recorded on page 8675, Volume XV, Schedule 15, of Hearings on Tariff Readjustment, 1929, fully explains why the harness leather tanners need this protection.

Of the 12½ per cent granted on harness and saddlery leathers, 5.75 per cent is regarded by the United States Tariff Commission in its report to the Ways and Means Committee as being compensatory on account of the 10 per cent hide duty. This leaves a duty of only 6.75 per cent for the protection of this branch of the tanning trade.

Our greatest competitor is Canada, and importation of harness leather into this country come largely from there. This competition is each year becoming more serious for the reason that in 1924 imports amounted to only 4.1 per cent of domestic production, while in 1928 they rose to 10.6 per cent of production, and during the first five months of 1929 they reached the figure of 24.7 per cent of domestic production.

The American harness leather tanner is unable to compete with the Canadian tanner for the reason that Canada levies a 15 per cent duty against our leather. With foreign tanners excluded from her home market, Canada is able to send her surplus harness leather to this country and sell it at prices which the American tanner can not meet.

The mortality among tanners in this group is very large considering its place in the American tanning industry. A list of harness leather tanneries which have been closed, scrapped or have suspended tanning operations during the past 10 years shows the following:

| | |
|--------------------|-----------|
| Wisconsin..... | 3 |
| Michigan..... | 2 |
| Ohio..... | 2 |
| California..... | 2 |
| Minnesota..... | 1 |
| West Virginia..... | 1 |
| Missouri..... | 1 |
| Total..... | 12 |

Our plea to this committee is simply for equalization of conditions between this country and Canada and our request is that the rate of duty on harness and saddlery leathers be increased from 12½ per cent to 20 per cent in order to provide a means of meeting Canadian competition. This request is based upon hides taking a duty of 10 per cent. Canada has free hides, free tanning materials, and lower labor costs, while America has 10 per cent on hides, 15 per cent on tanning materials, and higher labor costs.

We further request that item 3, subparagraph b, of paragraph 1530, be changed so as to read: "Harness and saddlery leathers, 20 per centum ad valorem."

Respectfully submitted.

FRED A. HERMANN

(For Committee of Harness Leather Tanners.)

St. Louis, Mo., June 28, 1929.

STATEMENT OF EDWARD F. KEIRNAN, CHICAGO, ILL., REPRESENTING CATTLE-HIDE UPPER LEATHER TANNERS OF THE UNITED STATES

[Side-upper leather, par. 1530 (b) (4)]

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

Senator THOMAS. Is there any person here who knows how shoes are made? I want to inquire if hides can be split, and if so split that it can be made into more than one pair of shoes? Does it take only one hide to make a pair of shoes? In other words, can split leather be made into shoes?

Senator KEYES. Mr. Keirnan states that he can answer the question, and we will take his statement now.

Senator THOMAS. Some one testified that a hide could be split into four parts. What occurred to me is this. Are shoes made out of split leather?

Mr. KEIRNAN. Not to any extent. The side and upper leather tanners cut it, split in three hides, and level the hide up so that the top part is uniform. They get these splits. Most of these splits go into the top. A certain percentage go into the lining to make the lining of the shoe, and a very small percentage of very heavy splits is used to make a very cheap work shoe. They are finished for that purpose.

Senator THOMAS. Then there is only one split, you may say, out of a hide that is suitable for making the shoe?

Mr. KEIRNAN. In upper leather there is only one split taken off. We take only one split for the upper leather.

Senator THOMAS. That statement a while ago led to a doubt in my mind.

Mr. KEIRNAN. The splits have their own definite field, for gloves and linings, about 95 per cent or 98 per cent.

Senator WALSH. Proceed with your own case now.

Mr. KEIRNAN. What I have to say is contained in this brief.

(Mr. Keirnan submitted the following brief:)

BRIEF OF THE CATTLE-HIDE UPPER-LEATHER TANNERS OF THE UNITED STATES

We respectfully refer you to paragraph 1530, subparagraph (b), item (4), line 22, page 106, of H. R. 2607, Seventy-first Congress.

The tariff bill as passed by the House provides a 15 per cent rate on side-upper leather (including grains and splits), patent leather, leather made from kip skins, rough, partly finished, or finished, or such leathers cut into shapes suitable for manufacture into shoes. In our brief filed with the Ways and Means Committee (recorded on p. 8676, Vol. XV, "Hearings before the Ways and Means Committee on Tariff Readjustment, 1929"), we asked for a protective duty of 20 per cent, on the basis of hides remaining on the free list. The House levied a rate of only 15 per cent and in addition put a 10 per cent duty on cattle hides, which are the raw material of this industry.

INADEQUACY OF PRESENT RATE

Using the statement prepared by experts of the United States Tariff Commission, showing compensatory duties on leather necessary to offset a 10 per cent duty on hides as our basis, we find that a duty of 10.19 per cent is necessary on side-upper leather and of 6.04 per cent on patent leather, merely to compensate for the increased cost of leather due to a hide duty. This means that the present bill provides a net protection of 4.81 per cent on side leather and 8.96 per cent on patent leather. In view of the facts presented in our brief to the Ways and Means Committee (recorded as cited above), these rates are clearly inadequate to protect this industry.

The rates on side and patent leather should be the same in spite of the fact that patent leather seems to have a relatively higher protective rate on the basis of the Tariff Commission's figures. Patent leather is relatively higher in value, because of greater labor costs necessary for finishing and the added materials used in preparing the finish itself. The protection of American labor in the case of patent leather consequently offsets the apparent greater rate due to the lower compensatory duty.

Our brief before the Ways and Means Committee explained that patent leather costs approximately 12 cents a foot to produce, which is made up of 3 cents for tanning materials and 9 cents for labor and overhead, while colored side leather costs about 9 cents to produce and is made up of 3 cents for tanning materials and 6 cents for labor and overhead.

FOREIGN COMPETITION

As pointed out in our brief to the Ways and Means Committee and which we again emphasize, our chief competition comes from the fact that millions of feet of India-tanned kips and cattle-hide upper leather are imported annually in the rough-tanned or semifinished state and replace an equivalent amount of American-tanned upper leather. This India-tanned upper leather (which is a different material from India-tanned goat and sheep skins used by fancy leather tanners as raw material) is tanned by what is probably the cheapest labor in the world, finished at a low cost in this country or abroad, and sold at 5 or 6 cents a foot below the cost of American-tanned upper leather.

It will be seen by examining the figures of imports of side leather that since 1922 importations have increased 620 per cent and imports of patent leather have increased 210 per cent.

CURTAILED PRODUCTION IN UNITED STATES

These foreign imports of upper leather are directly affecting this industry, as will be seen by an examination of the Census Bureau's figures of monthly production. These figures follow:

Average monthly production

| | Sides | | Sides |
|-----------|-----------|----------------------|-----------|
| 1922..... | 1,368,000 | 1926..... | 1,290,000 |
| 1923..... | 1,548,000 | 1927..... | 1,122,000 |
| 1924..... | 1,194,000 | 1928..... | 957,000 |
| 1925..... | 1,278,000 | 1929 (4 months)..... | 981,000 |

This table shows that cattle-hide upper-leather tanners are producing only about 71 per cent as much leather as they did in 1922 and only about 63 per cent of 1923.

WAGE SCALES HERE AND ABROAD

We respectfully refer you to the table of tannery wages filed with the Ways and Means Committee which was secured from a report made to the United States Senate by the Department of Commerce and the United States Tariff Commission, which showed:

England, tannery wages are 55 per cent of the United States scale; Scotland, tannery wages are 67 per cent of the United States scale; France, tannery wages are 27.77 per cent of the United States scale; Belgium, tannery wages are 24.60 per cent of the United States scale; Germany, tannery wages are 33.79 per cent of the United States scale.

Wages paid in this industry correspond most nearly to those paid in calf-leather tanneries.

Inasmuch as overhead and general expense items are made up largely of wages and salaries, it is fair to assume that these costs are lower in foreign countries than in the United States.

UPPER-LEATHER TANNERIES CLOSED OR SCRAPPED

A number of large upper-leather tanneries have been closed, scrapped, abandoned, or destroyed during recent years. These include plants of the following companies:

American Hide & Leather Co., Sheboygan, Wis., and Chicago, Ill.
 Northwestern Leather Co. Trust, Portville, N. Y.
 Pfister & Vogel Leather Co., Bayview Tannery, Milwaukee, Wis.
 Barnet Leather Co., Woburn, Mass.
 Casco Tanning Co., Portland, Me.
 Green & Hickey Leather Co., Shrewsbury, Mass.
 Milwaukee Patent Leather Co., Milwaukee, Wis.
 Stresau-Becker Leather Co., Chicago, Ill.
 Van Tassel Tanning Co., Stoneham, Mass.
 Loring B. Hall Co., Marathon, N. Y.
 M. Straus & Sons Corporation, Newark, N. J.
 H. F. Sommer & Co., Newark, N. J.
 Dunn-Green Leather Co., Hudson, Mass.

Still others must follow this tragic procession unless adequate protection is provided. In many communities these tanneries have been an important source of employment to workers.

EARNINGS ON CAPITAL INVESTMENT

The upper-leather industry generally follows the history of losses or pitifully small returns on invested capital shown by the tanning industry generally. A recent compilation made by the Bethlehem Steel Co. of earnings in the leather industry shows the following:

| | 1925 | 1926 | 1927 |
|--|--------------|--------------|---------------|
| Number of companies..... | 7 | 7 | 8 |
| Average total investment..... | \$82,162,575 | \$81,458,400 | \$111,662,028 |
| Per cent return on investment..... | 4.09 | .80 | 5.48 |
| Earned per \$100 share of common stock..... | \$2.33 | \$9.11 | \$3.61 |
| Per cent earned on book value of common stock..... | 12.06 | 17.70 | 3.52 |

¹ Represents loss.

Figures for 1928 are not available; the change from loss in the year 1927 is partly accounted for by the fact that a number of plants were scrapped, thus reducing overhead.

DUTY REQUESTED

When these facts are considered by your Committee we believe that our request for 20 per cent ad valorem protection on these leathers is a fair one, fully substantiated by the necessity of our industry.

Respectfully submitted.

EDWARD F. KEIRNAN
(For Committee on Cattle-Hide Upper
Leather Tanners of the United States).

CHICAGO, ILL., June 27, 1929.

Senator KEYES. Frank H. Curry, who was to testify, has made the request that someone take his place because he is obliged to leave Washington this afternoon.

STATEMENT OF HON. JOHN G. COOPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

[Calf and kip leather, par. 1630 (b) (4)]

Mr. COOPER. Mr. Chairman and members of the committee, in looking over your schedule I noticed you have a great many witnesses who are to appear, so I shall take only a very few minutes of your time.

I would like to speak a few words in behalf of the calf-leather industry, Mr. Chairman, which I believe needs protection to-day.

From 1846 to 1847 there was a 30 per cent duty on finished calf leather. In 1909 the duty was reduced to 15 per cent, and in the tariff bill of 1913 the duty was removed, and this product has been on the free list ever since.

During the last few years the manufacturers of finished calf leather have been obliged to sell their product below the cost of production because of serious competition from foreign countries.

Foreign tanners have taken advantage of the fact that calfskin shoe leather is on the free list and have made a successful effort to capture our market.

In 1928 the imports of finished calf and kip leather in the United States amounted to the enormous figure of 41 per cent of our domestic production, and at the same time the burden on the calf-leather industry has been increased by additional heavier duties on the dyes and chemicals used in the manufacture of the leather.

Senator COUZENS. You said 41 per cent of our production. Did you not mean 41 per cent of our consumption?

Mr. COOPER. Yes; 41 per cent of our consumption.

When this question was before the House committee very clear evidence was produced to prove that imports had resulted in tremendous losses in the leather business in our country, and the earnings on the investment in the industry of the firms able to make a little profit were less than 1 per cent.

I have in my possession data which show losses of five of the leading calf-tanning industries, and that show that the losses of those industries amounted to nearly \$4,000,000.

I want to say to you that the entire industry to-day is facing ruin unless we get some protection.

I have here a chart that was prepared by the statistical department of the Bethlehem Steel Co. There are about 30 leading commodities and industries mentioned there; and if you will notice the red line, when they come to leather, the calf-leather industry is in the red. Now, this was a disinterested party that make this charge, and it is very striking when you see how the calf-leather industry has suffered losses.

The present tariff law carries a duty of 20 per cent on calf leather that is used in the manufacture of gloves, footballs, and other sundries, and I myself could never differentiate between calf leather that was used for the manufacture of gloves and footballs, and so forth, and then put calf leather that was used in the manufacture of shoes on the free list.

Senator WALSH. Is it a different grade of leather?

Mr. COOPER. I don't think so.

Mr. Lumbard, president of the Calf Tanners' Association, who is very familiar with that situation, and who follows me, I think can explain it to you. But this is true, Mr. Senator: Not long ago Judge Graham, of the Customs Court of Appeals, had a case before him—they are bootlegging this leather, this shoe leather, now; and any leather that comes into our country stamped "shoe leather" can be taken and used in the manufacture of gloves, footballs, and so forth, as long as it is stamped "shoe leather," and that has been carried to the Customs Court of Appeals, and Judge Graham has ruled that if the leather is stamped "shoe leather" then it can be used for the manufacture of gloves and baseballs and footballs, and so forth, which leather now carries a 20 per cent duty.

Senator WALSH. That is just why I asked you the question. I assumed it would be possible to bootleg.

Mr. COOPER. When this question was before the House there was not one voice or one word raised in opposition to a duty on finished calf leather. It seems to stand out so boldly that no one could object to protection for this industry. Not one word; not one Member of Congress raised a voice against the duty for this industry.

Senator WALSH. Did you have a chance? [Laughter.]

Mr. COOPER. Oh, yes; there was a chance. We discussed it quite freely, Mr. Senator. We had some considerable debate on that question.

And, Mr. Chairman, all the countries of Europe, I believe, with the exception of Great Britain, that are sending calf leather into our country duty free have a high protective duty on their product. Canada, for instance, has a protective duty on calf leather. I am not sure whether it is 15 or 17½ per cent duty they have on calf leather,

and yet at the same time in 1928, I believe it was, Canada sent into our country duty free several million dollars' worth of calf leather.

I have another chart which I believe Mr. Lumbard will take up with you when he appears before your committee.

I have here a petition signed by several hundred employees in the Ohio Leather Works, which is in my district. I represent a great steel industrial district, one of the largest in the country, but we also have this leather works; and these employees, several hundred of them, have appealed to me to appear before this committee and ask your honorable body to carefully consider protection for that industry.

I do not believe I am violating any confidence when I say this, that about three years ago the directors of this institution ordered their management to sell several hundred thousand feet of finished calf leather at 50 cents a foot below the cost of production.

Now, Mr. Chairman, it was my pleasure to attend the Republican convention at Kansas City last year, and as a Republican, one who believes in the protective tariff policy, one who has the honor to represent in Congress a great district that was represented by Wade and Giddings, Garfield and McKinley, you can readily see why I am a protective tariff man, and I was hoping that our party would write something into their platform which would protect the American industries that are now suffering from foreign competition. We did not ask for very many increases on the steel industry, because we are pretty well protected now, and how delighted I was when this was put into the Republican platform. After mentioning the benefits that had been derived from the Fordney-McCumber tariff bill they said this:

However, we realize that there are certain industries which can not now successfully compete with foreign producers because of the low foreign wages and living abroad. We pledge the next Republican Congress to an examination and, where necessary, a revision of these schedules, to the end that American labor in this country may again command the home market and maintain a standard of living and wages in its accustomed field.

Now, Senators, I submit to you that when 41 per cent of the consumption of an American product is being imported into our country duty free, that industry is entitled to protection.

Senator THOMAS. Do you construe that platform declaration to mean that American industries shall have the benefit of all the American market?

Mr. COOPER. Well, if I had my way about it, Senator, I would have American industries have the benefit of the American market.

Senator THOMAS. That means, then, that you would favor a tariff to such an extent as to constitute an embargo, does it not?

Mr. COOPER. Well, I don't want to say that I would go that far, but a great deal has been said about—if you place a tariff on calf leather it is going to increase the cost of shoes to the American people. On that I am not prepared to argue, but if you are going to look at it from that standpoint, it seems to me that the principle of the protective tariff would apply the same to everything that we have a duty on. When an industry is suffering the way the calf leather industry is to-day, I believe it is entitled to some consideration and some protection, in order to maintain itself.

Senator THOMAS. Are the industries in your district that are interested in calf leather, are they representative of the national industries that produce that leather?

Mr. COOPER. I think so. I think Mr. Lombard, who is president of that association and appeared before your committee this morning, is also president of the National Calf Tanners Association. I am sure that they are all together.

Senator THOMAS. Will you state the condition of the industry at this time from the standpoint of prosperity?

Mr. COOPER. Well, now, I could not do that. Mr. Lombard probably could tell you that. But I know that they have suffered losses, and just what the condition is at the present time I don't know.

Senator THOMAS. Do you not agree to the principle that the duty on the raw product necessarily requires the factory dealing in tanning that raw product to ask for a duty on its product? Isn't that a principle that is generally understood and agreed to.

Mr. COOPER. Pardon me; I did not get that.

Senator THOMAS. If you put a tariff on the raw product, the factory that uses that raw product must necessarily ask for a tariff on its finished product.

Mr. COOPER. Well, I would think so. It must at least have a compensatory duty.

Senator THOMAS. That being true, an increase in wages to the employees makes it necessary for the factory employing the men to ask for an increased duty or increased tariff for the sale of its finished product?

Mr. COOPER. That may be.

Senator THOMAS. It is an endless chain, in other words, and if you help one class it is an excuse or makes it necessary oftentimes to help another class.

Mr. COOPER. Well, Senator, I appear before you this morning for an industry that now has no protection, that is suffering from foreign competition.

Senator THOMAS. What does the House bill provide?

Mr. COOPER. The House bill provides, I believe, for a 10 per cent duty on hides.

Senator THOMAS. I mean in your product.

Mr. COOPER. Fifteen per cent on finished calf leather.

Senator THOMAS. Is that satisfactory?

Mr. COOPER. Well, we were mighty glad to get that in the House. We would liked to have had a little more if we could have gotten it.

Senator THOMAS. How much would you have taken?

Mr. COOPER. I think when you take the compensatory duty and deduct it from the 15 per cent, it is not going to give the calf tanner a very high protective duty. I think it would amount to about 7½ per cent. That is, if you have a duty on hides of 10 per cent.

Senator THOMAS. What should the average be, in your judgment, to properly protect the calf-leather industry?

Mr. COOPER. I think it should at least be 20 per cent.

Mr. Chairman, I believe that is all I have to say.

**STATEMENT OF V. G. LUMBARD, GIRARD, OHIO, REPRESENTING
THE CALF TANNERS ASSOCIATION**

[Calf and kip leather, par. 1530 (b) (4)]

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

Mr. LUMBARD. If it please the chairman and members of this honorable committee, owing to an unusual occurrence, Mr. August Vogel, of Milwaukee, could not attend, and if it please the committee, Mr. Walter Crees, representing the New England Shoe and Leather Association, will take Mr. Vogel's place, and that will eliminate him from his regular appearance, if that meets with the committee's approval.

Senator KEYES. That will be satisfactory to us, if it is to you.

Mr. LUMBARD. Yes; it is, Mr. Chairman.

Senator WALSH. August H. Vogel and George E. Vogel are not the same family, are they?

Mr. LUMBARD. No.

I am president of the Ohio Leather Co. and also president of the Calf Tanners Association. I appeared before the Ways and Means Committee, and according to the rulings of your honorable committee we have just made a few remarks in order not to have any of our remarks conflict with the brief which we filed with the Ways and Means Committee.

Senator THOMAS. Is the Calf Tanners Association a State or national organization?

Mr. LUMBARD. It is a national organization composed of 18 calf tanners producing approximately 90 per cent of the calf leather produced in the United States. It is not incorporated, simply an association for getting together and discussing general subjects for the welfare of the whole industry.

The House bill carries a duty of 15 per cent on calf and kip shoe leather. On this basis calf and kip tanners might be able to continue in business were it not for the fact that they must carry the charge on the raw product as levied in the same bill.

Senator THOMAS. Would you explain the difference between calf and kip leather?

Mr. LUMBARD. A calf is usually killed from the time he is—some in the dairy sections kill them all the way from the time he is a week old to 6 weeks old. Then when he begins to become a young heifer he becomes a kip. That is what they call a kip. That is a technical kip. Now, any time you want to know anything about that, particularly pertaining to raw products on leather, I have purchased those skins and raw materials in every conceivable port of the world from Patagonia to Alaska, and I will be very glad to enlighten you on anything regarding that subject that I can.

Senator THOMAS. Is there any difference between a male and a female hide?

Mr. LUMBARD. Yes, sir.

Senator THOMAS. Explain that, if you will.

Mr. LUMBARD. The male skin usually—I will take that back—especially the Germans—in Germany the veal is their chicken, like it is

in Austria, and they care for them very carefully. In our country they don't take so much care of them, because, especially in the winter time and early spring they keep them in the sheds and then they send them out afterwards to feed on the grass. When it gets along toward summer and the grasses get dry they become what we call a "grasser." The neck crinkles up, and so on.

But in the well-nourished calf the male has a preponderous—the glands of the neck, owing to the fact that he is a male, the glands of the neck from his shoulders up swell. They contain certain secretions, and that is what causes the weight of the neck of the calf, the bull calf, to be heavier than the female calf. The female calf, as you know yourself, any of you gentlemen that have seen a well-fed Jersey and seen a good, strong, robust bull, you know what a neck is. Of course, those wrinkles form, begin to form even during the time when the calf is young. The only difference is, of course, in the particular character. There is a particular difference between a bull-calf hide and a female-calf hide. The Germans are usually very careful over there to keep the female-calf skins and send us the bull-calf skins.

Senator THOMAS. They are not segregated on the market, are they?

Mr. LUMBARD. Oh, no.

Senator THOMAS. And there is no distinction in the price?

Mr. LUMBARD. No; the only distinction in the price is that when they come in the late fall of the year, when they are turned out to grass, their hair gets spiky, and they begin to get rough, and when they get rough the skin begins to contract accordingly, and then they become what is termed to us "grassers," and they lose their value about 4 cents a pound.

When the tariff charge on the raw product is subtracted from 15 per cent duty it leaves an actual protection on calf and kip leather of less than 7 per cent. The exact figures worked out by the Tariff Commission can be verified by the gentleman over there, and it is approximately $6\frac{3}{4}$ per cent, actual protective duty, which falls short of compensating for the difference in labor in this country and foreign countries.

As far as is known, there is no industry in the United States that has had to face such tremendous foreign competition as the calf and kip leather industry. As will be seen from the chart below, which you will find here, gentlemen, based on figures of the United States Department of Commerce, 54,000,000 square feet of finished calf and kip leather, valued at \$14,033,247, imported in 1928, was equal to 41 per cent of the domestic production. In the first five months of 1929 the imports of calf and kip leather totaled 11,967,251 square feet, as compared with 10,796,621 square feet for the same period of last year.

In 1923, when the importations began to appear, domestic production aggregated 164,000,000 square feet. In 1928, as will be seen from the chart, our production fell to 171,000,000 square feet.

In the brief submitted to the Ways and Means Committee the serious effect of the importations on the financial status of the calf and kip leather industry was pointed out in a general way, but we believe that the dangerous situation would be better understood by an examination of the statements below, which show actual total

losses during the past three years of five important firms which produce over 50 per cent of the domestic supply of calf and kip leather. There was a net loss of \$3,199,397. It shows the losses for each one of these firms here, gentlemen, enumerated, taken from the balance sheets and issued by reputable accountants like Ernst & Ernst, and Whiteside and other people who are known, and taken from papers like the Wall Street Journal and other papers.

(The statement referred to is as follows:)

Profit and loss of tanners compared with shoe manufacturers 3-year period 1926-1928

| | Net sales | Invested capital | | | Profit and loss |
|---|--------------|------------------|--------------|-------------|-----------------|
| | | Preferred stock | Common | Surplus | |
| American Hide & Leather Co. (18 months to June 30, 1923): | | | | | |
| 1926..... | \$12,441,406 | \$11,500,000 | \$11,500,000 | \$5,961,722 | \$150,75 |
| 1927..... | 13,676,139 | 10,000,000 | 11,500,000 | 6,576,721 | 143,264 |
| 1928..... | 18,778,404 | 10,000,000 | 11,800,000 | 5,066,772 | \$1,570,768 |
| Pfister & Vogel: | | | | | |
| 1926..... | | 2,000,000 | 8,000,000 | 1,996,286 | \$1,113,688 |
| 1927..... | | 2,000,000 | 8,000,000 | 1,858,051 | 138,235 |
| 1928..... | | 2,000,000 | 8,000,000 | | \$1,200,000 |
| National Leather Co.: | | | | | |
| 1926..... | 24,556,398 | 13,000,000 | 7,500,000 | 4,173,749 | 550,798 |
| 1927..... | 24,866,444 | 13,000,000 | 7,500,000 | 3,010,388 | 1,154,362 |
| 1928..... | 24,137,887 | 13,000,000 | 7,500,000 | 2,445,617 | 108,701 |
| Barnet Leather Co.: | | | | | |
| 1926..... | | 1,000,000 | 2,000,000 | 1,021,218 | 278,068 |
| 1927..... | | 1,000,000 | 2,000,000 | 644,751 | 322,468 |
| 1928..... | | 1,000,000 | 2,000,000 | 181,991 | 392,759 |
| Ohio Leather Co.: | | | | | |
| 1926..... | 3,293,605 | 1,589,400 | 677,609 | 13,674 | 77,659 |
| 1927..... | 4,241,640 | 1,487,800 | 677,609 | 226,942 | 216,348 |
| 1928..... | 4,453,415 | 1,457,800 | 677,609 | 240,134 | 145,520 |
| Total loss, 3 years, 5 tanners..... | | | | | \$3,199,397 |

¹ Loss.

The above five tanners produced over 50 per cent of all calf and kip leather made in the United States, with a loss in this period of \$3,199,397, due to foreign competition.

Senator WALSH. Did not this industry meet with very serious losses during the deflation period in 1921?

Mr. LUMBARD. Yes, sir; our company alone in that time lost over \$2,500,000.

Senator WALSH. Didn't you get some relief from the Treasury Department at that time?

Mr. LUMBARD. We got some relief on our tax refund only.

Senator WALSH. A special order was issued by the Treasury Department for a tax refund to your industry?

Mr. LUMBARD. Yes. We got a small amount on that. These are in red—

Senator COUZENS (interposing). Are you going to put that all in the record?

Mr. LUMBARD. If you please.

Senator COUZENS. Yes.

Mr. LUMBARD. Unemployment in tanneries, wages. Financial losses are not confined to the owners of the tanneries but are being severely felt by laborers and other tannery workers, as well as the communi-

ties in which they live. The figures of the United States Bureau of Labor Statistics show a drop of 13 per cent in tannery employment in 1928, as compared with the index year of 1923, when imports of foreign leather began to make serious inroads in the domestic market. In this relation we took the following statement from the Economic Bulletin of the National City Bank of New York, for June, 1929:

Of 23 major classifications of industries represented by the United States Department of Labor, only 4—leather, fertilizer, lumber and stone, clay and glass products—show a reduction of working forces.

It is impossible for American calf and kip tanners to compete against the extremely low wages paid to European tannery workers. As will be seen from the table which follows, based on recent figures derived from the Government reports, the average wage in America is 54 cents an hour, while that for six European countries combined is less than 19 cents. The minimum wage paid in the United States is 44.8 cents an hour, while that of some foreign countries is as low as 11 cents an hour.

Senator COUZENS. In that connection, may I ask if there is any difference in the productivity per man in this country and in foreign countries?

Mr. LUMBARD. Gentlemen, I would be very glad to take that up with you. I have lived in Germany and done a lot of engineering work there, and probably there is no American who knows German tannery production better than myself. I don't want to be egotistical when I say that.

Yes; there is. Practically, in the days before the war, German production, as compared to our own, was, productivity so much per foot or so many feet per working hour, approximately 66 per cent.

Senator COUZENS. That is, 66 per cent of our production?

Mr. LUMBARD. Yes, sir.

Senator COUZENS. Per man?

Mr. LUMBARD. Yes, sir. But that has changed. Due to conditions brought about by the war, through the importation and installation of most up-to-date machinery, which was brought about by the necessity of war production, Germany had to produce a lot of leather during the war, and they increased their efficiency until to-day German efficiency is practically equal to our own. There is a certain amount of finish, owing to the low cost of labor, which they can do and which we can not do. For instance, if you polish a machine, the bore of that machine may be just as good and just as efficient, but if the outside of it was polished, naturally the appearance would be better. So it is with leather. They can do certain things that we could not afford to do, and we have to put it through the best we can in order to try to compete.

I will not quote these labor statistical wages here, as they will appear in the brief.

In order to avoid duplication we merely call attention to the fact that, in addition to low labor cost, European tanners have a decided advantage in their proximity to the world's best rawhide markets, and to the centers of tanning extracts and chemicals. This is explained in detail on page 7662 of the House hearings on the sundries schedule.

Our industry has not opposed a duty on hides and skins. And in that connection I wish to say when I was requested to become the leader of our particular group, I did it on one condition: That, as I was not going to become involved in any free hide or free skin argument, my contention was from the start that if one industry asked for something and another industry thought it was entitled to it, I was not going to come in, nor was I going to appear before the Ways and Means Committee or this honorable committee and ask for something myself that I would not want to give to any other industry. That is the position I took.

Senator WALSH. What percentage of your skins are imported?

Mr. LUMBARD. Practically a third.

Senator WALSH. So you are willing to accept the duty that may be levied upon a third of your raw products?

Mr. LUMBARD. Yes, sir.

Senator WALSH. Of course, which would be reflected, if it is effective, in increased prices for the domestic product.

Mr. LUMBARD. I beg pardon?

Senator WALSH. And of course, which will increase the domestic product's price if it becomes effective.

Mr. LUMBARD. I have a table here, and I will be very glad to answer that. The table is worked out by actual importation figures showing the number of pounds and so on, and if you wish to discuss that I will be very glad to do that as soon as I finish this.

Senator THOMAS. What would be the effect of the procedure on your industry if a duty is placed on rawhides and no duty placed on your products?

Mr. LUMBARD. Well, you will see that it will only be a question of one or two years until you won't have us.

Senator THOMAS. Then the higher the duty on rawhides, of necessity the higher the duty must be placed on your product to give you a fair chance, an equal chance with them in living?

Mr. LUMBARD. We must have a compensatory duty plus at least a protective duty to give us a chance to live under the sun. You realize that, Senator.

Senator WALSH. The bill now places a 10 per cent duty on rawhides and gives you a protection of 15 per cent?

Mr. LUMBARD. It gives us actually a protective duty of $6\frac{3}{4}$ per cent.

Senator WALSH. Is that a reasonable ratio, 10 per cent on hides and 15 per cent on your product?

Mr. LUMBARD. I would say it was a reasonable ratio on hides, and it is not a reasonable ratio on our product. But that is not for me to argue with this honorable committee. You must take all the evidence.

Senator WALSH. I am trying to get your reaction as a basis for my questions.

Mr. LUMBARD. Our wages are practically two-thirds more than they are in the European average. They are twice as much as they are in Germany, two-thirds more than Czechoslovakia, Rumania, and those Balkan countries, France, and so forth.

Senator WALSH. The point that I am trying to drive at—

Mr. LUMBARD. We asked for 20 per cent in the House bill.

Senator WALSH. On what rate of protection on raw hides was that based?

Mr. LUMBARD. That was based upon free rawhides.

Senator WALSH. Then if we give 10 per cent protection on free rawhides, where would your rate have to be placed to be the protection that you have at 15 per cent on your product with free hides?

Mr. LUMBARD. We ought to have a duty of at least 20 per cent.

Senator WALSH. Then if we increase the rate of duty on rawhides, the same increase on your product would necessarily have to follow in order to do justice between you and the rawhide people?

Mr. LUMBARD. Yes, sir.

Senator WALSH. That is what I wanted to get.

Mr. LUMBARD. Continuing, gentlemen, our industry, the 10 associations of the leather industry, at a meeting at White Sulphur Springs, W. Va., on June 14, went on record as accepting in principle paragraph 1530 of the pending tariff bill here, which carries duties on both rawhides and finished leather. And there was only one dissenting vote at this meeting, which was the United States Leather Co.

Senator WALSH. Let me ask you two or three questions, if you have finished.

Mr. LUMBARD. Yes, sir.

Senator WALSH. Are there any importers of calfskins?

Mr. LUMBARD. Importing, you mean, finished calfskin?

Senator WALSH. Does your industry import any of the finished skins?

Mr. LUMBARD. No, sir.

Senator WALSH. No; I meant to say export.

Mr. LUMBARD. Yes, sir; we export some.

Senator WALSH. How much?

Mr. LUMBARD. Our exports probably—our own exports, compared to our production, would not exceed 10 per cent.

Senator WALSH. Compared with the imports, how much are the exports?

Mr. LUMBARD. To the imports of raw material?

Senator WALSH. No; to the finished skin.

Mr. LUMBARD. Oh, we produce about 15,000,000 feet a year—10 per cent.

Senator WALSH. Now, you say there are imported into this country a certain amount of skins a year?

Mr. LUMBARD. Raw material, you are speaking of?

Senator WALSH. No; the finished product, leather.

Mr. LUMBARD. Yes, sir.

Senator WALSH. And you have exported a certain amount?

Mr. LUMBARD. Yes, sir.

Senator WALSH. Now, what is the ratio between those?

Mr. LUMBARD. For our own industry, you mean?

Senator WALSH. Yes.

Mr. LUMBARD. I should say about 10 per cent for our own industry.

Senator WALSH. So you say that the exports are only 10 per cent of the imports of the finished product in your business?

Mr. LUMBARD. Yes, sir; in our business. I don't know what the others are.

Senator WALSH. Whom do you represent here?

Mr. LUMBARD. I represent the Calf Tanners Association.

Senator WALSH. Now, don't the statistics of the Tariff Commission show that the exports and imports are about the same?

Mr. LUMBARD. That is all parts of leather, Senator. I am speaking about calf leather only.

Senator WALSH. Only calf leather?

Mr. LUMBARD. Only calf leather. You have other exports of leather, sole leather, kid leather, sheep, lamb, upholstery, all types of leather. I am only referring to what the exportations of our own particular group are.

Senator WALSH. Have the packers invaded your industry?

Mr. LUMBARD. No, sir.

Senator WALSH. One of the previous witnesses testified, I think the Congressman, about the tariff duties that your industry has to bear because of the duties levied on chemicals and other commodities used by your industry?

Mr. LUMBARD. Yes, sir.

Senator WALSH. Have you a list of those commodities and the duties as levied in this bill?

Mr. LUMBARD. Yes. The principal item which we have to use is bichromate of soda in the chemical list. Bichromate of soda is our main tanning material. The present rate on that is a specific duty of $1\frac{3}{4}$ cents a pound. We use approximately 600,000 pounds a year.

Senator WALSH. What does that represent in dollars.

Mr. LUMBARD. The duty on that alone would be, figuring on the approximate duty on that, between eight and nine thousand dollars.

Senator WALSH. The duty alone?

Mr. LUMBARD. Yes, sir.

Senator WALSH. Now, tell me, is there any increase on that duty?

Mr. LUMBARD. I don't think that the House bill recommended any increase.

Senator WALSH. Are there any others?

Mr. LUMBARD. Yes, sir; we use considerable quantities of casein. The present duty is $2\frac{1}{2}$, and I believe they intend to raise it up to 8. Then there is glucose. We use very large quantities of glucose in the reduction of our chrome liquors. We use probably 240,000 pounds a year of glucose alone. I don't know what the present House bill carries on that.

Fish oils we use. Animal oils and neat's-foot oil. They are all carried in the agricultural bill. Vegetable oils, olive oils, we use a considerable amount.

Lactic acid we use.

Dyes. Along that line, we alone use probably 40,000 pounds of German dyes. The specific duty on that is 7 cents a pound plus 45 per cent ad valorem.

Senator WALSH. Will you put that list, that table in the record?

Mr. LUMBARD. I just had a pencil memorandum here.

Senator WALSH. How many are there altogether of those commodities?

Mr. LUMBARD. A dozen or more.

Senator WALSH. So that your situation is this, that you are now producing in a free-trade market a finished product.

Mr. LUMBARD. Yes, sir.

Senator WALSH. And you are meeting with competition in the difference in cost of labor at home and abroad.

Mr. LUMBARD. Yes, sir.

Senator WALSH. Plus a heavy tariff duty levied on various commodities which you use in producing your material.

Mr. LUMBARD. Exactly, Senator.

Senator WALSH. And you get no duty at all.

Mr. LUMBARD. No, sir. Then, we use egg yolk and large quantities of egg albumen, tanning extract, logwood, shellac, bichromate of potash, wood alcohol, butyl alcohol, amyl alcohol, guncotton solution.

Senator WALSH. Will you prepare a list of those, without taking up the time of the committee now, of all those commodities, showing the present duty that is being paid and showing to what extent the House bill increases the duty?

Mr. LUMBARD. I will be very glad to do that. I will have to file it later, Senator.

Senator WALSH. All right.

(Mr. Lumbard subsequently submitted the following statement:)

STATEMENT OF V. G. LUMBARD

NEW TARIFF RATES ON PRODUCTS USED IN LEATHER MANUFACTURING

Paragraph 1: Acetic acid, $\frac{3}{4}$ cent to 2 cents per pound; formic acid, 4 cents per pound; lactic acid, 2 cents to 4 cents per pound, and not less than 25 per cent ad valorem; tannic acid, 6 cents to 12 cents per pound; tartaric acid, 8 cents per pound; nitric acid, $\frac{1}{2}$ cent per pound; oleic acid, $1\frac{1}{2}$ cents per pound; stearic acid, $1\frac{1}{2}$ cents per pound; oxalic acid, 6 cents per pound; other acids, 25 per cent ad valorem.

Paragraph 2: Aldehyde ammonia, butyraldehyde, paracetaldehyde, ethylene dichloride, butylene dichloride, ethylene oxide, butylene oxide, ethylene glycol, butylene glycol, diethanolamine, triethanolamine, ethylene diamine, esters, 6 cents per pound and 30 per cent ad valorem.

Paragraph 3: Ethyl methyl ketone, homologues, acetone oil, 25 per cent ad valorem.

Paragraph 4: Alcohol—Amyl, butyl, hexyl, propyl, 6 cents per pound; methyl, 18 cents per gallon; ethyl, 15 cents per gallon.

Paragraph 6: Potassium aluminum sulphate, potash alum, ammonia alum, $\frac{3}{4}$ cent per pound; aluminum sulphate, $\frac{1}{8}$ cent to 1 cent per pound.

Paragraph 7: Ammonium carbonate, bicarbonate, 2 cents per pound; ammonium chloride, $1\frac{1}{4}$ cents per pound; liquid anhydrous ammonia, $2\frac{1}{2}$ cents per pound.

Paragraph 8: Antimony oxide, 2 cents per pound; tartar emetic, 6 cents per pound.

Paragraph 11: Synthetic gums, 4 cents and 30 per cent ad valorem; resins, 4 cents per pound and 30 per cent ad valorem; arabic, $\frac{1}{2}$ cent per pound.

Paragraph 12: Barium chloride, 2 cents per pound; barium carbonate, $1\frac{1}{2}$ cents per pound.

Paragraph 13: Blackings for polishing, powders for polishing, liquids for polishing, 25 per cent ad valorem.

Paragraph 17: Corrosive sublimate, 22 cents per pound and 25 per cent ad valorem.

Paragraph 18: Carbon tetrachloride, $2\frac{1}{2}$ cents per pound; chloroform, 6 cents per pound; tetrachloroethane, trichloroethylene, 35 per cent ad valorem.

Paragraph 19: Casein, $2\frac{1}{2}$ cents per pound.

Paragraph 20: Chalk or whiting, $\frac{1}{4}$ cent per pound; chalk, precipitated, 25 per cent ad valorem.

Paragraph 28: Colors, dyes, stains, lakes, 45 per cent ad valorem and 7 cents per pound based on American price.

Paragraph 29: Cobalt linoleate, 10 cents per pound; cobalt acetate, 30 per cent ad valorem.

Paragraph 30: Liquid solutions of pyroxylin, other cellulose esters or ethers, 35 cents per barrel.

Paragraph 31: All other compounds, cellulose, 45 cents per pound.

Paragraph 38: Diethyl sulphate, dimethyl sulphate, 25 per cent ad valorem; ethyl acetate, 3 cents per pound; butyl acetate, 7 cents per pound; other esters and ethers, 25 per cent ad valorem.

Paragraph 39: Chestnut, cutch, fustic, hemlock, logwood, quebracho, sumac, valonia, 15 per cent ad valorem.

Paragraph 41: Formaldehyde, 2 cents per pound; hexamethylenetetramine 25 per cent ad valorem.

Paragraph 42: Gelatin, glue, isinglass, 25 per cent ad valorem and 2 cents per pound.

Paragraph 43: Glycerin, refined, 2 cents per pound.

Paragraph 50: Epsom salts, 1 cent per pound.

Paragraph 51: Manganese borate, 25 per cent ad valorem.

Paragraph 52: Refined camphor, 6 cents per pound.

Paragraph 53: Oils—Cod oil menhaden, 5 cents per gallon; sperm (refined), 14 cents per gallon; wool; wool grease, 1 cent per pound; other fish oil, fats, and greases, 20 per cent ad valorem.

Paragraph 54: Castor oil, 3 cents per pound; linseed oil, flaxseed oil, 4.16 cents per pound; olive oil, 7½ cents per pound; poppy seed oil, 2 cents per pound; rapeseed oil, 6 cents per pound.

Paragraph 55: Soy-bean oil, 5 cents per pound.

Paragraph 56: Turkey red oil, sulphonated castor oil, sulphonated animal oil, sulphonated vegetable oil, 35 per cent ad valorem.

Paragraph 58: Mixtures of mineral, vegetable, and animal oils, 25 per cent ad valorem.

Paragraph 68: Pigments, colors, stains, 25 per cent ad valorem.

Paragraph 69: Barium sulphate, 1½ cents per pound.

Paragraph 70: Blue pigments containing iron, 8 cents per pound; ultramarine blue, 3 cents per pound.

Paragraph 72: Chrome yellow, 25 per cent ad valorem.

Paragraph 73: Lamp black, gas black, 20 per cent ad valorem.

Paragraph 74: Litharge, 2½ cents per pound; orange mineral, 3 cents per pound.

Paragraph 75: Siennas, umbers, three-eighths cent per pound; iron oxide pigments, iron hydroxide pigments, 20 per cent ad valorem.

Paragraph 79: Zinc oxide ground in oil, 2¼ cents per pound; lithopone 1¼ cents per pound.

Paragraph 80: Dichromate, 2¼ cents per pound; potassium bicarbonate, 1½ cents per pound; caustic potash, 1 cent per pound; permanganate, 6 cents per pound.

Paragraph 82: Soap—Castile, other soaps, 15 per cent ad valorem.

Paragraph 83: Sodium bicarbonate, one-fourth cent per pound; borax refined, one-eighth cent per pound; carbonate, sal soda, 1 cent per pound; salt, 7 cents per 100 pounds; sodium dichromate, 1¼ cents per pound; caustic soda, one-half cent per pound; glauher salt, \$1 per ton; sodium sulphide, three-eighths cent per pound; sodium sulphide, con. three-eighths cent per pound; bisulphide, three-eighths cent per pound.

Paragraph 85: Starch, 2½ cents per pound.

Paragraph 86: Dextrine, 3 cents per pound.

Paragraph 90: Tin mixtures, 25 per cent ad valorem.

Paragraph 91: Titanium potassium oxalate, 30 per cent ad valorem.

Senator THOMAS. Does the House bill propose to increase the duty on all those commodities?

Mr. LUMBARD. Many of them, Senator. I could not tell you all of them. Then, we use tallow and glycerine and stearine, wool grease.

Senator THOMAS. Are you prepared, speaking for your industry, to make a request of this committee for an equitable tariff on your product until you know how much tariff will be placed upon raw hides and how much tariff will be placed upon the commodities that

you have just indicated? In other words, is it necessary for you to know what the tariff is going to be on rawhides and what the tariff is going to be on all these various commodities that go into your manufacturing product?

Mr. LUMBARD. We know, of course, in our present set-up what the cost of manufacture is. Of course, we would have to make a recapitulation under the new market conditions in order to furnish all those particular facts. I could not give you that offhand.

Senator THOMAS. In order to do exact justice to your industry it would be necessary for you to know just what the costs of your raw materials are going to be before you could make it?

Mr. LUMBARD. We know what the cost of raw material is at the present time, Senator.

Senator THOMAS. You don't know what it is going to be under this bill?

Mr. LUMBARD. No; I do not.

Senator THOMAS. That is what I am talking about. You said awhile ago that you could last for two years if you are given no protection on condition that hides were raised 10 per cent. Now, if hides are raised 10 per cent and the duties on the things that you have mentioned are raised, and you are given no protection, you could not last two years, could you?

Mr. LUMBARD. I doubt it. I doubt it very much. I am afraid we would have to be digging into our pockets, Senator.

Senator THOMAS. Then my first question comes back again: Until you know just what tariff is going to be placed on raw hides and upon these various chemicals you would not be in a position to advise the committee just exactly how much duty you should have to take care of, even with this increased cost, the cost not being known at this time?

Mr. LUMBARD. We have gauged it up, and I believe that we could get along with 20 per cent, with 10 per cent on raw materials.

Senator THOMAS. Are you in favor of the flexible tariff provision carried in the existing law and the provision proposed there to be carried in this bill?

Mr. LUMBARD. Yes, sir.

Senator THOMAS. If that provision should be incorporated in the law, that would give the Tariff Commission a chance to investigate hereafter?

Mr. LUMBARD. Absolutely.

Senator WALSH. And then to make a rate on a scientific basis?

Mr. LUMBARD. Yes, sir.

Senator WALSH. That would do you exact justice.

Mr. LUMBARD. Exactly the same as Mr. Borah did with his onions.

Senator WALSH. At what rate is your industry operating, compared with normal conditions?

Mr. LUMBARD. In general, the industry to-day is operating at about 60 per cent.

Senator WALSH. That is all.

STATEMENT OF WALTER T. CREESE, DANVERS, MASS., REPRESENTING THE NEW ENGLAND SHOE AND LEATHER ASSOCIATION

[Calf leather, par. 1530 (b) (4)]

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

Mr. CREESE. Mr. Chairman and gentlemen, I am treasurer of the Creese & Cook Co., Danvers, Mass.

Senator WALSH. Do you represent anyone other than yourself?

Mr. CREESE. I represent to-day the calf-leather tanners of the New England Shoe and Leather Association. The Shoe and Leather Association is composed of shoe manufacturers, tannery and allied interests, but these are the calf tanners only.

Senator WALSH. How many of them are there?

Mr. CREESE. I suppose there must be 10 or 15 in this association.

Senator WALSH. How about your own industry? How many are employed in your industry at Danvers?

Mr. CREESE. We employ about 250 to 300 hands.

Senator WALSH. What is your investment?

Mr. CREESE. Our investment is about \$900,000.

Senator WALSH. What is the total number of employees in the New England area in the calf industry?

Mr. CREESE. I should estimate it at primarily three to four thousand, altogether.

Mr. Chairman and gentlemen, I represent the calf-leather tanners of the New England Shoe and Leather Association, and I am requesting adequate tariff protection for the calf-leather industry of this country. As detailed briefs have been filed in connection with the calf-leather industry's plight, and as Government statistics and reports concerning the calf-leather industry's injury from imports are available, I shall save your time by presenting in brief outline the facts of the present situation.

The raw material of the calf-leather industry is raw calfskins. The finished product, for which adequate protection is requested, is calf leather in colors and black used in men's and women's shoes. Calf leather for shoes was placed on the free list in the Underwood Tariff Act, and has remained free ever since that time. It is imperative to-day that a duty be placed against importations of foreign calf leather if the United States calf leather industry is to continue to exist.

President Hoover stated in his message to the Congress of the United States, April 16, 1929, that only limited changes in the tariff should occur at this time, and that the test of necessity for revision is, in the main, whether there has been a substantial slackening of activity in an industry during the past few years, and a consequent decrease of employment due to insurmountable competition in the products of that industry. That test can be applied to the calf-leather industry and the industry will meet the test.

First, in regard to slackening of activity and its effect upon unemployment. Statistics show that there has been marked unemployment in the leather industry. To give you a more concrete idea than

can perhaps be conveyed by index numbers computed for the entire leather industry, of which the calf-leather industry is only a branch, let me state that since 1925 the pay roll in my own factory has declined over 33 $\frac{1}{3}$ percent.

Senator WALSH. When you speak of the leather industry you include how many kinds of leather?

Mr. CREESE. Well, I spoke in that case about the total leather industry.

Senator WALSH. Including calf leather?

Mr. CREESE. Including calf leather.

Senator WALSH. And that is called "plain" leather.

Mr. CREESE. Plain leather, cheap leather, all kinds. The whole leather industry more or less has been in a state of decline. But I am speaking now principally in behalf of the calf-leather tanners.

Senator THOMAS. In your own industry, explain to us the condition of unemployment, how many men have been laid off, and for what time?

Senator WALSH. Perhaps you are going to do that.

Mr. CREESE. I am coming to that a little later on, Senator.

As I say, statistics show that there has been marked unemployment in the leather industry. To give you a more concrete idea than can perhaps be conveyed by index numbers computed for the entire leather industry, of which the calf-leather industry is only a branch, let me state that since 1925 the pay roll in my own factory has declined over 33 $\frac{1}{3}$ per cent. Complete lack of employment for many and part time for practically all calf-tannery laborers has prevailed during the past few years. My factory is only one example. Pay roll declines and marked unemployment have also occurred in calf tanneries in Lynn, Peabody, Lowell, and other cities and towns in Massachusetts. The same has been true of New York, Ohio, Michigan, and Illinois, and other calf-leather States, including Wisconsin, where are located five of the largest calf-leather concerns in the United States. It certainly can not be denied that the calf-leather industry meets President Hoover's test of unemployment and slackened activity as a requirement for an industry seeking tariff relief.

The labor expenditures and the operating statements of the calf-leather tanners in this country for the past two years conclusively proves the existence of unemployment. The production and sales records should prove the existence of slackened activity.

Second, in regard to the insurmountable character—

Senator THOMAS [interposing]. Before you leave that will you please explain to us what you believe is the cause of this reduced demand and slackened activity.

Mr. CREESE. Well, Mr. Senator, if we had the total consumption of shoe-upper leather, if the United States tanners could sell the total consumption of shoe-upper leather in the United States, our factories and tanneries, during the war being overextended, we would still be under production; when you bring in 40 per cent—and there will be some question raised here about the comparables, but it all goes into shoes, Senator, and we can make every bit of it that comes in, that forty-odd per cent into this country, if we can get a reasonable protection, if we can get a reasonable protection regardless of

what quality that leather is composed of. Some people might raise that point, and I want to bring it in just now at this place.

Last month the May figures from the Department of Commerce for upper leather alone, which does not include linings, that you will hear perhaps disputed, that makes up the big total—the May figures for upper leather alone, which is the upper leather that goes into a man's shoe, the upper leather I am talking about—

Senator WALSH (interposing). That is, all kinds of leather?

Mr. CREESE. Upper leather, calfskin. The figures were 3,969,000 feet, representing a valuation of one million three hundred and sixty thousand and odd dollars for one month, which, in my opinion—I can not check up what the consumption was last month, neither can I check up the sales last month, but I venture the opinion, my opinion, that that represented half of the consumption of the shoe-upper leather in the United States last month.

Senator THOMAS. Is it a fact that during the war facilities were extended for the production of shoes, and that when the war was over, of course, the demand was decreased materially, and that is an element that goes into the present unprosperous condition of the leather and shoe industry?

Mr. CREESE. Mr. Senator, if we could have a market where our labor costs would be comparable on a basis of protection against low labor costs of Europe, the tanners of the United States would get along very well with our present plant capacity.

Senator THOMAS. Is it not also a fact that the tanners have improved their methods, whereby they produce a more durable quality of leather, and that shoes made from leather are at this time giving better service from the standpoint of wear, reducing the demand for additional numbers of shoes?

Mr. CREESE. Well, Mr. Senator, it is my experience that as a tanner of 40 years, that never in the history of the business has the upper leather in any kind of a shoe been of as good quality as it is to-day.

The second part of your question, I do not believe that that is a factor. I believe the factor in this whole thing with us is that when you import 5 per cent of our leather you take away 40 per cent, and it increases, you understand, our overhead; it takes that market, breaks down the whole basic foundation of our prices.

Senator WALSH. Would you be in favor of legislation that would give the American leather industry the benefit of the entire American demand? In other words, provide a practical embargo upon the importation of leather and leather products?

Mr. CREESE. No, Senator; all we ask is the difference between the cost of labor here and abroad. We will take our chances with competition after that.

Second, in regard to the insurmountable character of the competition, it should first be pointed out that the return per dollar on invested capital in the calf-leather industry during the past few years has been practically nothing. For example, the five leading tanners of calf leather, who are practically the only ones to publish detailed financial statements, show that on a total capital investment—and by "capital investment" I mean capital stock and surplus—of about \$55,000,000, showed a net return of 2½ per cent for the year 1927. In addition, for the 5-year period ending in 1927, the latest fiscal year

for which complete figures are available, three of these companies failed to average any return on invested capital, one company averaged only 1 per cent on invested capital, and one of the five averaged less than 4 per cent on invested capital. Besides, not one of the five paid any dividends on their common stock in the 5-year period.

As for 1928, the financial reports so far available indicate that the five companies combined will show no net return on invested capital, and, in addition, two of them have already shown heavy losses. One is reported to have shown a heavy loss, another reports one-half of 1 per cent on invested capital, and the fifth showed about three-fourths of 1 per cent on invested capital. This translated into dollars means that five of the leading tanners combined, producing more than 50 per cent of the calf and kip leather of this country, showed for the past three years a net loss of \$3,199,397; 1928, like the preceding five years, has failed to show any dividends paid on the common stock outstanding of the five leading calf tanners of the United States.

I have stated these facts, which have been derived from reports of Moody's and the Standard Statistics Investment Services, in order to show that the calf-leather industry has not been asking for protection while making a decent return on capital. I doubt seriously if any industry in the country can show as little return per dollar on invested capital as the calf-leather industry has shown in the past few years.

Thus, there has been market unemployment and slackened sales and production in the calf-leather industry during the past few years. Further, the lack of any decent return on invested capital is an indication of the insurmountable character of competition now.

It should be added that the basic cause of unemployment and lack of profits in the calf-leather industry has been due to rapidly mounting imports since 1923. Take the figures in any way you wish—actual square feet imported, value of calf leather imported, and the larger relative importance of calf leather imported as expressed in terms of per cent of domestic production—all show convincingly that foreign imports are far more serious than in practically any manufacturing industry seeking tariff relief. In fact, imports of calf leather have reached the point where they are equal to 41 per cent of the United States production, calf and kip.

The ability of the foreign calf tanners to send calf shoe leather into this country at lower prices than United States tanners can charge and obtain a decent profit is mainly due to substantially lower labor costs abroad. The special study published by the United States Department of Commerce has a letter from the Secretary of Commerce to Congress, February 11, 1925, page 47, showed that foreign labor costs are practically all less than 50 per cent of the United States labor cost, and in some cases as low as 25 per cent of the United States labor costs.

The next clause will answer the question of the Senator regarding the amount of leather produced per workman—that is, the percentage of cost for each operation. Further, these costs are computed on a square-foot basis, which makes into consideration the efficiency of the worker. This report is based upon that basic condition. Foreign tanners use the same machinery that we do; chemical knowledge is as widely disseminated in Europe as it is in this country. It is no

wonder that with lower wages the European cost per foot is substantially less than the United States labor cost per foot.

In brief, the calf-leather industry should receive protection for—

First. It has met President Hoover's test for an industry seeking tariff relief. Unemployment and slackened activity, accompanied by lack of profits, have been due basically to insurmountable competition in the form of imports.

Second. It has been shattered by imports which now represent about 41 per cent of domestic production due substantially to lower labor costs abroad.

Third. It is a basic industry, still overexpended from war demands, and its owners, managers, and workers are entitled to fair tariff relief.

At this point I would like to quote briefly from the summary of the various reports made by the committee on recent economic changes in the United States, of which President Hoover was chairman. In that summary, volume 2, page 909, Wesley C. Mitchell states in the section on "How matters stand in the spring of 1929":

The condition of agriculture, the volume of unemployment, the textile trades, coal mining, the leather industries, present grave problems, not only to the people immediately concerned but also to their fellow citizens.

That was the conclusion of President Hoover's own committee, and in my own conclusion I ask only that you give fair consideration to an industry that possesses a legitimate case for a tariff if a legitimate case ever existed. All the industry asks is that its case be decided on the basis of facts which exist.

I am filing with you two invoices, one of my broker in Paris and another of a manufacturer in Czechoslovakia, showing that he purchased the raw material, had it tanned in Czechoslovakia, and delivered to my firm in Boston at 7 cents a square foot. My manufacturing cost at that time was 11 cents a square foot. I bought this lot of goods when there was a large number of importations coming into this country. I wondered where I was finally going to land in my business, and I wanted to find out just the situation, just what the cost was of manufacturing abroad. The people who buy for us in Paris buy perhaps \$2,000,000 to \$3,000,000 worth of raw calfskins a year. They are our agents. We pay them so much for buying our goods. We bought these goods in Prague. We had the goods sent—I paid for the goods in the raw, and we had them sent to a tanner in Prague, in Czechoslovakia, and he tanned those goods and sent them into the port of Boston and paid the freight into the port of Boston and delivered them in that port for 7 cents a foot with his profit in it. That was just the manufacturing cost, 7 cents a foot. My manufacturing cost at that time, which was for heavy leather, which was what this lot consisted of, was 11 cents a square foot. Thus, you see that adequate protection is an absolute essential to my continuance in this business.

I further found, after I got these lot of goods in, when I sold them—and I sold them to one of the best retail shoe-manufacturing concerns in the country—that there was a big profit, tremendous profit. I could not understand that because the difference between what he charged and our manufacturing profit was only about sixty-odd per cent of what I finally made out of the leather, and I could not under-

stand what caused that difference. I checked it back and I found that Czechoslovakia would not allow any skins to be exported in the raw, and that these goods when they were bought in Czechoslovakia were sold at about 15 per cent under the world market. My invoice, which I have at my tannery, proves it. I buy skins all around those localities, and the tanners in Czechoslovakia were buying their raw stock, and they would allow goods to be finished and sent out but they would not allow any raw stock to come out, and the difference was 15 per cent in the raw cost, lower than my cost in surrounding countries.

Senator WALSH. Is 15 per cent duty sufficient for your industry?

Mr. CREESE. I will answer that in just a moment, Senator, if you will excuse me.

In concluding my brief, let me suggest to the committee that the rates of duty provided in the House bill are, of course, better than the free list but are wholly inadequate to meet the actual conditions and labor costs under which we are now operating. Therefore it is our judgment that the minimum rate that would equalize labor and production costs in this country with those of our foreign competitors would be 20 per cent. In other words, if there is 20 per cent on raw calfskins, 20 per cent would leave us with about 12 or 13 per cent. That is what it leaves us, the way I figure that, and I can not figure it out any other way.

Senator THOMAS. Are you a shoe manufacturer?

Mr. CREESE. No, sir; I am a calf leather manufacturer. I am fortunate enough not to be a shoe manufacturer at the present time.

Senator THOMAS. Your testimony would indicate that you go into the world markets and buy your raw calfskins and then, utilizing the world tanneries, can send those raw calfskins to other outside tanneries, have the skins manufactured, and bring them to America at a substantially less cost than you can buy the calfskins in America and run them through the American tanning plants.

Mr. CREESE. Absolutely. That is a fact.

Senator THOMAS. And you have actually followed that procedure?

Mr. CREESE. Only in this special case. I only bought 50 dozen. I will go down with my ship. I am an American manufacturer.

Senator THOMAS. Now, if you will give me your idea—perhaps you will not be able to answer the question inasmuch as you are not a shoe manufacturer—if a duty of 15 per cent as carried in the House bill, is placed upon the class of goods that you are now asking for it to be placed upon, in your opinion how much will that necessarily raise the price of shoes to the consumer?

Mr. CREESE. Mr. Senator, I have got to confess that I can not answer that question, and I will tell you why. Five years previous to 1909 there was a duty on hides, and the average price for those five years was 14 cents. Five years after the duty went off, the average price of hides was 16 $\frac{1}{4}$ up to 19. Now, when we had a tariff of 15 and 20 per cent on leather, we sold goods at 22 and 20 and 18 cents and made money; with no duty we are selling at from 44, 42, and 40 and losing money.

Senator THOMAS. If this bill carries the increased duty on the chemicals used in the tanning industry, it makes it mandatory that

you be given protection or, of course, you are out of business. Is that correct?

Mr. CREESE. Well, Senator, if we have any dyes that we have to use in our business, which we import, we pay 50 per cent, but if the foreign manufacturer wants to put it in his leather, it comes in free.

Senator WALSH. Your industry did not ask any duty in 1922?

Mr. CREESE. Yes, sir; we came out of the Senate committee with 15 per cent.

Senator WALSH. In 1922?

Mr. CREESE. In 1922; yes. But we went over to the House and something happened.

Senator THOMAS. I thought the House was the one that put it on.

Mr. CREESE. Not in that case. I appeared before the committee. The Senate committee was very nice to us and gave us a tariff.

Senator WALSH. Without any tariff on hides? Did the Senate committee recommend a tariff on hides?

Mr. CREESE. I don't think so at that time, Senator.

Senator WALSH. Your industry has been depressed for how long a period?

Mr. CREESE. For about five years. As stated before, we had a terrific slump. We only turn our money over two and a quarter times a year, so when we have an uprising market we walk on out from under. We lost \$4.50 for every dollar we had in the business, and \$20 on the slump of the market, and the Government took away from us \$150,000 before I was paid a cent.

Senator WALSH. Are there independent calf leather people?

Mr. CREESE. I do not know of any independent calf leather people, but there are people who tan leather and who have, it is said, allied interests with the packers.

Senator WALSH. Have the packers any plants of their own in the calf leather field?

Mr. CREESE. Whatever the control is I do not know, but, of course, there are some plants, and one of those plants did \$120,000,000 in three years and they made three-eighths of 1 per cent on the sales.

Senator WALSH. The packers have gone into the field of tanning leather of other varieties more than they have calf leather?

Mr. CREESE. Surely; yes.

Senator THOMAS. What effect did the World War have on the industry which you represent and in which you were engaged at that time?

Mr. CREESE. In what respect?

Senator THOMAS. Did it make an increased demand for your product at an increased price?

Mr. CREESE. You mean, during the war?

Senator THOMAS. Yes.

Mr. CREESE. Oh, Senator, during the war we paid \$55,000 a car, but before we got through we sold it on the basis of \$10,000 a car.

Senator THOMAS. Before the inflation hit the industry, was it not a fact that the industry was exceptionally prosperous?

Mr. CREESE. The records of my corporation show that the Government got more out of my corporation than I did. It got more in taxes than we got profits during the war period.

(Mr. Creese submitted the following invoices:)

PARIS, August 23, 1927.

Messrs. CREESE & COOK Co.,
Danvers, Mass.

Pour les marchandises ci-après détaillées et payables ici :

| | |
|---|--------------|
| 603 g. s. auction calf Prague, green weight 2,933 kos.....Fr. | 58, 180. 32 |
| At exchange 2.98..... | \$1, 733. 77 |
| Freight and consular invoice..... | 42. 29 |
| | <hr/> |
| Tanning 7,294 feet, at 7 cents..... | 1, 776. 06 |
| | 510. 58 |
| | <hr/> |
| | 2, 286. 64 |
| Commission, 3 per cent..... | 63. 60 |
| | <hr/> |
| | 2, 355. 24 |

C. and f. Boston: Value in our check on the Kidder Peabody Acceptance Corporation, Boston, Mass., against L/C, 5424.

Shipment: Two cases, No. 1001, 21 dozen, No. 1, 3,027 feet; No. 1002, 14 dozen, No. 1, 2,114½ feet; total, 35 dozen, 5,141½ feet.

Nine dozen, No. 2's, 1,124¾ feet; 6¼ dozen, No. 2's, 903¾ feet; total, 15¼ dozen, 2,152½ feet.

Grand total, 50¼ dozen, 7,294 feet.

STATEMENT OF WILLIAM HATTON, GRAND HAVEN, MICH., REPRESENTING THE UPHOLSTERY, BAG, CASE, AND STRAP LEATHER TANNERS

[Upholstery, bag, case, and strap leathers, par. 1530 (b) (5)]

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

Mr. HATTON. Mr. Chairman and Senators of the committee, I represent the upholstery-leather tanners, import tanners, and bag, case, and strap leather tanners of the United States. We are a very small group in the industry, and, consequently, our requests are going to be very moderate.

Senator THOMAS. Where is your headquarters?

Mr. HATTON. Grand Haven, Mich.

Senator THOMAS. How many factories are engaged in the business you represent?

Mr. HATTON. There are about 10 upholstery-leather tanners and about 10 bag and case leather tanners.

Senator THOMAS. How many men are employed in the industry?

Mr. HATTON. I can not answer that offhand. We employ ourselves about 800.

Senator THOMAS. Is the business prosperous at this time?

Mr. HATTON. The luggage business is in a very bad shape, indeed. Substitutes have taken the place of leather in many lines of luggage, and we are suffering a great deal from the use of East India kips that are put in luggage. There are thousands of what are known as English split hides brought over here, and they are used in the finer grades of ladies' handbags, stuff that is tooled and designed. A lot of that stuff was brought in here under the guise of shoe leather, and I think that to a large extent has been these English split hides. Consumption has been stopped. We have had a duty of 20 per cent

on our leather, and in view of the fact that there is a possibility of the 10 per cent going on hides, all we ask for is an increase of 5 per cent on our merchandized leather. But we would like to get the 25, and if the Senate committee confirms the House bill of 20 we will be perfectly satisfied.

To get along to what we do wish to call attention to, that is this paragraph 7, in which it says that, "all other, rough, partly finished, finished, or curried, not specially provided for, 15 per centum ad valorem."

That leaves the door open to bootlegging again, the same as it has been in the present tariff law. Vast quantities of leather have been brought in ostensibly to use in shoes that was used in other lines of industry, and I would respectfully ask that this duty of 15 per cent be raised to 25 per cent that we are asking for, on upholstery leather, bag, case, and strap, or if the duty that the House has put on of 20 per cent be left as it is, then we ask that this 15 or 20 per cent be increased to the same figure, because it is impossible for the customhouse officers to determine what is coming in and going into shoe leather. Four or five years ago I was called upon by New York customhouse authorities to testify as to whether a great, big hide could be used on upholstery and nothing else or could be used for shoe leather. Some importer was trying to get it in without paying duty. A year or two years ago I was abroad, and we have bought these English split hides ourselves. I have bought them, 2,000 of them now, but in spite of the fact of the 20 per cent duty on them we can not produce that hide at the price we can land them in Grand Haven. This English tanner said to me, "You can get these hides through the port of Boston free of duty by declaring them as shoe leather." I said, "I will not do that; there is enough bootlegging done now, and we will not bootleg leather."

Senator WALSH. I did not know Boston was in the bootlegging business.

Mr. HATTON. It has been, I am sorry to say, in leather. In New York they could not possibly get it through. However the tariff bill is drawn, or whatever the rate you gentlemen may see fit to make, please make them so rigid that there can not be any bootlegging of substitutes. We would like to get 25; due to the fact that there is a 10 per cent duty going on hides we are only asking a 5 per cent increase. The cost of making upholstery leather, the labor on it is greater than any other kind of leather made, because we split our hides into 3, sometimes 4, and there is a great deal of labor in finishing and cutting.

Senator THOMAS. You take a hide and make 4 hides out of it?

Mr. HATTON. Yes; and it has to be finished different from sole leather because sole leather is one operation, and ours is three, sometimes four. That makes the labor cost very high. We are very modest in our request of making it 5 per cent.

Senator WALSH. We will be very glad to give it consideration.

Mr. HATTON. I will leave this brief with you.

(Mr. Hatton submitted the following brief:)

BRIEF OF THE BAG, CASE, AND STRAP AND THE UPHOLSTERY LEATHER TANNERS OF THE UNITED STATES

The pending tariff bill provides for a duty of 20 per cent ad valorem on upholstery, collar bag, case, strap, football, basket ball, soccer ball, or medicine ball leather. These leathers are produced by the group of tanners whom I represent.

We respectfully submit that the rate of duty is not sufficient to protect labor in these classes of leather manufacturing. The labor costs on finishing upholstery leather are higher than on any other class of leather made, for the reason that we are obliged to split our hides into three and four pieces and finish each cut separately.

We respectfully submit that the rate of duty is not sufficient to protect these classes of leather, in view of the fact that there is a 10 per cent duty on cattle hides from which these leathers are made. The table prepared by the U. S. Tariff Commission, showing the basis of figuring compensatory duty on leather with a 10 per cent duty on hides, indicates that bag, case, and strap leather should carry a 3.72 per cent compensatory duty and upholstery leather a 5.88 per cent compensatory duty in addition to the protective duty. Inasmuch as the tariff act of 1922 provides a 20 per cent protective duty on the basis of free hides, we therefore are securing less protection under the proposed new bill than we are under the present act.

Thousands of what are known as English split hides have been brought into this country in the last few years and sold at prices far below our labor costs alone. I believe that large numbers of these were brought through the port of Boston free of duty under the guise of being used for shoe leather. That practice, however, has been stopped as far as I know and a 20 per cent duty is now collected.

These hides are used extensively in the manufacture of ladies' handbags and bill-folds and it is utterly impossible for American tanners to compete. As a matter of fact these English hides I should say are doing at least 50 per cent of the business in this line of luggage, made from cattle hide leather.

In lower grades of luggage East India tanned leather has made very serious inroads into our volume of business.

We object to paragraph 7 because it practically leaves the same loophole as exists in the present tariff law and leathers can be brought in for one purpose and used for another and we respectfully suggest a revision of the language in such a manner as to prevent more than one interpretation.

We therefore request that the language in paragraph 7 be so worded as to prevent upholstery, bag, case and strap leathers (finished or unfinished) from carrying a less duty than 25 per centum ad valorem duty or tariff.

The terminology of items 5 and 6, subparagraph (b), is in accordance with the wishes of this group.

In view of the fact that complete data regarding the importance of the branches of the tanning industry for whom I am speaking, foreign competition, tannery wage scales being 50 per cent lower than ours, statistics of production, imports and exports were filed with the Ways and Means Committee (see pp. 7690 and 7699, Vol. XIV, schedule 14, Hearings on Tariff Readjustment, 1929), I will not again present this information.

The tanners of these classes of leathers for whom I speak need all the protection now afforded them under the present act if they are to continue in business, and I therefore urge your careful consideration of our request for a 25 per cent rate.

Respectfully submitted.

WILLIAM HATTON,
*Chairman, Committee of Upholstery, Bag,
Case, and Strap Leather Tanners.*

GRAND HAVEN, MICH., June 27, 1929.

STATEMENT OF C. F. C. STOUT, PHILADELPHIA, PA., REPRESENTING MANUFACTURERS OF GOAT, KID, AND CABRETTE LEATHER

[Goat, kid, and cabretta leathers, par. 1530 (c)]

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

Senator WALSH. What is your business?

Mr. STOUT. Manufacturer of kid gloves.

Senator WALSH. Do you represent anybody but yourself?

Mr. STOUT. I represent the entire industry.

Senator WALSH. The glove industry?

Mr. STOUT. Yes.

Senator WALSH. Do you have a brief?

Mr. STOUT. Yes.

Senator WALSH. Briefly, what does your industry want?

Mr. STOUT. This brief shows what we are asking for our raw material, which is goat, kid, and cabretta leather. We are asking that they remain on the free list, as they always have been, and it was granted us in the House bill as written to-day.

Senator KEYES. Do they come in at 10 per cent?

Mr. STOUT. Free list.

Senator KEYES. What per cent does the House recommend?

Mr. STOUT. Raw material?

Senator KEYES. Yes.

Mr. STOUT. Still free. We ask for a 20 per cent duty on finished leather, and in the mix-up the eggs were hashed. We got 10 per cent.

Senator KEYES. What is the present law?

Mr. STOUT. Everything is free.

Senator KEYES. You have no duty now?

Mr. STOUT. No duty whatsoever.

Senator WALSH. The House gave you 10 per cent on finished goat leather?

Mr. STOUT. Yes. I will not read this entire brief, but we have gone to a great deal of trouble simply to present our case. We are asking for protection, a proper protection to labor and industry, and we have gone to a great deal of trouble to ascertain the difference in cost in manufacture abroad and what it is here, and we feel that it takes 20 per cent to give us that protection, and those exhibits are attached to the brief I will file.

Senator THOMAS. Will a 20 per cent rate enable you to get more for your finished product in your business?

Mr. STOUT. Yes and no. We are looking around for a yardstick to-day. I have been in this business for 40 years, and there is not any yardstick that fits the leather business, simply because we are dealing with a by-product—that is, skins or hides are not raised. Nobody raises them. They just come to us. There are other factors that are so much larger than any question of duty that we put that matter entire into the brief.

Senator THOMAS. Why do you want a duty?

Mr. STOUT. We do not want a duty on hides.

Senator THOMAS. I am talking of the finished product.

Mr. STOUT. We want a duty to protect us of an amount that represents the difference in cost of manufacturing goat skin into leather

in France, Germany, England, and what it costs to do it with the American dollar.

Senator THOMAS. If this duty is granted of 20 per cent, will that give you an increased price for your output?

Mr. STOUT. No; I would not say it would. I will tell you why.

Senator THOMAS. Why do you want it?

Mr. STOUT. Our business is peculiar because it is split up on international lines. We import all of our raw material, and when our business was protected and growing, we manufactured in this country 70 per cent, practically 70 per cent of the goat skins raised in the world and converted into leather, and our export business has suffered on account of the peculiar development stated here. Every country in the world except the British Isles has a duty on leather. They are not only enabled to make leather cheaper than we do, but Canada places a duty of 15 per cent plus 2. It is evident if they get their raw material just as cheap and cheaper, that a man can not pay 4 or 5 cents, however cheaper ours. The whole industry is threatened, due to the international position we hold in the trade. What is happening to-day is that they are sending their high grades to this country because this is practically the only country where there is any market for high grades, and over a million feet of their leather, high grade, is coming into this country, which destroys the average prices of all our leather of these grades that we get out of a parcel of skin, which means 100 per cent of that parcel.

Senator THOMAS. You think this duty will help you if given, do you not?

Mr. STOUT. I think it will do this, and I am trying to answer your question. What it will enable us to do to-day will be to run our factory and make more leather and thereby be able to sell more of the low grades.

Senator WALSH. In other words, take up some of your overhead?

Mr. STOUT. Yes. I have it all here in the brief.

Senator COUZENS. You are going to file it?

Mr. STOUT. Yes. I would offer this suggestion.

Senator KEYES. As to how you want the law changed?

Mr. STOUT. Yes. It is as follows [reading]:

(c) Leather (except leather provided for in subparagraph (d) of this paragraph), made from hides or skins of animals (including fish and birds, but not including cattle of the bovine species), in the rough, in the white, crust, or russet, partly finished, or finished, 20 per cent ad valorem; rough-tanned or semitanned leather made from genuine reptile skins, 15 per cent ad valorem; vegetable-tanned rough leather made from goat and sheep skins (including those commercially known as India-tanned goat and sheep skins), vegetable rough-tanned pig and hog skins, and rough-tanned skivers, 10 per cent ad valorem.

Senator KEYES. You may file your brief.

(Mr. Stout submitted the following brief:)

BRIEF OF MANUFACTURERS OF GOAT, KID, AND CABRETTE LEATHER

JUNE 26, 1929.

The FINANCE COMMITTEE,

United States Senate, Washington, D. C.

Stus:

NOTE: (Where references to exhibits are made in this brief and are not made a part of this brief, they will mean those already submitted at the hearings in the House of Representatives before the Committee on Ways and Means,

70th Cong. 2d sess., printed in vol. 14, Schedule 14, sundries of the record, and the page of that record will be given for reference.)

The manufacture of kid leather by the chrome tannage was developed and perfected in the United States, and this modern method revolutionized the tanning of upper leather the world over. It was the main contributing factor in the development which took place in the States. The business grew until we converted about 70 per cent of the world's production of goatskins into kid leather, establishing an international business. (Reference Exhibits A. p. 7669.)

According to the report of the Tariff Commission, under Senate Resolution No. 169, the kid leather industry has an investment of \$75,000,000.

It employs eight to ten thousand workers. Its finished product, glazed black and colored kid, is used for the outsides, for linings, and for trimmings in the uppers of shoes. This growth of the industry took place between 1886 and 1913, during which period we had the protection of a 17 per cent ad valorem duty. The leather industry lost its protective duty in 1913 and made a great effort to have it restored in 1921, but without success.

The effects of foreign competition would have been felt very much earlier, if it had not been for the World War which kept the industry going until 1920. It suffered a frightful collapse at that time and has been struggling ever since. Prior to the time we went into the war, the industry was exporting 50 per cent of the leather which it made and this has been gradually reduced to 20 per cent. (Reference Exhibit B, p. 7670.) Moreover, the imports of leather are rapidly increasing. (Reference Exhibit C, pp. 7670-71-72.)

If one examines the character of the imports, it will be found the foreign manufacturers are exporting their high grades to America. The demand abroad is for medium and low grades, and as long as the foreign manufacturer can send his high grades to this country free of duty, he can increase his production and make it harder and harder for the American manufacturer both home and abroad. To express it differently, basic conditions are set for the French and German manufacturer of glazed black and kid leather to run the American producer off the map. The reasons for this are—

First. The French and German manufacturers can actually produce, sort, and sell their leather from 4 to 5 cents per square foot less than it can be produced and handled with the American dollar. (Reference Exhibit F attached.)

Second. In the manufacture of leather we are dealing with a natural product. When we purchase a parcel of skins and manufacture them into kid leather, the whole parcel costs so much per square foot—good, bad, or indifferent. This leather has to be assorted into anywhere from 144 grades, sizes, and weights, up to two or three times that number. If the kid leather manufacturer can not sell his high grades at a proper price, he has no way to strike an average price. These imports are so angled that for every million feet imported of high grades, they destroy the average on 100 per cent of the parcels out of which these corresponding high grades have been assorted out of leather produced in the States, and it is estimated by our committee that 40 per cent of the skins imported and worked in the United States produce no high grades; and of the balance, 60 per cent, there are not over 10 per cent or 15 per cent that can be regarded in this class. (Reference Exhibit C, pp. 7670-7672.)

The kid-leather industry is in an impossible position. Bankers who have to do with the leather business can verify this. The depressed condition of capital stocks of leather concerns verify it and, although comparisons may be odious, it needs Congress's assistance just as much as the farmer. And those who labor in the tanneries are worthy of the same consideration as those who labor on the farms.

The leather industry was found to be one of our essential industries during the war. It would be hard to estimate what we would have suffered if it had not been for the skill, ability, and productive power of our tanning industry. It is essential in time of peace, and it would seem we have arrived at a time when the facts produced before the Committee on Ways and Means, which have been reiterated so frequently, mean simply a decision as to whether the status and importance of the kid-leather industry of the United States is to be maintained, or whether it is to be permitted to disintegrate. Moreover those who invest their capital and those who labor in the kid-leather industry feel they should share, as other industries do, in the principle of protection and not be discriminated against in this regard.

In the past the leather industry of this country has held an enviable position in the field of international commerce and the tanners have been fighting hard

to maintain it. With the ability to produce so much cheaper in France and Germany (reference Exhibit F attached), leather is coming into the country in increasing quantities all the time and causing overproduction in the market and a devastating competition.

The kid-leather manufacturers import practically all of their raw material, only a fraction of 1 per cent of the goats converted into leather is raised in this country. (Reference Exhibits A, p. 7669.) Goat, kid, and hair sheep (cabretta) skins have always been on the free list, and when the industry asked Congress to grant it a 20 per cent duty on kid leather (reference Exhibit F attached), it did so with the idea their raw material would be segregated in a paragraph by itself and maintained on the free list.

They also advocated leather made from goat, kid, and cabretta skins should be placed in a paragraph by itself, due to its difference in character from other leathers, both in regard to its raw material and finished product. There is as much difference between "kid" leather and other leathers, as there is between gingham cloth, woolen fabrics, and rayon.

We wish to point out to the committee that every country in the world, with the exception of the British Isles, places a duty on American leather going into that country. Canada, our border neighbor, places a duty of 15 per cent, plus 2 per cent.

We know of no other country that places a duty on leather raw stock. As the leather business in this country has been built up on international lines, these are most important considerations that we offer in support of our earnest request to have skins remain on the free list and a 20 per cent ad valorem duty on finished kid leather.

We favor an administrative clause in the act that will protect the duties against the abuses of values that are not comparable with the American market values, and would support the theory of American valuations.

Respectfully submitted.

C. F. C. STOUT,
Chairman of the Tariff Committee of the Goat, Kid, and
Cabretta Leather Industry of the United States.

EXHIBIT F

Comparative manufacturing and selling costs per dozen

| | United States, cost | Great Britain and Germany | | France | |
|---|---------------------|---------------------------|------------|--------|------------|
| | | Cost | Difference | Cost | Difference |
| Labor..... | \$2.48 | \$1.24 | \$1.24 | \$0.83 | \$1.65 |
| Burden..... | 1.32 | .66 | .66 | .44 | .88 |
| Total wage..... | 3.80 | 1.90 | 1.90 | 1.27 | 2.53 |
| Selling, 5 per cent (27½ cents by ½% feet)..... | .78 | .39 | .39 | .26 | .62 |
| Total with selling..... | 4.58 | 2.29 | 2.29 | 1.53 | 3.05 |
| Materials added..... | .70 | .70 | | .70 | |
| Total costs..... | 5.28 | 2.99 | | 2.23 | |

This table contemplates the total cost of manufacturing and selling goat, kid, and cabretta skins from raw material into finished leather delivered to shoe factories, and eliminates the basic raw material, goat, kid, and cabretta skins, on which our foreign competitors have a definite advantage in being nearer the source of supply.

My committee has estimated the cost of materials used in tanning and coloring to be 70 cents per dozen, and in which our foreign competitors have a substantial advantage due to the tariff which we impose on a large part of these ingredients.

We have divided the total domestic cost of \$5.28 per dozen into direct labor (as collected by the Tariff Commission's report, reference Exhibit D, pp. 7672 to 7690, inclusive); added burden (otherwise known as overhead) and selling. Burden and selling enter into the pay roll and costs, the same as

direct labor, and, therefore, become part of the competitive disadvantage under which we are laboring. It takes \$2.48 as selected by the commission's report as direct wages per dozen, to which we have added burden (otherwise known as overhead) of \$1.32 per dozen as a fair and just relative average charge to take care of costs and wages, not mentioned in the commission's report.

We arrived at our selling cost per dozen by taking the average footage per dozen of both black and colored kid, as reported by the Tariff Commission (reference p. 12 of attached report), and multiplying the same by their average selling price which is found on page 9 of attached report. Upon this result per dozen we have figured 5 per cent as the average cost of selling, which figures out 78 cents per dozen.

The ratio of cost of direct labor that exists between this country and Great Britain and Germany, and between this country and France, and as established by the Tariff Commission's report, we have applied to burden (otherwise known as overhead), to tanning and coloring materials, and to selling. We feel this is a fair deduction to make and one that can be substantiated in all practical detail.

Examination of these comparative figures show Germany and Great Britain manufacture and handle their business for slightly under 50 per cent of our costs; and France (giving her the most liberal treatment) manufactures and sells for 33½ per cent of our costs. Using the average number of feet per dozen of the goods worked in the United States as given by the Tariff Commission's report (reference p. 12 of attached report) as a dividing factor gives us the result Great Britain and Germany have an advantage of \$0.04½ per foot, and France has an advantage of \$0.05³³/₁₀₀ per foot.

The Tariff Commission's report (p. 9) shows 27½ cents is the average selling price of the American tanner for both black and colored kid. Twenty per cent of this average selling price is about 5½ cents, which 20 per cent is, for all practical detail, the advantage which our foreign competitor has over the American tanner in the cost of production and handling of his business. We feel, therefore, that predicated upon the very best information available in this branch of the American tanning industry is entitled to the 20 per cent ad valorem duty which they ask for and which they feel is necessary to give them a fair fighting chance in the world's competition.

STATEMENT OF WILLIAM E. BRYAN, REPRESENTING THE UNITED LEATHER WORKERS INTERNATIONAL UNION

[Kid and reptile leathers, par. 1530 (c)]

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

Mr. BRYAN. There are three men here, Mr. Chairman, all of them experienced men in the business, who have worked in these tanneries all their lives. I am only their representative, and for detailed information as to the workers and with regard to the actual conditions under which they work, the wages that they receive, and so forth, they are here to speak. I can only say in a general way that we are in favor of the protection of the industry to such an extent as would keep foreign leather out of the country, owing to the fact that the importations are growing very rapidly, and are affecting the employment of our people very seriously.

It has increased, as I am informed from the statistics in the matter, from reports from the customs, about 2,000 per cent in the last six years. That is a very serious matter for our people because of the fact that every foot of leather that is brought in simply means that much less work for the people in the tanneries of this country. That is the reason we are here.

Senator WALSH. I suppose the large number of petitions we have received from the employees in the tanning factories express the sentiments which you are expressing?

Mr. BRYAN. We have sent these resolutions in, and we have a meeting to-night in Philadelphia, a mass meeting of the workers in the industry, that are very much interested in this proposition.

We are informed that the 10 per cent can be all absorbed, and that has been allowed by the House already, and we are informed that it can be absorbed by the foreign tanners and would not keep the foreign leather out.

What we are interested in is to keep the leather out of the country to as great an extent as is possible so that our people may have that employment.

Senator THOMAS. You represent the employees?

Mr. BRYAN. Yes, sir.

Senator THOMAS. It would be to your interest to have no hides come in at all, so that you could get more hides to tan?

Mr. BRYAN. This particular leather is made from goatskin, of which 99 per cent must be imported. This country does not raise any goats to amount to anything. The raw stock, up to 99 per cent, is imported.

Senator THOMAS. It is then tanned in this country?

Mr. BRYAN. And tanned in this country. The plants are located at Wilmington, Del., Philadelphia, and Camden; the plants are located there that tan practically 85 per cent of the glazed kid leather and fish and reptile skins tanned in this country.

Senator THOMAS. You are not speaking for calfskin?

Mr. BRYAN. No, sir; we have not anything to do with calfskin or with the calfskin proposition at this time at all.

Senator KEYES. I think you have covered the matter very well, and it will not be necessary to hear anyone else. I think the committee understands the proposition.

Mr. BRYAN. One thing particularly we wanted you people to know is that the workers in the industry are particularly interested in this matter, because their bread and butter are at stake with the importations of foreign leathers of this character.

(The following telegram was submitted for the record:)

PHILADELPHIA, PA., June 28, 1929.

Senator KEYES,

*Chairman Subcommittee of Senate Finance Committee,
Senate Office Building, Washington, D. C.:*

By direction of mass meeting to-night we were instructed to forward you on behalf of the subcommittee on sundries the following resolution, unanimously adopted:

"Whereas reports were received at this mass meeting on the splendid work being done by the joint committee of representatives of workers and manufacturers in the kid-leather industry, and these reports show that every effort has been made in the interest of saving the industry in which we are engaged for a livelihood; and

"Whereas representatives of the joint committee have appeared at Washington for the purpose of impressing the Senate with the need for placing a 20 per cent duty on imported leather made from kid skins and 30 per cent on glove leathers and leathers made from fish and reptile skins: Therefore be it

"Resolved, That this mass meeting of workers in the kid leather and reptile leather plants of Philadelphia and Camden indorses the work being performed by the joint committee and the plans announced for fully presenting the facts to the authorities at Washington.

Resolved, That a copy of this resolution be presented to the chairman of the joint committee; a copy be presented to President W. E. Bryan, of the United Leather Workers; and a copy be forwarded to the subcommittee of the United States Senate Finance Committee."

JOHN H. LANDENBERGER,
Secretary, Westmont, N. J.

STATEMENT OF F. X. WHOLLEY, REPRESENTING KEYSTONE REPTILE LEATHER TANNERS (INC.), PHILADELPHIA, PA.

[Reptile, fish, and bird leathers, par. 1530 (c)]

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

Mr. WHOLLEY. Mr. Chairman and gentlemen, I represent all of the American reptile tanners, a very small group and a brand new group.

Senator THOMAS. How many factories are there in that business?

Mr. WHOLLEY. About seven.

Senator THOMAS. Where are they located?

Mr. WHOLLEY. In Newark, New York, Bristol, Camden, and Wilmington.

Senator THOMAS. About how many people are employed in the industry?

Mr. WHOLLEY. Well, it is only a matter of 2½ to 3 years growth. I don't imagine that at the start we had over two or three hundred. I would say at the present time we have increased, despite the disadvantages we are working under, up to twelve or fourteen hundred.

Senator THOMAS. Now state briefly the work that is done in this industry.

Senator WALSH. May I ask him first, in what particular do you differ from the group that Mr. Musliner represented here?

Mr. WHOLLEY. We are not in any way—we start off with the promise that we are developing a business that never existed before, a type of material that never was in existence as leather prior to four or five years ago. It is more like a laboratory proposition. We are tanning even frogs at the present time. That is a matter of four or five months.

Senator KEYES. Has this all been developed since the last tariff bill, 1922?

Mr. WHOLLEY. Yes, sir. It first started in Switzerland seven years ago.

Senator WALSH. Then you are a new branch of the fancy-leather business?

Mr. WHOLLEY. Yes; a new branch of the fancy-leather business.

Senator WALSH. And independent of the old group that was just represented by Mr. Musliner?

Mr. WHOLLEY. Yes, sir; although two or three of the tanners, I think, belong to that group.

Senator THOMAS. What I wanted to know is just the work you are doing in the industry.

Mr. WHOLLEY. We are taking, both here and abroad, the skins of animals that never were used, all sorts and kinds, and tanning them.

Senator THOMAS. Mention them.

Mr. WHOLLEY. Alligators, lizards, snakes, frogs, moccasins, rattlers, carung, cobra, boa constrictor, three or four others, queen snakes, and other types both here and abroad, and frogs, small fish, small sharks, such as the Russian dog fish and sea kids of the Indian Sea. We have tried rat skins; we have tried mouse skins. We are trying everything that seems to have an area large enough to cut for any fancy leather goods purpose, particularly if it has a pattern. A pattern seems to be quite necessary for the style effect on women.

Senator THOMAS. Was this industry inaugurated abroad or is it of American origin?

Mr. WHOLLEY. It first started—the first experiments were made by Americans. The first developments were by Americans about 11 years ago, but on account of war conditions it was dropped. Immediately after the war a Swiss group took it up and developed it to a point where they dominated, to where at the present time they dominate 80 per cent of the world's market. About three or four years ago the Americans, despite the labor conditions that were existent—and this practically all has to be made by hand. There are no machines existent that would take a frog and then take an alligator or take different sizes and types of skins. And some of them are so thin that no machine, no tanning machinery in the world—this is an Indian water snake [showing], and you put that into any tanning machinery it would tear it to pieces.

Then we have to develop coloring effects, because these fibers in these skins are entirely different from the fibers in the normal leather. Every one seems to be entirely different. If it comes from Brazil it is entirely different from one that comes from India or Java.

Senator WALSH. What uses are these skins put to when they are tanned?

Mr. WHOLLEY. They use them in clothing, sport clothing, for lining automobiles, umbrella handles, covering cigarette lighters. They use them in shoes, in luggage, hand bags. These foreigners have two pages here of things that they are used for in this country [showing a book].

Senator WALSH. This is the prospectus of an importer who is competing with the domestic?

Mr. WHOLLEY. He is the one who is supposed to dominate the industry throughout the world. Now, we find that on account of the hand labor, entire hand labor in the development operations—

Senator WALSH (interposing). That is a skin on the cover of the book, is it not [indicating]?

Mr. WHOLLEY. That is a print of this skin here; the india water snake.

The foreigners have a margin of about 35 or 38 per cent over us in their labor costs.

Senator THOMAS. Is the industry at this time reasonably prosperous in America?

Mr. WHOLLEY. We have not been able to be prosperous since we started. We have broken even. They cut prices at about the time we started, 25 or 30 per cent, proving that in the preceding five years they had had that margin on us. Now, actually, in the five

months that they cut those prices to keep us out of the development work, we found that at the end of a very large volume of business in the novelty field, we had practically broken even. They had figured our costs so closely that the prices they put on them made us just break even.

Senator WALSH. What other countries now are engaged in the same line of work?

Mr. WHOLLEY. Just Switzerland, France, and Germany.

Senator WALSH. One more question and then I will desist. Is it your opinion that this industry is designed to have a permanence or is it a temporary fad?

Mr. WHOLLEY. The reasons that most American tanners did not go into it at the start is because we were afraid that this was a style fad. As it went along six or seven years and we saw that each year there was a more determined demand on the part of women for this in millinery, for every purpose, for these bizarre animals, we figured that it was definitely permanent, and in this country it is very difficult to get the nature collectors to give us these skins. We have been working with the Department of Commerce in about 14 States, mostly southern.

Senator WALSH. Now, so far as I am concerned, you may proceed with your presentation.

Mr. WHOLLEY. Well, you gave me a chance to say pretty well what I had in mind, but at the present time we are in paragraph (c) of the House bill, and that is a group of staple leathers other than bovine. We actually belong in the fancy-leather group. In fact, it is the premier fancy leather, if there is one. It is nothing but fancy leather. They have to be handled in ways—every type of skin has to be handled in an entirely different fancy-leather way.

Senator WALSH. Would you just briefly now show us the parts of various leathers that you have there, just briefly?

(Mr. Wholley displayed several samples of reptile skins.)

Mr. WHOLLEY. Well, there is a python, an Indian or Java python. This is the way it comes from India and the other countries where it is produced. And this one, but it comes in red, blue, purple, mauve, and other colors.

This is a fast finish which some fancy-leather producers prefer, but it is generally in a brilliant finish like this boa, a hard brilliant finish.

This is an India carung. This is similar in type to the American snakes as we get them and to other small types of water snakes. We replace what apparently has been taken out in the drying and it is soft, it hasn't got very much thickness or weight. It is almost like a rag, but that seems to be the way they want them. That comes in 15 or 20 colors.

Senator WALSH. Those skins come in free?

Mr. WHOLLEY. They come in free. The supply in this country would not be 2 per cent, excepting alligators, and in alligators we take everything we can get in this country.

Senator WALSH. So you are only interested in the duty on the fancy leather, the finished product?

Mr. WHOLLEY. Yes, sir.

Senator WALSH. Now, what do you ask?

Mr. WHOLLEY. We figure that the differential is around 32 to 38 per cent. We should like to get 30 per cent, but we are willing to abide with the fancy-leather people at whatever duty they get. I think they have 25 now, and we are willing to take that. We figure that with American merchandising ability and with developments that we will make in production, we will meet them anywhere if we can get a differential.

Senator WALSH. You understand the House bill provides for 25 per cent?

Mr. WHOLLEY. Yes, sir.

Senator WALSH. What is the duty at the present time?

Mr. WHOLLEY. None at all. There is a duty that was passed last year, in which they were given. —

Senator WALSH (interposing). Last year?

Mr. WHOLLEY. The last time that tariff bill came up.

Senator WALSH. In 1922.

Mr. WHOLLEY. In which they were given 25 per cent, apparently, because all of these fancy leathers were generally used in fancy-leather goods. The importers since that time have gotten most everything in because of three words in there, "if for other than shoe use," three or four words; and they have bootlegged everything in fancy leather that has come in here for the period since. Everything that comes in comes in as shoe leather, no matter where it goes.

Senator THOMAS. Those samples that you have before you, are they comparable to the finished product that comes in from abroad at this time?

Mr. WHOLLEY. We have found that we are able to sell the most fastidious American customers, the most fussy ones, in competition, provided we meet the price which wipes out practically every possible chance of profit. We just can't seem to make any profit if we meet their prices.

Senator THOMAS. Are those commodities sold by the piece or by the square foot or the square inch?

Mr. WHOLLEY. These are sold by the centimeter across here [indicating]. These are sold by the running yard, pythons.

These are sold by the inch across the widest part. That is the way they are sold in India or the countries they come from. And they don't forget to stretch them. When we put them into the tanning process we lose 2 or 3 inches, because they have stretched everything in India first. These skins are bought by the piece, and these Brazilians are bought by the piece. That didn't shrink all that difference. This is a finished piece and that is raw. But it shrinks a very appreciable amount.

Senator KEYES. What animal is that from?

Mr. WHOLLEY. That is a Brazilian lizard, and the only one that is eaten for its meat in the world, the only reptile that we know of, and the packers in Brazil send us these after the kill.

Senator THOMAS. Would you not call an eel a reptile?

Mr. WHOLLEY. Well, if we could tan them we would.

These are boas, and this is the way they come in. They have to be developed both hard and soft finish and in a wide variety of colors.

Now, we just want to be taken out of that leather group (c) and put into (d), if possible.

Senator THOMAS. Have you prepared an amendment that will serve your purpose?

Mr. WHOLLEY. Well, we did not like to do that until we saw how we could harmonize with the industry. We are tanners of a good many other things, and we would like to get along with everybody, and so decided that we would prepare it and file it, if we might, after this appearance.

Senator THOMAS. Personally, I think it would be very desirable to have you prepare and submit to the committee just what you think you should have. Then, of course, the committee will consider it.

Mr. WHOLLEY. That is all we expect. We know that any suggestion of ours is only a suggestion.

Senator KEYES. You do intend to do that, do you?

Mr. WHOLLEY. Yes; we will submit it to-morrow or Monday, if we may.

Senator THOMAS. Will you pick out one or two of those samples, or pieces of leather, and leave them with the committee to show what class of goods you are asking consideration on?

Mr. WHOLLEY. I will leave them all and you can throw them in the waste basket when you are through with them.

Senator THOMAS. No; we do not want all of them.

Mr. WHOLLEY. All right; here are samples of the finished and unfinished.

Senator THOMAS. Are those expensive, as they are prepared there?

Mr. WHOLLEY. Yes, sir; these are luxury goods. As a matter of fact, this skin here, this is a python, is worth approximately \$20.

Senator THOMAS. Well, just pick out something that is inexpensive and leave it here.

Mr. WHOLLEY. There are no reptiles that are inexpensive. It is all luxury goods.

Senator WALSH. I think he had better take them all.

Mr. WHOLLEY. I will leave them all, and you can throw away what you don't want.

Senator WALSH. No; take them all. I think the record shows pretty clearly what they are.

Mr. WHOLLEY. All right, sir. We would like to submit a brief to file. Now, while we are here, we are also kid tanners, and may I say one word in answer to Mr. Musliner?

Senator WALSH. I suppose all of those skins are worth several hundred dollars?

Mr. WHOLLEY. We could put in a big manila envelope two or three hundred dollars' worth of them.

We are kid tanners, and Mr. Musliner just made a statement about these India kids and why we compromised. The reason for that compromise is that India kid is their raw material in its untanned state. It is a competitive finished article to the goat and kid leather industry in its raw state. All they have to do is to put some finish on the skins and sell it as shoe-upper leather, and that is the reason why the kid tanners have that in the amount of labor and preparation that has been put into those bark-tanned India skins and goat-skins, that the comparative labor differential was about 20 per cent. They wanted their leather free, but we are all good friends. We didn't want to hurt them and they didn't want to hurt us, and we

suggested a compromise on those at 10 per cent, because it was their raw material. They felt that that would be agreeable, and we thought that if there was any loss there that we would rather divide it up between us all than have it go to one group.

Senator HOWELL. Do you manufacture upper-kid leather?

Mr. WHOLLEY. In another one of our companies.

Senator HOWELL. What proportion of upper-kid leather is used for uppers, as compared with calf and cow hide?

Mr. WHOLLEY. Well, I do not think I could answer that quite on the percentage basis. About 70 per cent of all the kid in the world is produced in this country. A great percentage of it is exported, the low grades.

In the calf business, calf goes both in the men's and women's shoes. Kid very rarely goes into men's shoes, principally in women's shoes. And it has a wide range of sizes and weights, which makes it a merchandising problem. Black kid alone in our tannery throws 168 grades, weights, and sizes; 168 grades out of one kind of black kid. Now, the foreigners only import here the top grades, in which we can make a profit if we make any profit from the kid business. Their imports of 10,000,000 feet are at 53 or 57 cents, and our exports are around 19 cents. Now, in 100,000 kid skins tanned we will not get over 10,000 of those of the 53-cent type. Meaning that we have to dispose of 90,000 feet, 90,000 skins of the other type, and that 10,000,000 puts us in a position that we must handle 90,000,000 feet of lower grades. All of our exports are at 27 to 29 cents, and the entire production of kid leather in this country, figured up by the Tariff Commission, was 27 or 29 cent average, so you see what they are doing. Their small percentage of imports, 10,000,000 feet, is preventing us from selling our top grades and preventing us from producing more low grades.

Senator KEYES. Is that all, Mr. Wholley?

Mr. WHOLLEY. That is all, thank you.

(Mr. Wholley submitted the following brief:)

BRIEF OF THE AMERICAN REPTILE TANNERS

As an infant industry, one that has been entirely developed since the last tariff act was passed, we appeal for a protective tariff that will offset the labor advantage that the foreign reptile tanners have over us. We ask for this so that we may have an opportunity to develop the American reptile tanning industry to more favorably compare with the foreign industry, and to give us a chance to so equalize costs that we may also attempt to compete with them in some of the other world markets.

The foreign tanners had dominated for the years 1922, 1923, 1924, and 1925. About 1926 the American tanners started to develop the reptile tanning in competition, and in 1928 the development in this country was increased substantially. Even so, the foreigners still continue to insist on their dominance. As evidence of this, we present a booklet of a foreign reptile tanner who this year is distributing this book and on page 12 is making a direct statement that their individual company controls more than 88 per cent of the world's output. This may have been true once, but as the American tanners have increased their development and production we are giving them real competition. However, because of their advantage and their additional profits, they have cut prices in the last year or so from 25 per cent to 30 per cent, or to practically our cost, and while they are still making fair profits they have prevented us from making even a fair profit on our investment. We understand that it was their hope that by making the business unprofitable here that the domestic tanners would quit the business, and that they would then go back to their old price basis.

It is entirely unlike other tanning industries, because it is the development into leather of animals that have never been used for this purpose before, such as boa constrictor, cobras, pythons, water snakes, lizzards of various types, frogs and other reptiles, fish or birds that we can make into leather and satisfy the style demands for these unusual articles.

Reptiles were first tanned in this country just prior to the war. The war came on and tanning conditions were such that novelties of this sort were not in demand. After the war the foreign tanners took it up because of their very low labor costs, developed the business into a large and profitable one abroad, and sold considerable quantities of their product here. As the American tanners became assured that this was not a fad but a business that had come to stay, we entered the field, developing, in most cases, a superior product, but because of the labor advantage and the cutthroat methods of the foreign tanners have prevented us from making it a profitable business. Yet we have held on waiting for tariff consideration and feeling that there would be a correction of the fancy leather paragraph of the previous tariff act under which tariff protection would be granted on these reptiles that were coming in for other than shoe uses. However, since there was a joker in the clause and it provided that fancy leathers that were brought in for shoe uses were free, practically all of the imports were brought in as shoe leather, duty free.

Reptile leathers are used in probably the greatest variety of fancy-leather uses of any leather. They are used for millinery, belts, clothing trim, for making sports clothing, for hand bags, pocketbooks, decoration of bridge sets, covers for books, covering cigarette lighters, and a wide variety of accessories of that type. They are even being put on fountain pens now. They are used for luggage and for shoes. It is a luxury article, but one that is in wide demand, particularly by the womenfolk, because of the unusual effects in pattern and color that can be achieved with the skill of the American tanner. It is developing new sources of supply all over the world. We have been working intensively throughout the Southern States and our territorial possessions to develop sources of supply. Alligators, which are in the reptile family, are already being furnished the reptile tanners from a good many American States and all that can be produced are being taken. We are working now to develop a source of supply for American lizzards, water snakes, moccasins and other types, rattlers, queen snakes, and are constantly experimenting to see how they can be properly tanned. We have been working independently and through the Department of Commerce from coast to coast, and it is merely a question of how to reach more people who can secure these and properly send them to the market.

The American supply, of course, even completely developed, will never be but a small percentage of the reptiles needed. The vast majority must be imported from the wild lands in Africa and Asia and South America. We are extending our search also into Australia and Madagascar. It looks now as though we could develop a prolific source of supply in the Philippines.

Since this type of leather was not being produced at the time of the last tariff act, we are without tariff protection, although we are the most distinctive fancy leather manufacturers that there is. The misunderstanding on the last tariff paragraph, which was supposed to protect fancy leathers, have left us practically on the free list.

The labor differential is probably greatest in these reptile leathers of any group of upper leathers tanned. Because of their vast difference in size, shape, and thickness we can perform with their tanning but very few mechanical operations. The bulk of it must be by hand and they are all of the hand type that are generally and distinctly known as fancy leather operations.

We are sure that in quality ours are not excelled by any foreign leather. We feel sure that in colors and pattern development that we make every wanted shade that they furnish and many that they have not yet developed. There is, therefore, no reason why the American tanners can not furnish and meet every demand of every industry that is interested in using genuine reptile, and there is no exception that only the foreign tanners could fill.

Such machine operations as are used in reptile tanning are identical with those used in calf and kid leather production. There we find the labor differential to be in the foreigner's favor to the extent of 200 per cent to 400 per cent, and in a great many more hand operations that are required, considerably more than a majority, we find that the hand labor differential is in their favor to an even greater extent. It is our belief, based on all the information

that we have been able to secure, that their labor differential would run very close to 40 per cent ad valorem.

We are not asking for this duty. We would like a duty of 30 per cent ad valorem, and believe that with American initiative, merchandising methods, and developments that are constantly being undertaken, that we can meet them in a fair competitive field with this 30 per cent duty which would adjust a large part of the labor differential.

If your honorable body decides that the 25 per cent duty which was granted in the House for fancy leathers is the very best that can be done, we will graciously accept that as a step in the right direction. We do, however, ask that we be taken out of subparagraph C, paragraph 1530, which is principally those staple upper leathers that are not made from the bovine species, and be put in subparagraph D of paragraph 1530, with the fancy leathers where we belong.

Our raw material principally comes in in its raw state, although there is some percentage of India bark tanned or vegetable-tanned skins that come in. These are tanned by the lowest-priced labor in the world and at a differential that exceeds to a greater extent the differential between those leathers tanned in the European countries.

We ask that the raw material in its natural raw state be permitted to come in free, because even though we thoroughly develop all of the American sources of supply, it will still be necessary for us to import 90 per cent or more of our raw stock from other continents. But we ask, however, that tanned or semi-tanned skins be assessed a duty of 15 per cent ad valorem to prevent the foreign tanners from sending in partly finished skins and then with a small investment merely finish the articles in this country, which we understand a number have been considering.

Concisely, we ask that reptile, fish, and bird leathers be transferred from subparagraph C of paragraph 1530 to subparagraph D of the same paragraph; that we be given protection up to the extent of 30 per cent ad valorem, which is part of the labor differential that exists; that we be given consideration as an infant industry which has been undertaken to develop a field that has in the past been controlled in Europe; and that we be considered definitely a fancy leather and not a staple leather.

Incidentally, we have an inventory hazard that is not existent in any other leather business. We have to buy or supply in small units, in all parts of the world, and accumulate them into the quantities necessary to do business in this country. For example, three months ago we were buying lizards of a certain type for delivery in India in September. We at that time had to put our money up, sight unseen, for the raw material. These will be ready in September, on the docks in India, and will not arrive in New York or other American ports until November or December. It takes from 2 months to 10 weeks to transport them to American ports. In December they will arrive in the raw condition. They must then be tanned and this takes from four to six weeks. The market for these skins is in the spring months of next year, and it is then that we will get orders and coloring instructions. This will take two weeks. We will, therefore, then have invested our money in March and April of this year for merchandise which we will receive payment for in March or April of next year.

It requires a large investment to undertake this business, and with the style fluctuations as they are the demands for that particular type of reptile may not be large next year. There is this about it—there is some type of reptile always in demand in its particular season. To meet this demand, we must anticipate at least from nine months to a year, and then may find 3 or 4 out of 10 or 12 different raw materials may be slow sellers that particular year. These then have to be carried to the following season.

We believe that it is because of this inventory risk and the large amount of money that is required to enter the reptile-tanning field that the foreigners undertook to so price their merchandise in this country that we could not succeed in making a profit and that if we were convinced of this we would discontinue these hazardous operations. American tanners realizing this have carried on and have increased each year their variety, improved their quality, and increased their production. To continue, however, it has been our hope that this Congress would give us consideration and assistance.

We have not included in this brief labor tables showing costs or verifying our statements, comparative tables, or other fact-finding information which

would be, for you, voluminous reading. We are prepared, however, in case you wish it, to furnish figures of this sort. We are also prepared to verify any statements that we have made.

We are submitting a suggested paragraph D, which will include the protection on reptile leathers that we ask for. We are also submitting a suggestion on subparagraph C, which will include the rough-tanned or semitanned reptile leathers on which we hope a duty of 15 per cent can be agreed upon.

SUGGESTED SUBPARAGRAPH C, PARAGRAPH 1530

"(c) Leather (except leather provided for in subparagraph (d) of this paragraph), made from hides or skins of animals (including fish and birds but not including cattle of the bovine species), in the rough, in the white, crust, or russet, partly finished, or finished, 20 per centum ad valorem; rough-tanned or semitanned leather made from genuine reptile skins, 15 per centum ad valorem; vegetable tanned rough leather made from goat or sheep skins (including those commercially known as "India-tanned" sheep skins), vegetable rough tanned pig and hog skins, and rough tanned skivers, 10 per centum ad valorem."

THE AMERICAN REPTILE TANNERS.

KEYSTONE REPTILE TANNERS.

319 Arch Street, Philadelphia, Pa.

AMALGAMATED LEATHER CO.

Wilmington, Del.

ROBERTSON LEATHER CO.,

41 Spruce Street,

New York City, N. Y.

BRIEF OF THE SHOE LEATHER DEALERS ASSOCIATION

[Reptile leathers, par. 1530 (c)]

SENATE FINANCE COMMITTEE,

Washington, D C.

GENTLEMEN: A representative of the Keystone Reptile Leather Tanners (Inc.) appeared before your committee on June 29 and asked for a high duty on reptilian leathers, claiming that this is a new industry and would develop more rapidly if a duty were imposed on the imported reptilian leathers, which are now free of duty under the present tariff.

Prompted by the statements made in support of their demand, we hereby supplement our brief filed on June 29, opposing the exorbitant duty recommended in paragraph 1530, covering fancy shoe leathers, under subparagraph D.

We are opposed to any duty on reptilian shoe leathers, due to the fact that the supply is not large enough to satisfy the demand of the domestic shoe manufacturers.

Briefly, the following reasons are advanced in opposition to any duty on such leathers:

First. Reptilian leathers are tanned and dressed under the same process applicable to any other shoe leathers.

Second. Reptilian skins are collected chiefly in tropical countries, with the exception of alligator skins.

Third. In recent years the European tanners were able to tan and dress these skins, making them suitable for shoes.

Fourth. The public recognized the superior wearing qualities of reptilian leather shoes, and a large demand has been created by the manufacturers of low and medium priced shoes.

Fifth. The supply of the raw material is not controlled, and can not be increased or decreased by domesticating the wild reptile.

Sixth. This new industry has expanded rapidly within the last few years, and this is supported by the fact that the Monthly Summary of Foreign Commerce for four months ending April shows an increase in the importations of reptilian skins amounting to \$1,432,163, and it is conservatively estimated that 90 per cent of these reptilian leathers is used in the manufacture of shoes.

In conclusion we find it is strange, indeed, that the few domestic tanners who are now seeking a high duty to protect them from foreign competition are selling their reptilian leathers at a lower price than the imported in a market in which the actual shortage exists at the present time.

If a duty would benefit the few who labor in such tanneries, millions of women who are wearing the low and medium priced shoes, on account of the economy of the wearing qualities of the said reptilian shoe leather, will be compelled to pay more for these shoes.

Respectfully submitted.

SHOE LEATHER DEALERS ASSOCIATION.
FRANK I. HECHT, *Vice President.*

I, Frank I. Hecht, do solemnly and truly swear that the facts herein stated are true to the best of my knowledge and belief.

FRANK I. HECHT.

Sworn to before me this 3d day of July, 1929.

[SEAL.]

CHAS. F. KRAEMER, *Notary.*

STATEMENT OF LOUIS M. MUSLINER, NEW YORK CITY, REPRESENTING COMMITTEE OF FANCY LEATHER TANNERS

[Reptile and fish leathers, par. 1530 (c), and fancy leathers, par. 1530 (d)]

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

Mr. MUSLINER. I will go over this as hurriedly as I can. I represent the fancy-leather tanners.

Senator KEYES. Tanners or manufacturers?

Mr. MUSLINER. Fancy leather tanners.

Senator WALSH. Are there many of them in the United States?

Mr. MUSLINER. Sixty of them. Our particular object is to make some changes in the paragraphs as they are now written.

Senator WALSH. You propose to recommend a paragraph?

Mr. MUSLINER. Yes.

It is respectfully urged that certain changes be made in paragraph 1530, H. R. 2667, tariff bill of 1929, affecting the fancy-leather tanners of the United States, and that subparagraph (c), line 13, page 197, be amended, as shown in my brief.

Senator WALSH. What change does it make in the present rate?

Mr. MUSLINER. This paragraph (c) gives it 25 per cent.

Senator WALSH. What is the rate now?

Mr. MUSLINER. None.

Senator WALSH. Nothing?

Mr. MUSLINER. Nothing at all.

Senator WALSH. You are asking for a duty on these skins?

Mr. MUSLINER. We do not want it, but it is in there, 25 per cent. I would rather have no duty but we compromised on 10 per cent.

Senator WALSH. We are talking about an important matter. Could you wait over until to-morrow?

Mr. MUSLINER. I will wait until to-morrow.

Senator WALSH. You will accept it but do not want it?

Mr. MUSLINER. We have compromised on that.

Senator KEYES. With whom?

Mr. MUSLINER. Amongst all the other groups of tanners.

Senator COUZENS. You have in writing what you want to submit?

Mr. MUSLINER. Yes.

I want to make a little explanation in reference to the groups that I represent.

The leather industry is a diversified trade. There are any number of different classes of leather made by different classes of manufacturers and made from different kinds of hides and skins. We are

not using or talking on the same classes of hides about which you heard yesterday. That is more in the heavy leather. We are in the fancy leather business. What I spoke about yesterday was on the question of fancy leather and the class of skins that we use.

Senator COUZENS. What animals do they come from?

Mr. MUSLINER. Principally goat and sheep. And I imagine you thought that I was asking for something unusual, because two or three of you asked me the question at the same time.

What I want to explain is this: The skins that I was talking about were India tanned goat and sheep skins. These skins are used in the fancy leather trade and have always been used in the fancy leather trade ever since this class of leather was made. There is no other source of supply. There is no other country in the world that makes them. You could not get the same results if you took the raw skins and tanned them anywhere else. It has been tried in all countries. The East Indian tanners use their own tanning material, they use their own methods, they use berries and barks and different things—vegetable oils—that we can not get. Some of those things they have tried to import, and by the time they get to the foreign countries they deteriorate, and there is no country anywhere that has ever been able to make the same thing.

Now, the fancy leather trade treats this as raw material, the same as the cowhide man would treat a rawhide, and we figure that that is our raw material, and in this paragraph that was written, paragraph (c), it calls for a duty of 25 per cent, and in paragraph (d) it gives us a duty of 30 per cent, and we were asking to have that reduced, and when I said "compromised," I possibly used the wrong word. The fancy leather tanners, being mostly situated in and around New York, have been helping the Government very much in all these customs cases. In fact, we went so far as to hire attorneys to assist the Government in prosecuting those cases. We acted as witnesses and went all over, wherever the Government wanted us to go.

Senator COUZENS. In what cases?

Mr. MUSLINER. Cases where people were importing leather as shoe leather and selling it for other purposes. Now, we got together and there were a great many differences as to what we should ask for.

Senator KEYES. When you say "we," whom do you mean?

Mr. MUSLINER. I am talking about the fancy leather tanners.

Senator COUZENS. Does that include the whole industry?

Mr. MUSLINER. Well, I am representing about 30. There are possibly 20 more small concerns, such as contracting concerns and small manufacturers.

Senator COUZENS. Are they out of harmony with what you are proposing?

Mr. MUSLINER. No; they are not; but directly I am representing about 30.

Senator THOMAS. Do you understand that that is the way these requests are made from the different industries, that they get together and harmonize their differences, then come down to Congress and present a demand, all standing back of it, having an agreement in advance?

Mr. MUSLINER. We did not do it for that reason. Our object was to bring you something that was concrete, so that one would not ask for one thing and another for something else. We came down here expecting to ask for, as near as possible, a combined request that would satisfy all of us and give less trouble to you here to satisfy all.

Senator WALSH. What is your request?

Mr. MUSLINER. I want to request that paragraph (c) as written here be changed to read as follows:

(c) Leather (except leather provided for in subparagraph (d) of this paragraph, made from hides or skins of animals (including fish and birds, but not including cattle of the bovine species), in the rough, in the white, crust, or russet, partly finished, or finished, 20 per centum ad valorem; rough-tanned or semitanned leather made from genuine reptile skins, 15 per centum ad valorem; vegetable-tanned rough leather made from goat and sheep skins (including those commercially known as India-tanned goat and sheep skins), vegetable rough-tanned pig and hog skins, and rough-tanned skivers, 10 per centum ad valorem.

Senator COUZENS. Explain what you mean by "vegetable skins."

Mr. MUSLINER. Vegetable tanned.

Senator COUZENS. You mean colored by vegetable tanning?

Mr. MUSLINER. They are tanned by a vegetable extract, sumac or bark.

Senator WALSH. What does that represent in increased duties, compared with the present law?

Mr. MUSLINER. It puts a duty of 10 per cent on India-tanned goat and sheep skins, which is now free under the present law. It puts a duty of 20 per cent on rough-tanned and partly finished skins of goat and sheep, birds, reptiles, and so on, coming into the country.

Senator WALSH. What do they come in for now?

Mr. MUSLINER. They come in free.

Senator WALSH. Have you covered everything now?

Mr. MUSLINER. I believe I have.

Senator COUZENS. Why do you ask a tariff when it is now coming in free?

Mr. MUSLINER. Because a great many of these skins are tanned here. As I said before that is the combined request of all the tanners.

Senator COUZENS. I understand, but you say that it is all coming in free now?

Mr. MUSLINER. It is all coming in free now.

Senator COUZENS. Whether tanned or raw?

Mr. MUSLINER. Yes; whether tanned or raw, but not finished. On finished there is a duty of 20 per cent. We have them here "finished or partly finished," because some of these skins come in partly finished, so that all they need to do is to put a little labor on them, and we want to overcome that.

Senator WALSH. Are you competing with finished goods that come in from abroad?

Mr. MUSLINER. In the fancy-leather business; yes, sir.

Senator COUZENS. And you think you are at a disadvantage now because many of them are on the free list? Is that it?

Mr. MUSLINER. Yes, sir.

Senator COUZENS. And you want a duty so as to permit your industry here to have an advantage over the importers?

Mr. MUSLINER. We don't want an advantage; we want to be at least even. If we are at least even we will be all right.

Senator COUZENS. You want to be put on a level with them?

Mr. MUSLINER. We want to be put on a level; yes, sir.

Senator COUZENS. In other words, you are asking for a reduction in the bill passed by the House?

Mr. MUSLINER. Only on this India-tanned goat and sheep. You see, this India-tanned goat and sheep does not conflict with anything that is made here. Nothing like it is made or can be made here.

Senator COUZENS. Why don't you ask for that to be on the free list?

Mr. MUSLINER. Well, as I said before, I personally would rather have it on the free list, but in the combined requests we were asked to compromise, as I said yesterday. That is a word I should not have used, possibly.

Senator COUZENS. I think that is perfectly proper. I think any industry should get together and agree if they can.

Senator WALSH. Do you yourself handle this leather?

Mr. MUSLINER. Yes, sir.

Senator WALSH. That comes in free?

Mr. MUSLINER. Yes, sir.

Senator WALSH. As fancy leather?

Mr. MUSLINER. Yes, sir.

Senator WALSH. So that though you manufacture other leathers, from other skins, this particular leather, you import and resell it?

Mr. MUSLINER. No; we import the skins as raw material and manufacture them into fancy goods. It goes into bookbinding work and morocco, and goods like that, and it is the only place in the world where it can be had.

Senator WALSH. I see no reason why it should not come in free. I do not see why you need to compromise with anybody on that subject, unless it competes with some other fancy leather.

Mr. MUSLINER. It does not.

Senator THOMAS. You started to make a statement there?

Senator KEYES. You said you compromised?

Mr. MUSLINER. I explained that by saying in our fancy-leather group. I was against the duty on India-tanned goat and sheep, but there were some who insisted on a duty on that, and so I compromised by accepting and proposing this 10 per cent. That is what I meant by compromise. I didn't want you to misunderstand me when I said I compromised, thinking I had compromised with somebody else.

Senator KEYES. I think we understand it.

Senator HOWELL. Do the manufacturers which you represent also make kid leather for the uppers in the manufacture of shoes?

Mr. MUSLINER. No, sir. Kid leather from the same country is brought in in the hair, and that is chrome tanned. We don't touch that. I am only talking about India-tanned skins in the rough.

Senator WALSH. Is your business depressed too?

Mr. MUSLINER. Our individual business is not. We seem to be getting along all right.

Senator WALSH. How about the others?

Mr. MUSLINER. Some of them complain very bitterly.

Senator WALSH. At what capacity is the industry producing?

Mr. MUSLINER. Just at the present time we are not doing anything because of the strike in the leather goods trade. There is a labor trouble there, and none of us are doing anything.

Senator THOMAS. What are the laborers asking, higher wages or shorter hours, or both?

Mr. MUSLINER. They are asking for a 5-day week and increase in wages, and a great many of them—they have 14 plants to ask for?

Senator THOMAS. What is the status of their complaints at the present time?

Mr. MUSLINER. Mr. Mittenenthal is here representing the leather goods trade. I do not know whether he is here yet, but he is here in Washington.

Senator WALSH. Is he on the schedule here to speak?

Mr. MUSLINER. Yes, sir.

Senator THOMAS. Are the men out of employment now?

Mr. MUSLINER. Yes, sir.

Senator THOMAS. Is there a movement on foot to adjust the differences with them?

Mr. MUSLINER. They are trying their utmost to settle it. It is going on seven weeks now.

Senator THOMAS. Are prospects favorable for adjustment?

Mr. MUSLINER. Well, I spoke to him this morning, and he said they are very close, but they do not seem to agree. I would like to leave this brief.

Senator KEYES. Very well.

(The brief referred to follows:)

BRIEF OF THE FANCY LEATHER TANNERS OF THE UNITED STATES

It is respectfully urged that certain changes be made in paragraph 1530, II. R. 2667, tariff list of 1929, affecting the fancy-leather tanners of the United States, and that subparagraph (c), line 13, page 197, be amended so as to read:

"(c) Leather (except leather provided for in subparagraph (d) of this paragraph), made from hides or skins of animals (including fish and birds, but not including cattle of the bovine species), in the rough, in the white, crust, or russet, partly finished, or finished, 20 per centum ad valorem; rough-tanned or semitanned leather made from genuine reptile skins, 15 per centum ad valorem; vegetable-tanned rough leather made from goat and sheep skins (including those commercially known as India-tanned goat and sheep skins), vegetable rough-tanned pig and hog skins, and rough-tanned skivers, 10 per centum ad valorem."

SUPPORTING DATA FILED

We respectfully refer to the brief of the fancy-leather tanners filed with the Ways and Means Committee (recorded on p. 7691 of Vol. XIV, Sundries Schedule, Hearings on Tariff Readjustment, 1929) for complete information as to the importance of the industry, the inroads of foreign competition, lower foreign labor costs, methods used by importers to evade the provisions of the present act, and statistics of production, imports, and exports of these leathers.

REASONS FOR REQUESTING WORDING CHANGE

Certain inequalities exist in the present tariff bill as passed by the House which would have a ruinous effect on the fancy-leather-tanning industry if unchanged. Subparagraph (c) of paragraph 1530, as worded in the present bill, places a duty of 25 per cent on vegetable-rough-tanned goat and sheep skins, which are commercially known in the tanning trade as India-tanned goat and

sheep skins. These India-tanned goat and sheep skins are used by the fancy leather tanners as raw material and are regarded by them in the same light as raw or untanned hides and skins are regarded by other tanners. When these skins are received by the fancy-leather tanner they have been treated by a native East Indian tanning process. These skins are washed out by the American tanner and then put through a regular retanning process.

These East India tanned goat and sheep skins are a vital and necessary raw material to the fancy-leather tanner, for these skins make a type of fancy leather, for which there is a steady demand that can not be duplicated by using any other type of skin—not even an untanned goat and sheep skin from these same districts of India.

Furthermore, these rough tanned India goat and sheep skins do not compete with any other type of goat or sheep produced in the United States.

EFFECT OF PRESENT BILL

Should the house bill pass the Senate without any change, it would mean that fancy-leather tanners, using India-tanned goat and sheep skins, would have to pay a 25 per cent duty on their raw material and would receive, under the provisions of subparagraph (d) a protective duty of only 30 per cent on the finished leather made from such skins. Under the present act the rate of duty is 20 per cent on finished leather, with free raw material, and it is quite apparent that the industry would be a great deal worse off under the proposed paragraph than under the present one.

We therefore request that, since these skins are raw material for the fancy-leather tanner and do not compete with any type of leather tanned in the United States, they be made dutiable at only a moderate rate, surely not exceeding 10 per cent ad valorem. The paragraph as reworded above provides for such a duty.

PROTECTION OF FINISHED FANCY LEATHER

The rate of duty provided in subparagraph (d) of paragraph 1530 is satisfactory to our group, provided the 10 per cent rate is applied on India-tanned goat and sheep skins.

In order to avoid the almost insuperable difficulties encountered in the administration of the present tariff act, so far as determining what is fancy leather and what is shoe leather, we respectfully request that the paragraphs of the present bill as they relate to leather be so worded as to prevent importers from declaring certain leathers as "shoe leathers" and which eventually are sold for manufacturing fancy leather goods and other purposes.

We also respectfully request that in line 6, on page 193, of H. R. 2067, subparagraph (d), after the words "ad valorem," there be added the following:

"Leathers made from reptile, pig, or hog skins, partly finished or finished, 30 per centum ad valorem."

This leather has not been specifically provided for in any other paragraph and since practically all of such leather is used for fancy-leather purposes we respectfully urge that it be provided for in the paragraph relating to finished fancy leathers.

DIFFERENCE IN LABOR COSTS

In our brief to the Ways and Means Committee we filed data showing that foreign labor costs are approximately 58 per cent less than those in the United States. The finishing of fancy leathers calls for skilled labor, and consequently labor costs are quite high in this branch of the industry and a large proportion of our leather cost is represented by labor. The duties requested are therefore for the purpose principally of equalizing labor costs.

The differences in labor costs, and in overhead items which are largely made up of salaries and wages, amply justify the 30 per cent rate on finished fancy leathers which we are asking to equalize costs of production in the United States and foreign countries.

Respectfully submitted.

LOUIS M. MUSLINER.

Chairman Committee of Fancy Leather Tanners.

LETTER FROM GREENE, TWEED & CO., NEW YORK CITY

[Tanned walrus hides, par. 1530 (c)]

HON. ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: This corporation is the largest importer in America of tanned walrus hides. We import about 60 per cent of these skins entering this country. We have always enjoyed free entry of these hides. Of my own knowledge, there never has been any duty levied for the last 30 years, and I believe it will be found that no duty was ever levied.

The reason for this is clear. The only country which has perfected the art of properly tanning walrus hides is Great Britain. No tanneries in this country care to bother with the process, which is long and tedious, taking about two years to tan a hide.

The consumption of these rough-tanned hides is limited almost exclusively to the silverware and cotton trades. In the first mentioned, it is used for buffing or polishing of the products manufactured, and, in the second, it is used to cover the rollers in cotton gins. Importations into this country per year rarely exceed \$100,000, which is enough to supply the demand for all purposes.

It will thus be seen that there is no need for a duty to be levied on this product. It may occur to you that Alaska produces these walrus hides and its industries should be protected. Let us inform you, then, that, for the reason before given, namely, the refusal or inability of the tanneries in this country to tan these hides, Great Britain is the only country which will take these hides. We were called in not long ago to negotiate for a sale of some 3,000 hides which were sent to Seattle from Alaska. These hides were being kept at Seattle because there was no market for them in this country. We believe they were sold to a tannery in Great Britain.

Now our customhouse brokers advise us that under paragraph 1530 (c) of the House bill recently passed these walrus skins appear to be dutiable at 25 per cent ad valorem. We ask you to take up with the Finance Committee the facts as presented in this letter with a view to according these hides free entry. To place a duty on these hides, is to penalize, not help. You might also arrange for a hearing before the Finance Committee for us, unless that committee sees fit to make an exception of walrus hides without more than the facts here presented.

A print showing the usage of this walrus leather in cotton gins is attached.

Yours, very truly,

GREENE, TWEED & Co.,
WILLARD R. PLATT,
President.

STATEMENT OF JOHN H. ROSER, REPRESENTING HERMAN ROSER & SON (INC.), GLASTONBURY, CONN.

[Pigskin leather, par. 1530 (c)]

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

Mr. ROSER. Mr. Chairman and gentlemen of the committee, I represent Herman Roser & Son (Inc.).

Senator KEYES. What do they manufacture?

Mr. ROSER. Pigskin leather. We respectfully refer to paragraph 1530, subparagraph (c), line 13, page 197 of the pending tariff bill, H. R. 2667, in so far as it affects leather made from pig and hog skins.

Senator THOMAS. Did you say horse skins?

Mr. ROSER. No; hog skins. It is the same thing as pig.

As this paragraph is now written, it assesses a duty of 25 per cent ad valorem on rough-tanned and finished pigskin leather. We request that a differentiation be made between rough-tanned and finished leather made from pigskins. We are dependent upon foreign sup-

plies to the extent of over 80 per cent of our production, over 50 per cent of which foreign supply consists of rough-tanned pigskins. A duty on rough-tanned skins, equal to that on finished skins, would be prohibitive, as importations of finished skins compete directly with our business.

This company manufacture pigskins exclusively for fancy leather goods and other purposes. We have been engaged in this business since 1854. During the war we expanded our production to take care of military requirements in the shape of saddles, leggings, and straps. We were able to do a fair business in the following years, when European countries had not recovered from the effects of the war. During the past two years, however, importations of finished pigskins from Europe have shown a large and continuous increase, and our own sales have fallen off in proportion. We have no protection whatever under the present tariff, and we can not compete with imported finished pigskins produced by tanners who have cheap labor and who have the pick of the world's best raw pigskins. Owing to the nature of pigskin, very little machine work is possible, and a large amount of hand labor is involved in the tanning and finishing of this leather.

We are compelled to use rough-tanned foreign pigskins as raw material, the inadequacy of the domestic supply of raw pigskins being fully explained in our brief to the Ways and Means Committee, recorded on page 8694, Volume XV, Schedule 15, of the hearings on Tariff Adjustment, 1929.

Our appeal to this committee to-day, therefore, is to adjust an inequality in rates of duty on a manufactured article and a raw material. We request that a duty of not more than 10 per cent ad valorem be placed on rough-tanned pigskins, and that a duty of 30 per cent ad valorem be placed on partly finished and finished pigskin leather. We suggest that the following changes be made in paragraph 1530:

Page 197, subparagraph (c) insert the words—

vegetable tanned rough leather made from pig and hog skins, 10 per centum ad valorem,

so as to read:

(c) Leather (except leather provided for in subparagraph (d) of this paragraph), made from hides or skins of animals (including fish and birds, but not including cattle of the bovine species), in the rough, in the white, crust, or russet, partly finished, or finished, 20 per centum ad valorem; rough-tanned or semitanned leather from genuine reptile skins, 15 per centum ad valorem; vegetable-tanned rough leather made from goat and sheep skins (including those commercially known as India-tanned goat and sheep skins), vegetable rough-tanned pig and hog skins, and rough-tanned skivers, 10 per centum ad valorem.

Line 6, page 198, subparagraph (d), after the words "ad valorem" insert the following:

Leathers made from reptile, pig or hog skins, partly finished or finished, 30 per centum ad valorem.

In support of the last-named change, we respectfully submit that pigskin leather is known in the trade as a fancy leather.

Senator KEYES. These are all pigskins?

Mr. ROSER. Those are all pigskins [indicating samples]. It is so classified by the Tariff Commission and the Census Bureau, the preponderance of use being for fancy leather goods. It is not a necessity, except for military purposes, and a duty on it would not affect the

average man. It is not used for shoes, except for sport shoes. It is not used for ordinary saddles, such as cowboys use. Pigskin is, therefore, comparable with the other classes of fancy leathers covered in subparagraph (d).

The difference in labor costs and overhead items, made up of salaries and wages, as compared with foreign tanneries, is on a par with these other fancy leathers. We are obliged to ask, and we do respectfully ask, the same protection of 30 per cent ad valorem. Here are some things made of pig skin [showing samples of leather goods].

Senator THOMAS. Where do you get your supply of raw material?

Mr. ROSER. We get part of it in this country but mostly abroad. There are very few pigskins in this country.

Senator THOMAS. Do you get pigskins in the raw stage?

Mr. ROSER. We get them in the raw stage and rough-tanned, both.

Senator THOMAS. Do you have a tariff on a tariff being placed on the raw pigskins?

Mr. ROSER. Yes, sir.

Senator THOMAS. What is made of pigskin that you manufacture?

Mr. ROSER. The other goods made of it. It is used for all kinds of leathers, such as saddles, horse blankets, bookbinders, leggings. It is also used for purposes like this, small leather billiard cases, tobacco pouches.

Senator NEEN. In these suggestions you are making as to schedules in subparagraph (d) are you making them with the assumption that there is still a 10 per cent duty on hides?

Mr. ROSER. Hides are only hides of the pigskin species; it does not cover anything else.

Senator NEEN. Do you pay a duty on pig hides?

Mr. ROSER. They have always been free.

Now, gentlemen, let us turn again to the question where importations of pigskins are increasing and our own sales are decreasing.

Senator WALSH. How many industries?

Mr. ROSER. Well, the whole leather industry, specifically the pigskin industry.

Senator WALSH. How many industries do you represent?

Mr. ROSER. How many factories?

Senator WALSH. Yes.

Mr. ROSER. We are the principal makers of this kind of pigskin.

Senator WALSH. Do you make and sell the skin, or do you manufacture it into commodities?

Mr. ROSER. We just make these articles, make the leather.

Senator WALSH. What is the condition of your industry?

Mr. ROSER. It is in very bad shape. Our sales so far this year are far less than they were a year ago. They are getting worse all the time.

Senator WALSH. What is the reason?

Mr. ROSER. The importations of finished pigskins. There are no figures on importations of finished pigskins. The Government does not classify them separately.

Senator WALSH. In other words, they come under leather?

Mr. ROSER. Under fancy leather.

Senator WALSH. The evidence here shows that all the importations of all kinds of leather are only 10 per cent of the consumption.

Mr. ROSER. Well, it is more than that in the case of pigskins. I fully believe that importations of finished pigskins are now equal to the domestic production. In other words, the total consumption of pigskins in this country, half is imported.

Senator WALSH. Is there any decrease in the use of pigskins for fancy bags and articles?

Mr. ROSER. No; the use has increased, but the domestic production has increased and the importations have increased.

We sent out a questionnaire to our old customers a little while ago, customers who have not bought from us for several months, and asked them whether there was anything wrong with our leather or our service or whether they could buy imported skins cheaper. We had a great many replies, and every one of these replies stated that our leather was very satisfactory, as good as any; that our service was fine; that they could buy imported skins at a very much lower price than they could our leather, in one case 40 per cent lower.

Senator WALSH. Quality the same?

Mr. ROSER. Quality the same. Our quality was as good or better than any.

Senator WALSH. Some witness yesterday intimated, perhaps after the hearings, to me that there is an impression in the trade in America, that the foreign leather is a little superior to the domestic leather.

Mr. ROSER. No; that is not so. We make as good leather as anybody.

Senator THOMAS. What does the business represent that you are engaged in? What is the total volume?

Mr. ROSER. About 100,000 skins a year.

Senator THOMAS. One hundred thousand skins a year?

Mr. ROSER. It is a small business compared to other leathers, of course, but it compares pretty well with the total production of the world's pigskins.

Senator THOMAS. What percentage of that 100,000 is produced here in America, the raw products?

Mr. ROSER. From American raw skins? A very small percentage, fifteen or twenty thousand.

Senator THOMAS. Where do you get those?

Mr. ROSER. We get them mostly from the country butchers. The packers don't skin pigs. They are supposed to save everything but the squeal, but they don't save the skins.

Senator THOMAS. How many employees are there in your factories?

Mr. ROSER. We have about 30. That is now. We had more when we were running to capacity.

Senator THOMAS. What other factories are engaged in the same line of business as yours?

Mr. ROSER. There is one factory down at Newark.

Senator THOMAS. Just those two factories in America?

Mr. ROSER. There are one or two smaller ones. That is true of all the countries. There is only one pigskin factory in Germany, two or three in Austria, and two or three in Scotland.

Senator THOMAS. How many employees are engaged in the entire industry in America?

Mr. ROSER. Well, I would say not more than a hundred. That is on pigskins alone.

Senator THOMAS. Then you are asking for a duty on a product which employs 100 people, tanning foreign pigskins in the main? Is that correct?

Mr. ROSER. Yes. We are asking about the same protection as in other fancy leathers. We don't ask anything more. We believe we are entitled to protection. We are an American industry and we believe we are entitled to the same protection that other fancy leather tanners have, regardless of volume of business. Pigskin is not a necessity; it does not affect the average business man in any way. It is not used for shoes or necessities.

STATEMENT OF MONROE EINSTEIN, NEW YORK CITY, REPRESENTING THE SHOE LEATHER DEALERS' ASSOCIATION

[Fancy leathers, par. 1539 (d)]

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

Mr. EINSTEIN. I represent the Shoe Leather Dealers' Association, who are a group of importers in New York, importing principally shoe leathers which are now on the free list.

Senator KEYES. You say shoe leathers?

Mr. EINSTEIN. Shoe leathers; yes, sir.

Senator KEYES. Do you call those fancy leathers?

Mr. EINSTEIN. We do import some fancy leathers, but the majority of that is used in shoes.

Senator KEYES. On the calendar you are down here to testify on fancy leathers. That is why I asked you.

Mr. EINSTEIN. Yes, sir. Personally I think 95 per cent of our sales have been made to the shoe manufacturers of the United States.

Senator WALSH. But you handle that kind of leather which, under the Act, if it is used for shoes, comes in free?

Mr. EINSTEIN. Yes, sir. And we would like to have, and we believe that leather should remain free, because putting a duty on shoe leather will work a hardship on the shoe manufacturer and eventually the public. It can only be handed on.

Kid leather, which is our main import, can not be imported in black, or practically nothing. There is hardly any import of black leather, black kid leather or black leather of any kind. Of colored leathers there is an import, but only in the high grades. And the high grades are used by the better class of shoe manufacturers. On the cheaper grades there is no competition.

I believe that we are the only country that uses kid leather to line shoes, and kid leather in colors is used principally in women's shoes, practically altogether. For that reason we do not see why there should be any change in the schedule for shoe leather.

Senator WALSH. Of course, there is no dispute there about the assertions that were made here repeatedly by tanners that there has been a great increase in the importations of these leathers for shoes?

Mr. EINSTEIN. There has been no great increase. There has been some increase, but no great increase. For instance, the first four months of this year, according to statistics, we imported practically 14,000,000 feet, and have imported less than 4,000,000 feet.

Senator KEYES. What kind of leather are you referring to now?

Mr. EINSTEIN. I am talking of shoe leather.

Senator WALSH. Including calf leather?

Mr. EINSTEIN. I presume that this includes calf leather.

A VOICE. No; it does not.

Mr. EINSTEIN. No; it only includes kid leather, goat skin.

Then in the schedule they ask a 30 per cent duty on gold and silver kid. It is specified, specifically stated, as gold and silver kid, and this is an article that is hardly made in the United States at all. As far as I know there is only one tanner who makes gold and silver kid.

Senator WALSH. Where is that located?

Mr. EINSTEIN. That factory is in Philadelphia.

Senator WALSH. Is there much of this kid used in America?

Mr. EINSTEIN. Gold and silver kid? Yes; great quantities.

Senator WALSH. For what style of shoes?

Mr. EINSTEIN. For women's evening shoes. We personally have factories where we use leather, and the majority of times we can buy domestic leathers, colored leathers, cheaper than our own importations. Now, on imported leathers, we are the same as the others. We import principally colors that are not made here, or colors that are different than those made here. In fact, every tannery tries to make a little different color than the other tannery, and thus increase its business.

Senator WALSH. Are you familiar with all the importations of leather?

Mr. EINSTEIN. No, I am not.

Senator WALSH. Only with these certain classes that you represent?

Mr. EINSTEIN. Exactly.

Senator WALSH. And you say in these classes the importations are due to the fact—are due to quality and style rather than the fact that they compete with anything produced in America?

Mr. EINSTEIN. Exactly. If there is any question about leather being imported for shoes, this leather could be imported under Treasury regulations, as it is in other articles, such as wool, I understand, so that when it is used for other purposes than the manufacture of shoes a higher rate could be imposed. In fact, leathers not used for shoes are paying a duty. Glove leather and top leather and bag leather is now paying a duty. The only leather that is free is shoe leather.

Senator COUZENS. Are you satisfied with the House bill?

Mr. EINSTEIN. No, sir.

Senator COUZENS. You want it changed in what respect?

Mr. EINSTEIN. We would like shoe leather to remain on the free list as it is now.

Senator KEYES. Under the present law? You are in favor of the 1922 law?

Mr. EINSTEIN. Yes, sir.

Senator KEYES. Is that all, now?

Mr. EINSTEIN. Yes, sir. May I submit this brief?

Senator KEYES. Yes.

(The brief referred to follows:)

BRIEF OF THE SHOE LEATHER DEALERS' ASSOCIATION

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: We, the undersigned shoe-leather importers and exporters, are interested in paragraph 1530, H. R. 2667, and respectfully request that subparagraph (d) be amended for the following reasons:

1. All shoe leathers are now free of duty and our business is adjusted accordingly.

2. The rate proposed, particularly on fancy leathers, is too high; it will be transferred from the free list of the present tariff act to a 30 per cent ad valorem duty, under subparagraph (d). This duty will be added to our selling price of such leathers and will be reflected in the retail price of shoes made of such leathers which are not produced in this country.

3. Subparagraph (d) imposes 30 per cent ad valorem duty on fancy leathers, and this rate will also be applied to colored kid leather. There is no reason why goat or kid leather should carry a 30 per cent ad valorem rate, as this is surely not based on a compensatory duty, as the proposed bill admits goat skins free of duty.

4. When it is considered that 95 per cent of all goat skins consumed in this country are imported, and we export, according to the statistical records published in the Summary of Foreign Commerce, twice as much of this leather as is imported, there is no reason why fancy leathers should be assessed at 30 per cent ad valorem.

The statistics for the last four months ending April, 1929, taken from the above-mentioned Summary of Foreign Commerce, are as follows:

EXPORTED

Thirteen million nine hundred and seventy-nine thousand eight hundred and seventy square feet leather, valued at \$4,100,280.

IMPORTED

Three million seven hundred and sixteen thousand six hundred and forty-three square feet leather, valued at \$1,748,744.

The phraseology of subparagraph (d) is such that in our opinion it will nullify in effect the 10 per cent rate provided for in subparagraph (c).

Nearly all imported skins are tanned and colored and may be assessed at 30 per cent under subparagraph (d), and even if the customs did assess them at 10 per cent, a protest might be lodged against the assessment, and it would cause a great deal of uncertainty as to the correct rate.

We could not afford to import such leathers if we did not know the correct rate at the time of importation. There is no large margin of profit which would enable us to absorb the difference between the 10 per cent and 30 per cent rates.

Colored leathers are chiefly used for women's shoes, and consequently the volume is large. This leather could be imported under Treasury Regulations, so that when it is used for other purposes than in the manufacture of shoes a higher rate could be imposed, without any danger of shoe leathers being diverted for other purposes.

There is no possibility of underselling the American tanners of such leathers, based on the foreign cost. We have taken this matter up with the German Tanners' Council and have asked them to furnish us with information as to the cost of kid leather, and have received a reply from them together with a tabulated memorandum of the production cost per dozen skins of German kid leather. Believing this may be of interest to the committee, we, therefore, wish to include it in this record.

Respectfully submitted.

SHOE LEATHERS DEALERS ASSOCIATION,
By MONROE L. EINSTEIN, *President.*

WASHINGTON, D. C., *June 29, 1929.*

TRANSLATION

Replying to your request relating to the comparison between the production costs of American and German manufacturers of glazed kid, as it appeared in the Report of Hearing before House Committee on Ways and Means, we wish to state that this comparison is entirely erroneous and misleading.

While manufacturing costs obtained from the United States factories are supported by actual facts, only estimates, as far as overhead expenses are concerned, were used in arriving at the German figures. Labor was figured on a day work basis as agreed in the Customs Treaties, whereas extra pay for piece work as well as the comparative working capacity between American and German labor also was ignored.

We are now inclosing a table containing the actual figures from German manufacturing concerns exporting kid leather, which are based on purely mathematical data. The result was arrived at by taking the total footage or number of pieces and dividing it into the total direct labor, thus obtaining an indisputable figure. An identical way of figuring was employed in regard to material and indirect expense.

In view of the above the inclosed figures have a claim to absolute accuracy and any comparison with the American production costs of kid leather must be based on them.

Concerns from which these figures were obtained have declared their willingness to support their statements by having them certified by chartered accountants.

Very truly yours,

CENTRALVEREIN DER DEUTSCHEN LEDERINDUSTRIE E. V. LAUER,
Geschäftsf, Vorstandsmittglied.

STATE OF NEW YORK,

County of New York, ss:

I, Emil Huttebrancker, do solemnly and truly swear that I have read carefully the attached letter of the Centralverein der Deutschen Lederindustrie E. V., and that I have made a true translation of the said letter.

EMIL HUTTEBRANCKER,

Sworn to before me this 21st day of June, 1920.

MARY E. McDERMOTT,
Notary Public.

Production costs per dozen of German kid leather factories exporting to the United States in 1928

| | Reichsmarks | |
|----------------------|-------------|---------|
| Direct labor..... | 9.87 | \$2.351 |
| Overhead..... | 6.58 | 1.567 |
| | 16.45 | 3.918 |
| Selling expense..... | 2.18 | .519 |
| | 18.63 | 4.437 |
| Material..... | 2.99 | .713 |
| Total cost..... | 21.62 | 5.150 |

BOOTS AND SHOES

[Par. 1530 (e)]

STATEMENT OF MARTIN LOEWENBERG, NEW YORK CITY, REPRESENTING THE SHOE GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADES (INC.)

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

Senator KEYES. You represent the National Council of American Importers and Traders?

Mr. LOEWENBERG. The shoe group of the National Council of American Importers and Traders.

Senator WALSH. How large a group is that?

Mr. LOEWENBERG. There are four or five importers of shoes. The import shoe business in itself is infinitesimal in comparison with the amount of shoe business done in this country. There are very few imported. The firm with which I am connected is the Golo Slipper Co. of New York.

Senator WALSH. You represent all importers of shoes?

Mr. LOEWENBERG. I represent the shoe group.

Senator WALSH. Importers of men's shoes or women's shoes?

Mr. LOEWENBERG. Men's shoes, women's shoes, children's shoes, and fancy shoes.

The statistics in connection with this matter—and this, of course, will have a very large bearing on the entire proposition—show that a billion dollars worth of shoes, about 340,000,000 pairs were made last year in this country. Of that amount we exported from the United States about 4,800,000 pairs of shoes, amounting in value to about \$12,000,000.

There was imported in 1928, to be exact, 2,334,591 pairs of shoes, amounting in value to about \$7,400,000. That is less than 2 per cent of the consumption of the United States, and the exports are still, in spite of all the cry that our business here is in a deteriorating condition, just about double the imports.

We ourselves are manufacturers, exporters, and importers of footwear. So I personally can speak on all three sides of the subject.

Senator KEYES. How much do you manufacture?

Mr. LOEWENBERG. I would say, in round figures, about three-quarters of a million dollars; not a very large factory.

Senator WALSH. What grade of shoe?

Mr. LOEWENBERG. Popular-priced slippers, but we export very successfully—I mean financially successfully—against all foreign countries. We export to England, Germany, and Austria.

Senator THOMAS. As a commission merchant?

Mr. LOEWENBERG. As a manufacturer. What you have heard about the large importations in January and February of this year, the first three months of the year, of course, is true, because these are summer shoes. Not only have we anticipated the tariff, but these are summer shoes and they are only good in the early part of the year. They are no good now; the season has passed. Being summer shoes, of course, we bring them in January, February, and March. They would be worthless if we brought them in in the fall of the year and held them for a year.

Then you have heard about the profitable condition of the shoe business and the figures have been given you. I may supplement that with a statement of a very reputable concern. I will let you read the name afterwards. This is a statement made to their brokers on the subject of financial condition and financing, wherein they say: "While sales for 1928 increased 15 per cent, the net profit increased 52 per cent." An increase of 52 per cent is not a very serious condition in the shoe business.

Senator KEYES. Is your business as profitable as this one?

Mr. LOEWENBERG. Not as profitable, but it is profitable.

Senator WALSH. You have no objection to the statement going into the record?

Mr. LOEWENBERG. No.

Senator WALSH. It may be put into the record.

(The statement referred to is as follows:)

STATEMENT OF I. MILLER & SONS (INC.)

Sales and earnings of common stock

| | Net sales | Net profit | Earnings per share |
|-----------|-------------|--------------|--------------------|
| 1926..... | \$8,863,321 | \$412,204.84 | \$1.66 |
| 1927..... | 9,682,246 | 520,518.09 | 2.38 |
| 1928..... | 11,157,429 | 794,633.97 | 4.12 |

¹ Based on 150,000 shares common stock after deducting full dividend requirements on preferred stock.

² Based on 170,000 shares common stock after preferred dividend paid.

In 1927 sales increased 9 per cent compared to a 26 per cent increase in profit. In 1928 sales increased 15 per cent compared to a 52 per cent increase in profit.

FIRST QUARTER, 1929

The company for the current period has exceeded its record-breaking year of 1928 on the basis of first quarterly results. They advise that sales for the first three months of 1929 show an increase of approximately 40 per cent over like period a year ago. The company further states that their business for April, both in sales and profits, was ahead of the monthly average of the first quarter of 1929.

Capitalization (as of December 31, 1928)

| | Authorized | Outstanding |
|---|-------------|-------------|
| Cumulative preferred stock (par value \$100 per share)..... | \$5,000,000 | \$2,500,000 |
| Common stock (no par value).....shares.. | 250,000 | 170,000 |

¹ Including \$2,500,000 6½ per cent cumulative convertible preferred stock; the remaining \$2,500,000 will, if and when issued, carry a dividend not exceeding 6½ per cent, and will be entitled to the benefit of a similar sinking fund; no conversion privilege has been provided for it, and, if such privilege be conferred by the directors at the time of issue, it shall not be on a more favorable basis to the holder than the conversion privilege of the \$2,500,000 6½ per cent cumulative convertible preferred stock.

² 37,500 shares reserved to provide for conversion of this issue of 6½ per cent cumulative convertible preferred stock; 12,500 shares reserved for issue to holders of the former \$100 par value common stock, ratably upon conversion of 6½ per cent cumulative convertible preferred stock.

In May, 1928, the company was recapitalized through an offering of \$2,500,000 6½ per cent preferred stock and a limited amount of common stock, all of which was sold to the public. Most of the proceeds of the new financing was used for the expansion of distributing facilities, redemption of the then outstanding preferred stock, retirement of the balance of an issue of first mortgage bonds sold in 1923 and the retirement of bank loans.

HISTORY AND MANAGEMENT

I. Miller & Sons (Inc.) is known throughout the United States and in many foreign countries as a leading manufacturer of high-grade women's shoes. The founder of this business, Mr. I. Miller, started as a shoemaker at the bench, and in 1895 out of his wage savings established the present business with a capital of less than \$500. The company's latest financial statement as of December 31, 1928, shows a net worth of \$5,825,911.53. The business has shown a substantial profit during every one of its 34 years of operation. Associated with Mr. Miller are his five sons and others who have been brought up in the business. Under the able leadership of Mr. I. Miller these men are responsible for the company's success.

The management has always been forward looking and during the last year broadened out its activities considerably. On July 1, 1928, the company acquired the Rickard Shoe Co. in Haverhill, Mass., where they make a more moderately priced shoe to round out their present line. This has already

proved a profitable acquisition, and as it becomes more closely interlarded with the Miller management is expected to prove increasingly profitable. In October, 1928, they purchased the Fox Chase Knitting Mills (Inc.), manufacturers of high-grade women's hosiery, and in January, 1929, formed another new subsidiary, known as the M'le Bag Co. for the purpose of manufacturing hand bags. All of the above articles are sold through the company's retail outlets.

RETAIL OUTLETS

I. Miller & Sons, Inc., can now be classified as a chain store organization as well as a manufacturing unit. The company manufactures at its plant in Long Island City, N. Y., under its own trade-mark, women's high-grade shoes; at Haverhill, Mass., women's shoes in a lower price range; at Fox Chase, Pa., women's hosiery; and bags to match are made by the M'le Bag Co. These Miller products are distributed throughout the United States through 90 retail stores and departments in other stores which sell I. Miller shoes exclusively, and 150 stores in 150 different cities which are exclusive agents for I. Miller shoes. Ten stores and one department in another store are operated by the company, six being located in greater New York, two in Chicago, and one each in Atlantic City, Philadelphia, and Palm Beach. The company's expansion program also contemplates augmenting the number of its agencies as well as opening large stores in other leading cities. This further development of retail outlets is in keeping with their policy of manufacturer control of distribution whereby quantity production can be efficiently regulated to demand, as well as guided by the close contact of their chain units with the retail trade. These acquisitions and additions referred to, together with their new products and a continuance of extensive national advertising at an annual cost of roundly \$750,000, are expected to produce gratifying results.

FINANCIAL STATEMENT

The audited balance sheet as of December 31, 1928, shows a very liquid condition with current assets of \$4,444,407.37 against current liabilities of \$930,719.67. Bank indebtedness was only \$200,000. The company turned its inventory practically $4\frac{1}{2}$ times and at statement date merchandise was in well balanced relationship to working capital and sales. Inventory amounted to 81 day's supply of stock and receivables revealed average total collections every 40 days. Plant assets are unencumbered.

DIVIDENDS

Dividends on the common stock which is listed on the New York Curb are being paid quarterly at the annual rate of \$2 per share per annum. The next dividend is payable July 1, 1929, to stockholders of record June 15. In 1928 this dividend was earned 2.06 times and indications for the current year are that it will be earned by an even larger margin.

SUMMARY

A year ago last month the company recapitalized after an uninterrupted period of profit extending over 33 years. Certain fixed charges were eliminated and working capital increased with a view to enlarging its lines of production and own means of distribution. In 12 months' time they have reacquired out their lines by the acquisition of the Rickard Shoe Co., the Fox Chase Knitting Mills for the manufacture of women's hosiery, and the M'le Bag Co. All of these articles, including, of course, the recognized leader, "I. Miller Shoes," now find an outlet through the more than 200 retail stores and departments available to them. It is their plan to increase these facilities for distribution, recognizing the combination of production and distribution by a single organization as sound in principle, efficient, economical, and exceedingly profitable. The facts bear out these conclusions, as profit for 1928 showed a 52 per cent increase over the previous year. Although the hosiery and bag production have been under way for less than a year, we are advised that they are both making money and will no doubt add materially to the total annual earnings. Based on the figures for the first quarter of 1929, the year's result should be particularly impressive. While sales for 1928 increased 15 per cent, the net profit increased 52 per cent, indicating the efficiency of their chain method of distribution and reflecting credit

on the ability of the management to capitalize the modern tendency toward integration of business. By extensive national advertising involving an annual expenditure of some \$750,000, "I. Miller" products have become extensively recognized as leaders in style and quality. With greater geographical distribution of chain-store outlets, this advertising will become more and more effective and should result in constantly increasing returns. Under the same management that has been responsible for their outstanding progress, with new acquisitions already proving profitable investments, with increasing avenues of outlet and with definite increase in sales and profits over the corresponding period a year ago, there is every evidence of the continuity of growth and prosperity of this business resulting in per share earnings which, in our opinion, would justify a considerably higher price for the common stock.

E. NAUMBURG & Co

JUNE 5, 1929.

Balance sheet as at December 31, 1928

| ASSETS | | |
|--|-------------------|-------------------|
| Current assets: | | |
| Cash and call loans..... | | \$342, 839. 77 |
| Accounts and notes receivable..... | \$1, 265, 557. 94 | |
| Less reserve for discount..... | 48, 416. 13 | |
| | 1, 217, 141. 81 | |
| Accounts receivable from affiliated and wholly owned selling companies..... | | 308, 903. 60 |
| Account receivable—Fox Chase Knitting Mills, Inc..... | | 29, 077. 58 |
| Officers' and employees' accounts..... | | 35, 404. 82 |
| Loan receivable..... | | 3, 048. 15 |
| Inventories of merchandise at estimated cost of company officials: | | |
| Raw materials and supplies, goods in process and finished goods at factory..... | \$1, 460, 031. 87 | |
| Merchandise at retail stores..... | 1, 047, 959. 77 | |
| | 2, 507, 99. 064 | |
| | | \$4, 444, 407. 37 |
| Unpaid balances on employees' stock subscriptions..... | | 202, 807. 57 |
| Capital stock investments in wholly owned and affiliated companies: | | |
| Partly owned selling companies..... | | 64, 100. 00 |
| Wholly owned selling companies..... | | 30, 000. 00 |
| Fox Chase Knitting Mills, Inc.: Common stock (entire issue)..... | \$134, 772. 96 | |
| Preferred stock..... | 97, 750. 00 | |
| | 232, 522. 96 | |
| | | 326, 622. 96 |
| Capital assets: | | |
| Land..... | | 65, 000. 00 |
| Leasehold and machinery and equipment at factories on basis of 1923 appraisals and subsequent additions at cost..... | 871, 470. 61 | |
| Factory building, store fixtures, improvements to leased premises, etc., at cost..... | 1, 029, 933. 58 | |
| Lists and patterns at nominal value..... | 1. 00 | |
| | 2, 501, 405. 19 | |
| Less reserve for depreciation..... | 599, 619. 37 | |
| | 1, 901, 785. 82 | |
| | | 1, 966, 785. 82 |

| | |
|---|------------------------|
| Deferred charges to operations: | |
| Unexpired insurance, prepaid interest, etc..... | \$61, 839. 48 |
| Goodwill..... | 1. 00 |
| | <u>7, 002, 464. 20</u> |

LIABILITIES

| | | |
|--|----------------|------------------------|
| Current liabilities: | | |
| Notes payable to bankers..... | \$200, 000. 00 | |
| Accounts payable..... | 606, 420. 17 | |
| Provision for Federal income tax..... | 97, 000. 00 | |
| Employees' deposits..... | 27, 299. 50 | |
| | | \$930, 719. 67 |
| Employees' subscriptions to common stock..... | | 245, 833. 00 |
| NOTE.—Subscriptions have been accepted for 4,477 shares of common stock in excess of the number authorized for this purpose. | | |
| Capital stock: | | |
| Preferred 6½ per cent cumulative convertible stock of the par value of \$100 each— | | |
| Authorized—50,000 shares. | | |
| Issued—25,000 shares..... | 2,500,000.00 | |
| NOTE.—Dividends on preferred stock have been paid to December 1, 1928. | | |
| Common stock, no par value— | | |
| Authorized—250,000 shares. | | |
| Issued—166,000 shares..... | 1,699,834.08 | |
| NOTE.—12,500 shares are issuable to former common stockholders as and when preferred stock is converted. | | |
| | | 4, 199, 834. 08 |
| Surplus | | 1, 626, 077. 45 |
| | | <u>7, 002, 464. 20</u> |

We have examined the books and accounts of I. Miller & Sons, Inc., for the year ending December 31, 1928, and certify that the above balance sheet is correctly prepared therefrom and, in our opinion, fairly sets forth the financial position of the company at December 31, 1928.

PRICE, WATERHOUSE & Co.

Mr. LOEWENBERG. You spoke about a certain firm that started in the United States and went to England. They were shoe makers in Boston manufacturers. They are not in the export business or the import business.

Senator THOMAS. What is the difference between a shoe maker and a manufacturer?

Mr. LOEWENBERG. Custom-made shoes are like tailor-made clothes. A tailor may make a very beautiful suit of clothes, but he would not keep them. They would not be like a suit of Hart, Schaffner & Marx.

Senator WALSH. Is it not a fact that the United Shoe Machinery Co. has sold shoe machines in large numbers in Europe?

Mr. LOEWENBERG. Oh, yes.

Senator WALSH. Are they not making shoes in Europe from American machines?

Mr. LOEWENBERG. Yes, sir.

Senator WALSH. In large volumes?

Mr. LOEWENBERG. Only one firm makes them in volume.

Senator WALSH. Which firm?

Mr. LOEWENBERG. Batsch.

Senator WALSH. Is that the firm referred to in your memorandum as being a company controlled by American capital?

Mr. LOEWENBERG. No; they are an industry in Czechoslovakia.

To come back to the only shoes I am interested in, these Deauville sandals. They are absolutely a hand-made shoe, a high-class shoe. How much of that business is going to continue is problematical.

Senator THOMAS. Where is that made?

Mr. LOEWENBERG. It is made in Czechoslovakia. That is hand-molded sole; the shoe is made by hand; every thread of leather is braided onto the bottom, and you heard yesterday, the American manufacturer can not bother with it.

Senator THOMAS. Is that a solid leather shoe?

Mr. LOEWENBERG. Yes; it is made entirely of leather.

Senator WALSH. What does it sell for?

Mr. LOEWENBERG. This particular shoe retails at \$10.

Senator THOMAS. What does it cost at the factory?

Mr. LOEWENBERG. That shoe at the factory would cost in the neighborhood of \$4 and something. The retailer enjoys a very profitable business on it, and that is the reason why they are buying them.

There are about 10 more samples in this particular line that were submitted to the Ways and Means Committee, which I think are at your disposal.

STATEMENT OF ROBERT P. HAZZARD, GARDINER, ME., REPRESENTING SUNDRY SHOE MANUFACTURERS

[Including hides, par. 1530 (a)]

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

Mr. HAZZARD. Mr. Chairman and gentlemen, I represent John McCarthy, who has been referred to Mr. Emerson, being associated with him in the retail stores. I would also state that of the Maine manufacturers, the Bass Company, Arthur Williamson, Heill Bros. & Gross, and Cushman, Hollis, would join with me in the first statement that I am going to make.

Senator KEYES. Are they all manufacturers?

Mr. HAZZARD. They are all manufacturers.

Senator WALSH. Where is the McCarthy Shoe manufactory?

Mr. HAZZARD. At Auburn, N. Y., and one of the largest manufacturers of shoes, women's shoes, in the country, and he is probably better known if you listen in the radio as "Ennajetic shoes." "Ennajetic" would probably mean more to you than John McCarthy.

Senator WALSH. They make the so-called McKay shoes?

Mr. HAZZARD. No, sir; they make almost altogether welt, and just as a side light on that, if you will put a duty on women's McKay shoes you would defeat the purpose that you would intend, because they would take the welt shoe or a turned shoe if the duty was high enough to be operative. And as far as the McKay shoes that are made are concerned, the International and Brown Shoe Co., whom Mr. Bush has already represented, are large makers of McKay shoes.

The statement that I was to make for these manufacturers whom I have quoted is just confirmation of what has been said, without going all over this thing about which you have heard so much that you are probably tired of it, that they feel that as a matter of economics, a tariff on shoes and leather is a logical thing, that on the

same basis of economics, a tariff on hides and skins is absolutely wrong, both for the country as a whole and for the farmers. They therefore wish me to state that if it resolves itself into a case of having to take free shoes and free leather in order to get free hides and free skins, that they would so wish.

Reverting back to simply myself, it so happens that I was through the tariff hearings when we had this fight up before, and it was very evident that while the question of economics was very seriously considered, it had to go through the other stage of just what was the best, you might say, from a political standpoint to do, and it was very evident that it was not a practical proposition to go back to the people, the farmer particularly, and leave his commodity on the free list and give protection to the industrialist, especially the down east Yankee, and therefore it was not a question of standing on our rights on economics, but it was a question of saving what we could from the problem which meant free everything.

Now, as before a Senator committee, I don't know, I may be ruled out of order, but in that controversy there was assurance given to me personally by a certain Senator in regard to the advisability of free hides, and it was traded for a duty on pulp to a western Senator, and the Senator so advised me in writing.

Senator THOMAS. When did that happen?

Mr. HAZZARD. That happened when the last tariff bill was before the House, at the time when we got free hides, leather, and so forth.

Senator THOMAS. In 1922?

Mr. HAZZARD. I could not tell you the year, but you know which one it was. It is the last bill. I want to give the Senator credit that he wrote me and told me exactly what he had done and why he had done it, and I told him that the only thing that I had any misgiving about was—I complimented him on his fairness—that he happened to be in the lumber business instead of the shoe business.

Senator THOMAS. Have you a copy of that letter?

Mr. HAZZARD. No; we never keep our files open over two years. They might be incriminating. [Laughter.] But is very susceptible to proof. I only say that—it may be a little out of order to have done that, but I simply state why I have so clearly in mind the position you gentlemen are placed in, and that when you get all through you have got to give those things consideration. I could talk quite a long while on that.

Senator KEYES. That was a compromise.

Senator DENEEN. That gentleman was a Member of the House rather than of the Senate?

Mr. HAZZARD. No; he was a Member of the Senate and he came from my State. No more need be said. [Laughter.]

Senator THOMAS. That having happened in the line of business in which you are interested gives you the right to assume that tariff bills are made in that way, does it not?

Mr. HAZZARD. I don't know as I have a right to assume, but I do assume. [Laughter.] I stand on no right, because I apologized before I said it. I thought it was better to apologize before I said it than to have to afterwards. [Laughter.]

I have gone on record as stating that I think that the conditions are such—I would say this, that in deference to, perhaps, the Sena-

tors themselves, it is better for us to come out with a clean slate and suggest that you ring off on the boots and shoes and leather and hides and skins, and leave us all on the free list, and I think it would be better for everybody concerned, the consuming public, the farmer, and the business.

Now, I am just going to touch on one or two points. The first thing is that you want to remember that our exports are dropping. I think that you are all willing to concede that the exports of any country, even one as prosperous as our own, are very material. Otherwise your Department of Commerce would not continually keep before us whether they are going up or down. Now, if we are having difficulty to meet competition without a tariff on our raw material, what in the world are we going to do if we put a tariff on our raw material? It so happens that we have been more or less in the export business; to-day we are doing a very substantial export business with Cuba. We get a little advantage in there, but a duty on hides and skins, in my judgment, would absolutely kill all our export business in Cuba.

The other thing I would like to say is there has been a little discussion here in regard to whether the packer was influenced in the price that he paid for the animal on the hoof by the tariff that was on that animal's hide. I presume it is one of those questions that the only proof is the eating of the pudding and watch the statistics, perhaps, after you put it on there. But I want to leave this with the one who is anxious, and perhaps properly, to protect the farmer: I don't think that any of you ever heard of a purchaser of cattle on the hoof examining the cow or the cattle, if that is what you want to call it—the animal—for the quality of the hide that that animal has got, and still after that hide is taken off that animal the difference between the different hides that are on those different animals is more than the duty that you want. Now, if the duty here turns around and determines the value of the animal on the hoof, then why is it not already operative in the quality of that particular hide?

You know that hides are graded in regard to where they are branded, how much they are branded, whether they are branded at all, whether they have particular marks, and a great many things that go into that question. Now, if you feel that the packer hide, which is a large of it, may not get back to the farmer—but you are interested in the little farmer—if you will turn around and get quotations on hides you will find there is always a decided differential as between what we call a "country" hide and "packer" hide, the country hide being much less. Why? Because the farmer won't use ordinary efficiency in the protection of that hide that he takes off. The hide is improperly slaughtered, which greatly interferes with its quality. It is also apt to be dirty and full of manure. He doesn't properly take care of it and cure it, and if the farmer really wants to get some money the ordinary farmer that is getting the benefit of the hide which he takes of his animal, he will get more by being efficient in the handling and taking off of that skin than he ever will with any tariff that you can put on.

Now the whole success of this country, which stands preeminent in history, has been what? It has been efficiency, not by coddling. When you are trying to give a man something to cover up his ineffi-

ciency, just to that point you have started downhill. When you teach that man to be efficient, then immediately you have started on progress, and if you are interested in that farmer, then teach him, just the same as the shoemaker has to learn how to conserve his material. And if we are as inefficient in the manufacture of shoes as the farmer is in the protection of his hides, you could not give us tariff enough to meet foreign competition.

Senator WALSH. What in the spread in the price of hides depends upon the quality?

Mr. HAZZARD. Well, I would rather leave that to a hide man I don't buy hides. But it is very material.

Senator WALSH. It is material?

Mr. HAZZARD. It is material. Any of the hide men would make that statement? Would you care to speak on that? I would rather not get into something where I am not sure of the facts.

Senator THOMAS. Your plea, then, is for the farmer to become efficient?

Mr. HAZZARD. Absolutely. And that doesn't enter into this at all, but I am just one of those people that believe that the efficient farmer to-day is absolutely satisfied. And I got that from one of the biggest exponents of the farmers that is in the Middle West, and not very far from your State, by personal conversation.

The next point that I want to take up—I might not have it exactly right, but they brought up the question about the packer competition, in which you raised the question of the 18 cents. You see, here is what happens: If you have got a tariff on it at 40 per cent, the packer has got that nailed at 2 cents more than he is paying for the animal, say. Now, he has got the 18-cent hide, and if he wants to maintain the 18 cents he can tan that hide and go out and sell it at a cent a pound under the independent tanner, who can't buy it for less than 18 cents, and in that way he can take a cent a foot less on the leather than he can get if he manufactures it and make the independent tanner pay him 18 cents for whatever he decides to buy, and if he is holding it at 18 cents and the price should be 16, if he could sell half of his stuff to the tanner at 18, he has an average price of 17, or more than he could get in the open market, for instance, 16 cents, and it is the control that the packer gets by being able to hold the price, and if the independent tanner doesn't want to buy then he can make it into leather and compete with the independent tanner who can not buy his leather at any less than the packer will sell it to him, which of course has got to be 2 cents more than the world market.

Senator DENEEN. In taking an inventory, will he take the market value or what it cost him?

Mr. HAZZARD. The packer?

Senator DENEEN. I mean an inventory of his assets.

Mr. HAZZARD. I never was a packer. I don't know how they take them.

Senator DENEEN. Well, that would apply to everything, would it not? If you buy a thing for 5 cents or 10 cents, the inventory would show 5 or 10 cents.

Mr. HAZZARD. It might in the inventory, but it would not in sale. An inventory has no relation to sale. You sell a thing for what you can get; the inventory is what your disposition tells you to put on it.

Senator DENEEN. The inventory has some relation to the value. That is the purpose of it, is it not?

Mr. HAZZARD. Not necessarily. I do not carry fixed assets. My inventory is worth a dollar, but I would hate to sell it to you for that price.

Senator DENEEN. You state, then, that an inventory of your shoe business, if you had a million pairs of shoes the matter of its value would be of no concern to you? You would not think of the value of the shoes, but just the number? Do you call that inventory value?

Mr. HAZZARD. I would consider that in shoes—I would inventory them at what I considered a fair value. But I mean the other assets I would not. That is entirely a question of a man's own conscience and his own business ethics and his own affair, but has nothing whatever to do with the market price.

Senator DENEEN. That is the basis of all the trouble with the farmer. The city man insists that the value is what it costs them to create it; the farmer insists that the value is the market value. They have been quarreling over that for 30 years.

Mr. HAZZARD. I would say that if I would inventory my shoes, and if the price of shoes, the market price, went down to-morrow, I would immediately reduce my inventory on all the shoes I had in stock. They always do that.

Another thing that I want to make rather plain is this foreign competition, just how vital it is on shoes. Of course, it has so many ramifications that it is a good deal like politics, you can argue either side you want to and not convert anybody.

The point on the imported shoe is that it is my opinion—and we followed it very closely, because we operate our own stores, and I am very frank to say that we buy shoes where we can buy them cheapest. If we could buy shoes cheaper in Czechoslovakia than we could produce them in our own factories, we would buy them. And we have watched these prices, we have watched the competition, and we have no fear of it, even Bata's, and the price at which he is able to undersell us has been almost entirely absorbed by the distributor, and he has been able, in my opinion, to absorb that simply on the psychology of the buying public, because when you get all through with the buying public it is a question of psychology more than merchandise, the feeling that he is buying a foreign article, and there is kind of an inherent feeling in them that there is something about a foreign article that has got a little kick to it, that it is a little bit better than something else, than an article made here.

Senator COUZENS. That is particularly true of women.

Mr. HAZZARD. Particularly true of women, and some men that buy English-made shoes are just as bad, and you can put all the tariff you want to on English-made shoes, if the price went to \$14 or \$20 he would be all the more satisfied because he would think he had that much more class.

We have watched the prices at which these shoes have been put on sale and in every instance in which we have traced it, they are at about the same price that we are selling the shoes in this country. We don't consider the foreign shoes equal to the shoes that we make, and the only shoe which we have had any incentive to buy is this shoe which you have been shown here, the Deauville sandal, and those

we buy in quantities, and that is simply this question: If that shoe was made in this country under a tariff which was put on it so that it was prohibitive to import it, it would be put in at such a price that the large part of the sale of that shoe would be impossible. Now, you have got this to recognize: The great big percentage of people in this country are what you might call the common and middle class, probably 90 per cent. The buying public is in strata, just the same as the strata in the earth. They buy their shoes according to the strata that they are in. He said that that was a \$10 shoe. That is all right; we sell them for \$4 at retail.

Senator WALSH. The same shoe?

Mr. HAZZARD. No; I didn't say the same shoe. The Deauville sandal is made in Czechoslovakia. We retail those shoes at \$4, which puts it in the range of the purchase ability of the great mass of people who use them for a short season as a sport shoe. I think it has really replaced more the tennis and canvas shoe than it has the regular leather article. It is clearly a sport proposition. A girl that is going off for two or three weeks on her summer vacation can buy a pair of those shoes and be class. If you went to work and tried to make those shoes by putting on a duty so that they are hand-made and you would pay the prevailing wage in this country and make those shoes by hand, it would make the price prohibitive and that girl couldn't buy it. The result would be that you would deny her the privilege of buying that shoe and you would not gain anything for your labor in this country because the labor in this country could not produce it at any price.

Senator WALSH. Won't she buy an American sport shoe?

Mr. HAZZARD. It is barely possible. She would have to, because she could not pay the price to get that shoe made in this country.

Senator WALSH. What per cent of the ladies' shoes that you make are McKay shoes?

Mr. HAZZARD. None. That is, all of our shoes are retailed in the stores at \$4, and all that we make are welts. But we buy in the open market the McKay shoe.

Senator WALSH. You buy from domestic manufacturers?

Mr. HAZZARD. Yes, sir.

Senator WALSH. And from the foreign importers?

Mr. HAZZARD. From the foreign importers we buy nothing but the Deauville sandal.

There are just two things about it. In the first place, the biggest competition that has come from the shoes abroad has been in women's shoes, and any of you that are married—and in looking you over I presume you all are, or ought to be—have run into the question of the purchase by your women folks of shoes, and you know to-day it is the style proposition, just exactly as it is with millinery. In other words, we have turned around and sold thousands of pairs of shoes made within a year that were just as good as the day they came in, for one-third what we paid for them. We have sold them as low as a dollar a pair because the women would not buy them on account of the style. That style changes overnight. I use that expression, of course, in a general way, but where they have got to jump to Czechoslovakia for shoes, that is where we are always two or three steps ahead of them, because they can't get a style and get

it back here quick enough to meet that demand, and consequently if they bring in Czechoslovakia shoes in here for \$2 a pair less than they would be made in Lynn and Haverhill, the women will pay \$2 a pair more and buy Lynn and Haverhill shoes. But if you turn around and put a tariff on hides, that is an entirely different proposition.

I just want to say one more thing and then I am through. The shoe business is one of the major industries of this country. It is like a great many industries, it has got into rather a peculiar condition, and that is the question of fixed prices, which Mr. McElwain referred to, and those fixed prices are in jumps of either 50 cents or a dollar. For instance, our business is filled up entirely as a one-price proposition.

Senator WALSH. What price are your shoes?

Mr. HAZZARD. \$4. If you turn around and disrupt this by any material increase in those prices you have upset the entire methods or procedures or common practices of one of your major industries, and it is pretty hard for me to stand up here and perhaps make you believe it, but if you could see—and I can prove it to you by figures, because we have tried it—the sales resistance that even 10 or 20 cents a pair will make on a pair of shoes. Now, when the hide market went up, just the minute that we commenced to ask more for shoes, we could not sell them. And I can show you where it has affected sales, only a 30-cent change in the retail price on a pair of shoes. And you have got to bear in mind that if you are going to give any consideration to the shoe industry, one of the major industries, please be very careful and see that you do very little to disturb the common practice in the industry at the present time.

Senator WALSH. How many stores do you operate?

Mr. HAZZARD. One hundred and ninety.

Senator WALSH. \$4 shoe stores?

Mr. HAZZARD. Mostly. Of course, we are located in Maine and Mr. McCarthy is in New York.

**STATEMENT OF DR. J. ANTHONY SCHWARZMANN, REPRESENTING
BALLY (INC.), NEW YORK CITY**

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

Doctor SCHWARZMANN. I testified day before yesterday.

Senator KEYES. This is another item relative to boots and shoes.

Doctor SCHWARZMANN. Yes, sir.

Senator WALSH. What are you going to testify about now, Doctor?

Doctor SCHWARZMANN. Shoes.

Senator WALSH. Are you an expert on shoes?

Doctor SCHWARZMANN. No; I am surely not an expert on shoes. I have made studies in different matters generally.

Senator WALSH. I understood you wanted to testify before us as an expert.

Doctor SCHWARZMANN. No; not an expert on shoes, surely not.

Senator KEYES. You are not a manufacturer, are you?

Doctor SCHWARZMANN. No; I am not a manufacturer.

Senator KEYES. Are you an importer?

Doctor SCHWARZMANN. No; I am not an importer, either. I represent Bally & Co. Bally & Co. is the selling and buying agency in New York of Bally & Co. in Switzerland. They sell in this country about \$1,000,000 worth of shoes a year and they buy about a million and a half dollars worth of leather in this country, which is sent to Switzerland for the manufacture of shoes.

Senator KEYES. These are ladies' shoes?

Doctor SCHWARZMANN. Children's and ladies' shoes.

Senator WALSH. Why do they call you "doctor"? What are your qualifications?

Doctor SCHWARZMANN. I have the degree of doctor of laws from the University of Berne, in Switzerland, and I have the degree of doctor of national economy from the University of Berlin. My thesis in Berlin was on the subject of import and export duties, and that is where I really made my study in tariff matters, and I have kept it up ever since. That was in 1909.

The Switzerland Bally & Co. is the only importer of shoes in the United States. They started importing shoes in 1921 and reached about \$1,000,000 in 1926, and have stayed at \$1,000,000 since 1926.

The shoes which Bally & Co. import are of a grade as high and higher than the American shoes. They sell as high and higher than the American shoes. We realize, on the other hand, that the American shoe industry has to meet increased imports of cheap shoes which come from the eastern part of Europe, from Czechoslovakia. Those are, of course, as obnoxious in Switzerland as they are over here, and they are in competition over here with other imports. This was the only reason—these cheap shoes coming from the eastern part of Europe was the only reason why the House bill provided a duty on shoes, so as to protect the domestic manufacturer. I do not think—and probably the testimony which will be brought out later will show that I am correct—that the domestic manufacturer has any objection to the Swiss shoe. The only purpose of the provision of the House bill seems to be to exclude these cheap shoes. This can be achieved in an entirely different way than was provided in the House bill. The purpose can be achieved by simply putting a duty on shoes which wholesale at about \$4 or less. That will reach all these cheap shoes which they find in competition, but it is not necessary to cut down all the imports.

I would say, gentlemen, that if there is going to be a 20 per cent duty, Bally & Co. will simply stop importing shoes. That does not mean very much to them, because they are importing from these countries about 5 per cent of their total output. I mean they can live anyhow, but they will not be able to import any shoes any more. They can not exist on the market with the 20 per cent additional duty. They will leave the United States, and of course will have to cease buying their labor.

Senator WALSH. At what price do your shoes sell for?

Doctor SCHWARZMANN. We sell them anywhere from \$8 to \$20.

Senator WALSH. At retail?

Doctor SCHWARZMANN. At retail; yes.

Senator WALSH. What is the importation price?

Doctor SCHWARZMANN. It is in every instance over \$4.

Senator WALSH. Now, you say that your company imports to this country 5 per cent only of its output?

Doctor SCHWARZMANN. Yes, sir.

Senator WALSH. And if this duty of 20 per cent is levied on boots and shoes, that will shut out your 5 per cent?

Doctor SCHWARZMANN. Yes. They are ready to close up the corporation in New York, because they think they can not exist in the market.

Senator WALSH. Has your shoe any distinctive style or material in it or make-up that segregates it from the American produced shoe?

Doctor SCHWARZMANN. Senator, all of the Swiss articles which are imported and which compete in the world market have the distinction of quality; otherwise Switzerland could not export, because our wages are high, the highest in Europe, and it is only the quality that keeps them up. That goes through everything. It is the same in handkerchiefs, in shoes, in watches. It is even so in Swiss cheese.

Senator WALSH. What did that 5 per cent of the production of your factory represent in dollars?

Doctor SCHWARZMANN. \$1,000,000.

Senator WALSH. About a million dollars?

Doctor SCHWARZMANN. Yes.

Senator WALSH. So that your company is doing a \$20,000,000 business?

Doctor SCHWARZMANN. Yes; the Bally shoe is known all over Europe, and favorably known everywhere as the best shoe that is made in Europe.

Senator COUZENS. As I remember it, there was a witness on the stand late yesterday afternoon who complained about competition in high quality shoes with foreign imports.

Senator WALSH. That was a New York man who complained about your shoes.

Doctor SCHWARZMANN. About our shoes?

Senator WALSH. Well, about high-class shoes, ladies' shoes.

Doctor SCHWARZMANN. We import ladies' and children's shoes, not men's shoes.

Senator WALSH. You get ladies' high-class shoes from abroad?

Doctor SCHWARZMANN. We import shoes into Switzerland. We have competition in Switzerland with men's shoes.

Senator COUZENS. You have asked for 20 per cent—in low grade or others?

Doctor SCHWARZMANN. On high-grade shoes.

Senator COUZENS. In other words, you concur in the recommendation that the duty be absorbed on shoes below \$3 and \$4 only.

Doctor SCHWARZMANN. In essence it is that, but I do not want to be misunderstood. I personally can not see why a duty should be put on shoes where we have here in the United States a domestic output of \$900,000,000 worth of shoes against a total import last year of \$7,000,000 or about three-quarters of 1 per cent. You can see the possibility here, and it will be done without protection, that these imports will increase, but not from Switzerland, from Czechoslovakia, and it would seem that three-quarters of 1 per cent should not be ruinous to an industry which puts out \$900,000,000. There must be

something else wrong with the industry if three-quarters of 1 per cent will ruin an industry.

Senator KEYES. Are you an American citizen?

Doctor SCHWARZMANN. Yes.

Senator THOMAS. You stated awhile ago that in the event this duty was placed on your shoes it would deny your company the possibility of sending to this country shoes. They would withdraw their imports?

Doctor SCHWARZMANN. Yes.

Senator THOMAS. At the same time they would be compelled to withdraw their share of the buying power of leathers in America?

Doctor SCHWARZMANN. Yes.

Senator THOMAS. And the leathers they bought amount to one and one-half million dollars worth of shoes, that is, a consumption of \$1,000,000.

Doctor SCHWARZMANN. Yes.

Senator THOMAS. That probably goes all the way through, being not only applicable to your factory, but to all factories. If the tariff bill denies foreign companies the privilege of selling their product in American markets, will it not naturally follow that it will deny them the privilege of buying also in American markets?

Doctor SCHWARZMANN. That generally is an economic principle that you will buy where you can sell.

Senator THOMAS. And in the event that these rates are made so high that foreign companies can not buy in America they will arrange to buy and sell some place else?

Doctor SCHWARZMANN. Yes.

Senator THOMAS. And our trade, whatever it may be, will be diminished to that extent.

Doctor SCHWARZMANN. Correct. I thank you. I will submit a brief.

(The brief referred to is as follows:)

BRIEF OF BALLY (INC.), NEW YORK CITY, IMPORTERS OF HIGH-GRADE WOMEN'S SHOES

Shoes heretofore on the free list have been put on the dutiable list under paragraph 1530 and are subject to a duty of 20 per cent on the tariff bill passed by the House in order to check the importation of cheap women's shoes. But this provision also hits the high-grade women's shoes imported from Switzerland which sell here as high or higher than domestic products.

The purpose of the House bill to check such cheap imported women's shoes can be achieved just as well and more justly by putting a duty of say 30 per cent on women's shoes wholesaling at \$4 or less and say 10 per cent on women's shoes wholesaling at more than \$4 but not more than \$6, and no duty on women's shoes wholesaling at more than \$6. Such a tariff should satisfy every domestic shoe manufacturer and at the same time achieve the purpose for which shoes have been restored to the dutiable list.

Dr. J. ANTHONY SCHWARZMANN,
468 Fourth Avenue, New York City.

BRIEF OF ALOIS GABESAM, CHICAGO, ILL., REPRESENTING T. & A. BATA, ZLIN, CZECHOSLOVAKIA

COMMITTEE OF FINANCE,
United States Senate, Washington, D. C.

MR. CHAIRMAN AND GENTLEMEN: As a representative of Messrs. T. & A. Bata, Zlin, Czechoslovakia, I consider it my duty to submit to you some explanations

of figures and corrections of opinions expressed to the Committee of Ways and Means about the import of Czechoslovak shoes generally and about the Bata shoes especially.

For 1928 the import figures have been :

| | Pairs | Value |
|----------------------|-------------|---------------|
| Women's shoes..... | 2, 018, 269 | \$5, 829, 406 |
| Men's and boys'..... | 395, 825 | 2, 005, 558 |
| Children's..... | 202, 790 | 419, 260 |
| Total..... | 2, 616, 884 | 8, 254, 224 |

Hereof have been from Czechoslovakia :

| | Pairs | Value |
|-----------------|-------------|---------------|
| Women's..... | 1, 415, 143 | \$3, 334, 951 |
| Men's..... | 52, 245 | 119, 395 |
| Children's..... | 40, 098 | 33, 735 |
| Total..... | 1, 507, 486 | 3, 508, 081 |

This number includes about 150,000 pairs of textile shoes which are liable to a duty of 35 per cent and about 600,000 pairs of braided shoes, which are not manufactured in the United States and are considered only a passing fashion article and therefore do not need any tariff protection.

The increase of import figures for the first three months 1929 means practically nothing, because they are the chief part of the summer season order, every merchant asking for the whole order before season starts. The figures will decrease considerably in the second three months.

The production of the United States was :

| | Pairs | Value |
|-----------|---------------|------------------|
| 1927..... | 343, 605, 905 | \$925, 383, 000 |
| 1928..... | 350, 000, 000 | 1, 000, 000, 000 |

in round figures.

It is understood that :

(1) The import has not influenced the home production, because it is always increasing.

(2) That the whole import of shoes makes only three-fourths per cent of the home production.

(3) That the lack of work in certain shoe districts of the States must be due to other causes than foreign competition.

(4) That the import of Czechoslovak shoes does not interfere with the home market, because the import of competitive lines is not important.

The chief arguments against Czechoslovakia are :

(1) That we have high duties on shoes in our country.

(2) That our standard of living is much lower because the wages in our country are lower.

(3) That we have no child-labor restrictions in factory employment.

(4) That we have lower costs of supplies and materials.

(5) That consequently our costs of manufacturing per pair are much lower than here.

(6) That our competition on the world market makes an increase of American shoe-exports impossible.

These statements are not correct, because :

(a) Our duty on shoes is 28 crowns for 1 kilogram for shoes weighing 600 grams or less ; for 1 kilogram for shoes weighing 600 to 1,200 grams, 16 crowns ; over 1,200 grams, 10 crowns. That makes on an average price of \$3 for a pair of women's shoes, 360 grams, 10 crowns, 10 per cent duty ; men's shoes, 750 grams, 12 crowns, 12 per cent duty.

Germany has 6 to 10 per cent duty ; France, 15 per cent ; Holland, 5 per cent ; Belgium, 10 per cent ; Italy, about 15 per cent. Only in the east of Europe

duties are higher, because the duty taxes are the most important income of the States.

The indications in the hearing of the Ways and Means Committee that Czechoslovakia has a duty of 36.25 crowns for 1 kilogram of women's shoes is not exact because this is the conventional tariff, which is reduced in every commercial agreement and on the basis of the most-favored-nation clause, the United States enjoys the benefit of these reductions.

(b) To the wages have to be added different social charges which must be paid for every worker such as social insurance, of age, insurance for illness, the salary of a week's vacation.

It is a fact that the buying power of the smaller wages in our country is the same as of the wages paid in the United States. We have nice 2-family houses with gardens for the workers for a low about 45 cents a week rent, a cooperative store which sells all living necessities at a low price; a kitchen distributing 10,000 meals daily for 10 cents; we have free surgeon and hospital service, schools, libraries, theaters, sports places, and all institutions which are necessary for the same standard of life as it is here—therefore it is also utterly incorrect:

(1) To make the wages a basis of establishing duties; and

(2) To make the conclusion that the duty has to equalize the wages.

Not the height of wages, but their buying power has to be compared.

A duty can have only the purpose to equalize the costs of manufacturing f. o. b. port of destination. But the wages in our country are only a part of them.

(c) We have a law restricting child-labor in factories and it is severely controlled by the Government.

(d) We have not lower, but higher costs of supplies and the same costs of materials as the United States, because we are buying the raw materials on the world market in the same countries at the same prices as the United States does. We have to pay double freight on all our goods because we are a continental country.

(e) I have said that a duty is only reasonable to equalize the costs of production and not the wages. For this purpose, I submit some data gathered after an investigation made by the representatives of the firm Endicott-Johnson, the Messrs. Platt and Wynne, who visited the firm Bata, in Zlín, for studying purposes.

In the Johnson factory 15,000 men produce daily 130,000 pairs; the output per man is therefore $8\frac{1}{2}$ pairs per day. In the Bata factory 12,000 men produce daily, 70,000 pairs; therefore, the output per man is only $6\frac{1}{4}$ pairs daily. Johnson's workers receive \$30 per week. Therefore, the wages for one pair amounts to $57\frac{3}{4}$ cents.

Bata's men receive, including weekly profit sharing, \$12 to \$15 per week producing only $37\frac{1}{2}$ pairs weekly. Therefore, the wages for one pair amounts to 32 cents.

This was personally established by the visitors from Johnson's factory. The costs of manufacturing amount, therefore, for our shoes:

| | Cents |
|--|--------------|
| Wages for 1 pair McKay women's shoes..... | 32.00 |
| Social taxes, as insurance of age and insurance of illness..... | 2.00 |
| Taxes..... | 9.75 |
| Freight from continental Zlín to New York, insurance included..... | 5.00 |
| Interest at 10 per cent per annum for the time of 5 weeks..... | 2.50 |
| Total | 51.25 |
| Endicott-Johnson's costs..... | 57.75 |
| Difference | 6.50 |

That only is the difference on which the consideration of a duty can be based, but not the net wages. And this difference makes only 10 per cent of the cost price established between the United States and Czechoslovakia.

It is a well-known fact that the introduction of a duty is followed by an increase of the prices to a greater extent. Any duty in the United States will have the same effect.

(f) The opinion, that the European competition makes the American export impossible, is also misleading, because no overcapacity or overproduction exists so long as 800,000,000 people in the world are going barefooted. There is room

enough for right shoes at right prices. The American exports, which have been in—

| | Pairs | Value |
|-----------|-------------|----------------|
| 1927----- | 5, 514, 074 | \$12, 853, 265 |
| 1928----- | 4, 320, 270 | 10, 856, 593 |

are twice as high as the imports to the United States. American exports are decreasing, because the American shoe industry does not take the exports in consideration, being satisfied with the highly developed home consumption. But there is no reason, why American shoes could not be exported, in even greater numbers. There are shoe factories which have just begun exporting their shoes to Europe and are meeting with great success.

Europe and the Near East is buying American motor cars, American sewing machines, American cash registers, and other products because these industries have a very good export organization everywhere, and duties in Europe and elsewhere can not exclude them from the market. The shoe industry can have the same results if its organization works in the same manner as the above industries.

ALOIS GABESAM, *Chicago, Ill.*,

(Representative of Messrs. T. & A. Bata, Zlín, Czechoslovakia).

STATEMENT OF JOHN R. GARSIDE, NEW YORK CITY, REPRESENTING THE SHOE MANUFACTURERS BOARD OF TRADE OF NEW YORK (INC.)

Mr. GARSIDE. Mr. Chairman and Senators, I represent the New York section of the shoe trade. That includes Philadelphia, Newark, New York, and Brooklyn. I have rather a difficult task before me to paint a picture to you of the shoe that has not been at all mentioned to-day here. You have heard from the Czechoslovakia shoe. That shoe to us is something we do not handle at all. Our process of manufacturing is more costly and a different method entirely. While it is made by the same type of manufacturing, and manufactured by the same company, these shoes are of an entirely different type. Therefore, the cost of the shoe enters into it so much more that we do not know—we almost speak a different language than about a three or four dollar shoe. Our shoes do not sell below \$10 and up.

Senator WALSH. You are evidently opening up an important subject.

Mr. GARSIDE. I will present my brief, but would like to skip about it if I can to direct your attention to some points in it.

Senator WALSH. Proceed.

In the order I am giving our industry is one of the leading industries in the following States: Massachusetts, New York, Missouri, Illinois, New Hampshire, Maine, Wisconsin, Pennsylvania, and Ohio.

Take the New York industry. The city of New York is the leading city in value of production. In 1925 this city produced over \$86,000,000 in shoe values of which Brooklyn produced over \$60,000,000, principally in women's shoes. In 1927, according to the latest United States Census, New York City produced over \$81,000,000 in shoe values of which Brooklyn produced approximately \$52,000,000. The decline here shown is indicative of the effect of the rapidly increasing importation of foreign-made shoes entering into competition with American-made shoes.

Incidentally I will add that the New York district, as a matter of fact, has felt the competition of foreign trade long before the "Bata"

of Czechoslovakia was in competition with the lower grade. We do feel that for some years before it was not so intensive as it is now in that particular grade.

The imports of women's shoes for 1928 were approximately 1.62 per cent of the total domestic production. The imports during the first four months of 1929 indicate a total importation during the current year of over 6,000,000 pairs.

Senator KEYES. We have had all that.

Mr. GARSIDE. There are one or two things here I would emphasize.

Senator KEYES. State your case. Is the present bill satisfactory to you? If not, what changes do you request?

Mr. GARSIDE. We are demanding in our section a larger and a higher duty on the basis that our product is made by a different process more costly, where the percentage of labor enters into it. We have no real figures of cost. The Government can give us no figures. We can not get them. We have entered in our brief exhibits which will be presented to you.

Senator WALSH. Do you manufacture exclusively a men's shoe?

Mr. GARSIDE. No, sir; nothing but ladies' shoes.

Senator WALSH. Exclusively?

Mr. GARSIDE. New York is almost exclusively, and, of course, there are exceptions, a district of ladies' shoes.

Senator WALSH. You are not able to get any figures from the custom officials as to how many of your high-priced shoes come in? They are bulked together with all shoes?

Mr. GARSIDE. No; they are not bulked together.

Senator WALSH. Do you know how many high-priced ladies' shoes and how many cheap shoes come in?

Mr. GARSIDE. No; you can not get that. But we have taken the shoe from Czechoslovakia, from Switzerland, and other countries, that is in competition with us. We do not claim the Czechoslovakia shoe is in competition with us at all. That is outside of our province, but we do claim that from these other countries, France, Switzerland, Belgium, and England they are coming in. We have shoe exhibits here that will show you the difference to the seller. We get a shoe from the foreign country that is actually sold in this country in stores in New York. We have reproduced them in our factory, and that shows a difference of between 17 to 49.

Senator KEYES. Is that all?

Mr. GARSIDE. There is one item I would like to read: In conclusion, the Brooklyn shoe industry, in our opinion, requires protection to the extent requested in the brief which we file herewith, because of the grade of shoes with which we must compete.

(Mr. Garside submitted the following brief:)

BRIEF OF THE SHOE MANUFACTURERS' BOARD OF TRADE OF NEW YORK (INC.),
BROOKLYN, N. Y.

FINANCE COMMITTEE,
United States Senate:

This brief is submitted in support of our request for an adequate tariff on shoes.

STATEMENT

The tariff act of 1922, now in force, provides:

"PAR. 1607. Boots and shoes made wholly or in chief value of leather free."

The tariff bill now pending contains the following provision with reference to this subject:

"PAR. 1530. (e) Boots and shoes or other footwear (including athletic or sport boots and shoes), made wholly or in chief value of leather, not specially provided for, 20 per cent ad valorem."

PRESENT STATUS OF THE INDUSTRY

The shoe-manufacturing industry is one of the oldest and most necessary of American industries. It is composed of relatively small units and is highly competitive. It is devoid of monopoly and large industrial combinations. It is one of the two domestic industries referred to by President Coolidge in his last annual message "which have not prospered like others."

The industry is distributed among 382 cities and towns located in 33 States of the Union. It is as widely diffused as any single manufacturing industry.

In the order given, it is one of the leading industries in the following States: Massachusetts, New York, Missouri, Illinois, New Hampshire, Maine, Wisconsin, Pennsylvania, and Ohio.

THE NEW YORK INDUSTRY

New York City is the leading city in value of production. In 1925 this city produced over \$86,000,000 in shoe values, of which Brooklyn produced over \$60,000,000, principally in women's shoes. In 1927, according to the latest United States Census, New York City produced over \$81,000,000 in shoe values, of which Brooklyn produced approximately \$52,000,000. The decline here shown is indicative of the effect of the rapidly increasing importation of foreign-made shoes entering into competition with American-made shoes.

IMPORTATIONS UNDER THE PRESENT TARIFF ACT

During each of the years 1920, 1921, and 1922 total importations of leather shoes did not exceed 200,000 pairs. In the year 1928 the total importations of duty-free leather shoes reached the figure of 2,616,884 pairs, having a total foreign invoice value of \$8,254,224. The relation of 1928 imports to 1922 imports follows:

| | Per cent |
|------------------------------------|----------|
| Men's and boys' shoes..... | 294 |
| Women's shoes..... | 4,207 |
| Children's shoes..... | 1,174 |
| All foregoing classifications..... | 1,310 |

These are exclusive of duty-free slippers, imports of which totaled, in the year 1928, 633,998 pairs.

For the first four months of the year 1929 imports of leather shoes, duty free, as compared with the same period in 1928, are shown in the following table:

| | 1928 | 1929 |
|-------------------|------------------|------------------|
| | <i>Pairs</i> | <i>Pairs</i> |
| January..... | 162,982 | 424,531 |
| February..... | 275,061 | 507,005 |
| March..... | 316,925 | 660,495 |
| April..... | 309,160 | 645,777 |
| Total..... | 1,064,128 | 2,237,808 |

The following table shows increase in importations of duty-free shoes during operation of present tariff act:

[From Commerce and Navigation Calendar, April, 1922, Department of Commerce]

| | 1922 | 1928 | 1929 (5 months) |
|---------------------|---------------------|-------------------------|---------------------------|
| Czechoslovakia..... | <i>Pairs</i> 340 | <i>Pairs</i> 507,486 | <i>Pairs</i> 2,006,408 |
| United Kingdom..... | 82,161 | 296,971 | 130,469 |
| Switzerland..... | 880 | | |
| France..... | 290 | | |
| Austria..... | 28,010 | 255,157 | 140,301 |
| Germany..... | 7,327 | 236,591 | 204,540 |
| Canada..... | 5,475 | 139,452 | 176,452 |
| Belgium..... | 29,414 | 74,910 | 83,916 |
| | 14,978 | 83,371 | 48,269 |
| | 72 | 9,301 | 6,408 |

The imports of women's shoes for the year 1928 were approximately 1.62 per cent of the total domestic production. The imports during the first four months of 1929 indicate a total importation during the current year of over 6,000,000 pairs—over 4 per cent. The wage loss to Brooklyn workers as a result of this large volume of importation of women's shoes runs into hundreds of thousands of dollars.

NEED FOR A TARIFF

The real development of foreign shoe manufacturing with relation to the United States market began coincident with the enactment of the tariff act of 1913; was delayed during the period of the war, and from the time of its close to the present, foreign shoe manufacturers recognized their opportunity in the fact that the greatest market in the world lay open and unprotected, determined upon and followed a policy which has brought us to our present unfortunate situation.

These manufacturers adopted American systems of mass production, American machinery, patterns and lasts, and made a thorough study of our market and its requirements. This was accomplished by operating plants in the United States where they mastered the technique of American methods and developed American distributing agencies for their products. They then moved their plants abroad, taking advantage of the cheap labor there available.

Whether or not these methods are to be condemned as unfair, the fact remains that American manufacturers are placed in direct competition with foreign cheaper production costs and American workmen in direct competition with European wages and standards of living. At the present rate of progression a simple computation will show that the inevitable result must be that within a few years a substantial part of the American Shoe Industry will be supplanted by the industry now being rapidly developed in Europe. The danger point has long since been reached and we are asking this committee to be mindful of the fact that unless prompt and effective relief is given the damage to our industry will be beyond repair. Unless this is done, our factories must close and serious unemployment result.

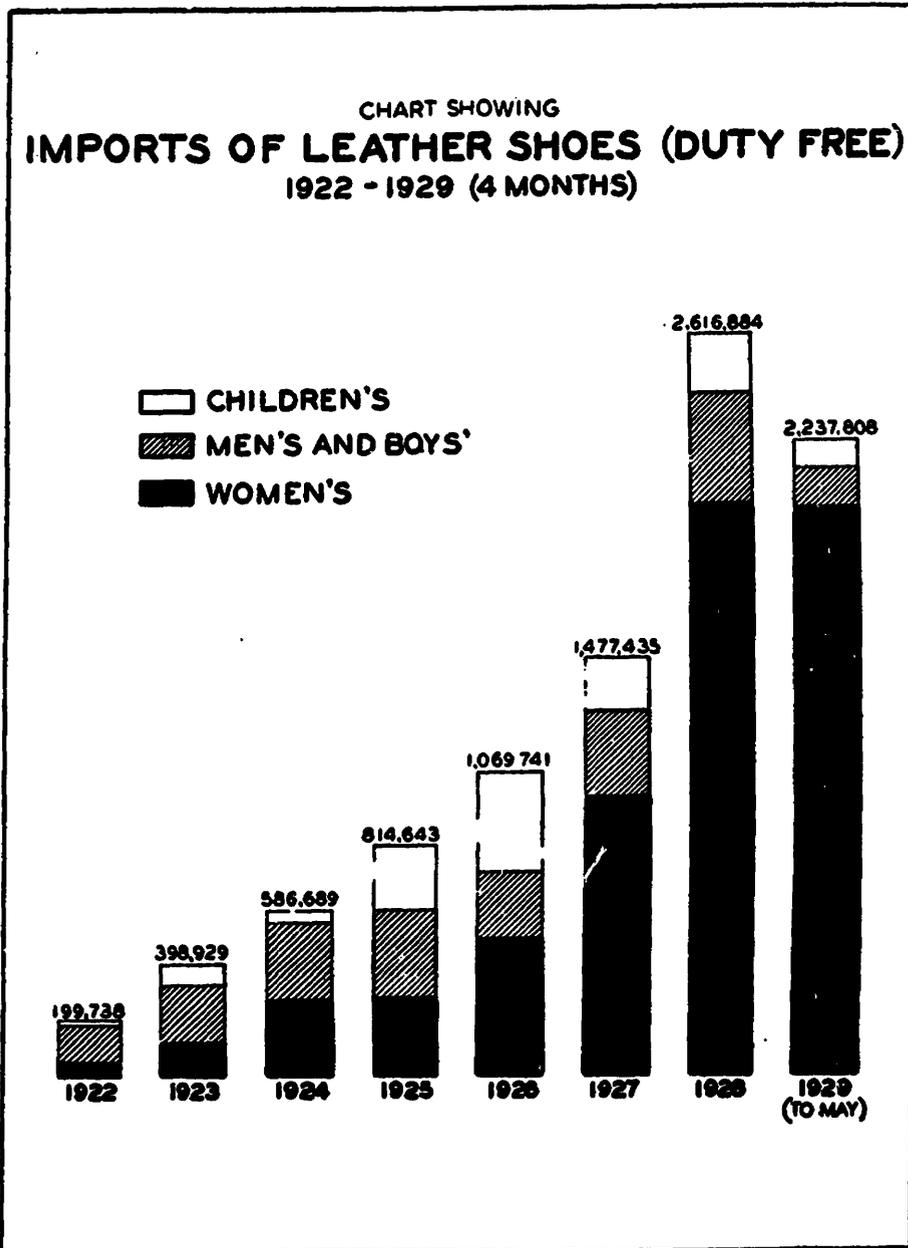
EXPORTS

That our export trade is leaving us can not be questioned. In numbers of pairs, the decline between 1923 and 1928 was 41 per cent. The chief operating cause, as we see it, is the fact that today Europe makes a sufficient quantity of low cost shoes for its own consumption and millions of pairs American type for export. At the expense of American shoe manufacturers and American workers, the European shoe industry is growing to large proportions.

Consideration should be given by this committee to the fact that all countries now sending shoes into the United States duty free, except England, have set up and are maintaining a tariff barrier against American made shoes.

The following is a table showing the decrease in the numbers of pairs of leather shoes exported from the United States from the year 1923 to the year 1928, inclusive. This includes also figures for the first four months of 1929.

| | Men's and boys' | Women's | Children's | Total |
|----------------------|-----------------|-----------|------------|-----------|
| 1923..... | 3,187,623 | 2,202,961 | 1,861,413 | 7,341,997 |
| 1924..... | 2,584,503 | 2,191,725 | 1,519,849 | 6,298,077 |
| 1925..... | 2,702,669 | 2,406,669 | 1,494,233 | 6,603,571 |
| 1926..... | 2,590,231 | 2,013,679 | 1,102,959 | 5,706,869 |
| 1927..... | 2,477,117 | 1,897,478 | 1,139,479 | 5,514,074 |
| 1928..... | 1,870,493 | 1,783,342 | 660,435 | 4,320,270 |
| 1929 (4 months)..... | 669,508 | 618,055 | 309,350 | 1,596,912 |



PRESENT TRENDS IN BROOKLYN

In answer to a recent questionnaire sent to 157 shoe factories of Brooklyn, 16 complete replies were received. The following table is based upon the returns made by these factories:

| | Wages paid workers (average per factory) | Workers per factory (average number) | Average value of products per factory (women's shoes only) |
|-----------|---|---|---|
| 1926..... | \$317,304 | 178 | \$826,936 |
| 1928..... | 309,635 | 155 | 798,070 |

Twenty-three factories in the Brooklyn district show for the same periods loss in pay roll as follows: 1926, \$8,798,000; 1928, \$8,127,000.

RECOGNITION OF PROTECTIVE PRINCIPLE

Both the Republican and Democratic Parties by their platforms recognized the imperative need of tariff protection for American industry. Through their accredited spokesmen during the 1928 campaign, these platform declarations were construed and interpreted as a recognition of the need of the shoe industry for an adequate measure of protection. The result of the election showed clearly that the principle was fully recognized and our industry felt that it would only have to present its facts in order that its prosperity might be safeguarded.

It is quite obvious that no other tariff revision can be secured for many years to come. It is essential for the safeguarding of this great American industry that proper provision for its adequate protection be included in the proposed tariff act.

Wages in other shoe-producing countries make it possible for foreign manufacturers to undersell us in the domestic market.

Foreign wages in the shoe industry are from one-third to one-fifth of wages prevailing in our New York factories. It needs no argument to prove the impossibility for competing under such conditions. Either we must surrender a large part of our market into the hands of the foreign manufacturer, adopt wage scales which are inconsistent with the American standard of living, or we must look to Congress for that measure of protection so amply accorded to other industries, as can be secured by prompt and proper tariff rates designed to produce at least competitive conditions.

We can not believe that Congress will take any view of our situation at variance with our needs. We are satisfied that a careful consideration of present conditions can lead to but one conclusion, and that is, that the American manufacturer and the American wage earner will no longer be required to compete on terms of inequality with the low wages and low costs of Europe.

AMOUNT OF DUTY REQUIRED

To off-set the difference between shoes manufactured in the United States and abroad in production and labor costs, we submit a duty of not less than 50 per cent is warranted.

Owing to the incompleteness of authentic and official information on foreign wages and production costs available for comparative purposes, we have secured certain foreign-made shoes which we present as exhibits before the committee. These shoes are sold to the retailer in this country at the prices marked thereon. Shoes of similar design and material produced in our New York factories are submitted in order that your committee may make comparisons to enable it to reach a correct conclusion as to the amount of the duty which will be required to meet the situation.

CONCLUSION

Brooklyn shoe industry, in our opinion, requires protection to the extent requested in this brief, because of the grade of shoes with which we must compete.

To arrive at a tariff rate that will protect all phases of the shoe industry equally may be impossible, nevertheless, to fix a just rate consideration should be given to the peculiar conditions and manufacturing factors in the several large shoe manufacturing centers, such as Brooklyn, Lynn, and Philadelphia.

We are in accord with the stand taken by the National Boot and Shoe Manufacturing Association to the extent that we believe the House bill, which affords a 20 per cent duty on shoes made wholly or in part of leather, will aid industry, and the administrative features of the bill will permit of readjustments as changing conditions seem to justify. However, it is our opinion that the workers and manufacturers of the New York district and Philadelphia are not sufficiently protected under the House bill 20 per cent provision.

EXHIBITS

We are now submitting and by this reference making part of this brief the following:

Exhibit I

Five shoes manufactured in France showing comparative wholesale prices and percentage difference in the United States as follows:

| | | |
|--|-------|---------|
| Shoe No. 1: | | |
| Manufactured in France..... | ----- | \$7.40 |
| Similar shoe manufactured in Brooklyn..... | ----- | \$9.75 |
| Percentage difference..... | ----- | 32 |
| Shoe No. 2: | | |
| Manufactured in France..... | ----- | \$6.50 |
| Similar shoe manufactured in Brooklyn..... | ----- | \$8.75 |
| Percentage difference..... | ----- | 35 |
| Shoe No. 3: | | |
| Manufactured in France..... | ----- | \$8.50 |
| Similar shoe manufactured in Brooklyn..... | ----- | \$12.50 |
| Percentage difference..... | ----- | 47 |
| Shoe No. 4: | | |
| Manufactured in Switzerland..... | ----- | \$7.45 |
| Similar shoe manufactured in Brooklyn..... | ----- | \$8.75 |
| Percentage difference..... | ----- | 17 |
| Shoe No. 4A: | | |
| Manufactured in France..... | ----- | \$5.50 |
| Similar shoe manufactured in Brooklyn..... | ----- | \$8.75 |
| Percentage difference..... | ----- | 50 |

Exhibit II

1. Pamphlet, Tariff Acts and Tariff Facts, issued by the Shoe Manufacturers Board of Trade of New York, January, 1929.

2. Scrap book containing advertisements of foreign-made shoes to the number of over 200 which appeared in New York City newspapers during the year 1928.

3. Requests from shoe manufacturers in the city of New York not affiliated with the Shoe Manufacturers Board of Trade to the number of 53 asking that they be recorded as advocating adequate tariff protection.

4. Petitions signed by individual shoe workers in the Brooklyn district to the number of approximately 6,000 asking for tariff protection.

Respectfully submitted.

Shoe Manufacturers' Board of Trade of New York (Inc.) and 53 Unaffiliated New York City Shoe Manufacturers, by tariff committee: John R. Garside, chairman; Jacob Abowitz; Albert C. Griffin; Frank Grossman; Justus J. Lattemann; Daniel P. Morse, jr.; Raymond P. Morse; Charles W. Strohbeck; Seymour Troy; Julius J. Kauder, ex officio.

FRANK H. CURRY,
Counsel and Executive Secretary.

List of members of Shoe Manufacturers' Board of Trade (Inc.): J. Albert & Son; Julius Altschul & Son; America Shoe Co.; Artistic Shoe Co.; Arthur

Bender (Inc.); Cantilever Corporation; Clarendon Shoe Co.; Cornell Shoe Co. (Inc.); J. & T. Cousins Co.; John Cramer & Son (Inc.); Elco Shoe Manufacturers (Inc.); Fred A. Eyre & Co. (Inc.); A. Garsile & Sons (Inc.); Andrew Gellar (Inc.); Griffith-White Shoe Co.; Julius Grossman (Inc.); Morgan Grossman (Inc.); Wm. Henne & Co. (Inc.); F. S. Kauder Shoe Co.; Kurz & Lepidus (Inc.); J. J. Lattemann Shoe Manufacturing Co.; Lax & Abowitz (Inc.); S. Liberman; I. Miller & Sons (Inc.); Pineus & Tobias (Inc.); Dr. A. Posner Shoes (Inc.); Premier Shoe Co.; Strasburger Styles (Inc.); Chas. W. Stroheck (Inc.); Seymour Troy & Co. (Inc.); Tull & Gordon (Inc.); Unity Shoe Manufacturing Co. (Inc.); S. Waterbury & Son Co.; Martin-Weinstein Shoe Co.; Weissmann-Sass Shoe Co. (Inc.); M. Wolf & Sons (Inc.); Curt Wolfelt (Inc.).

**STATEMENT OF FRANCIS G. WADSWORTH, BROOKLYN, N. Y.,
REPRESENTING THE BROOKLYN CHAMBER OF COMMERCE**

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

Senator COUZENS. You represent the Chamber of Commerce?

Mr. WADSWORTH. The Brooklyn Chamber of Commerce

Senator COUZENS. You are not an expert in the boot and shoe business?

Mr. WADSWORTH. I am not. Brooklyn is interested in having a tariff on boots and shoes for the following reasons: Brooklyn is the leading shoe center in the United States. The leading manufacturing in Brooklyn is that of boots and shoes within 157 establishments and 9,842 wage earners receiving annually \$16,661,639 in wages and producing \$2,000,000 worth of shoes. The shoe industry of Brooklyn is devoted largely to the manufacture of women's high-grade shoes. By high-grade shoe, we mean hand-turned shoes in which highly skilled labor is used, and the machine work is not so expensive but the labor cost is higher than in the McKay or the welt shoes.

Senator WALSH. Are those the Bally shoes?

Mr. WADSWORTH. The Bally shoes are involved in this importation.

In 1925 we produced over \$61,000,000 worth of shoes while according to the 1927 census we have produced less than \$53,000,000. A survey made of Brooklyn shoe industries within the past month shows that there has been a considerable decrease both in production and number of workers in our factories since 1927. This decrease in production, we are convinced, is in part due to the rapid rise of importation of foreign shoes, which up to the present time has affected the New York district more than any other. The foreign manufacturing concerns have not as yet completely developed their distribution agencies throughout the country and undoubtedly the largest market for foreign-made shoes is in the eastern territory of the United States.

Senator THOMAS. Why do you say that?

Mr. WADSWORTH. I say that because of the fact that we are affected in New York by the sale of these shoes in the immediate vicinity with our department stores, and there seems to be a greater flood of advertising in our local papers on imported shoes than we have received in other centers in the promotion of sales of foreign shoes.

Senator THOMAS. You do not mean that the interior and the West do not buy as good shoes as you folks do back East?

Mr. WADSWORTH. Not at all. At the present rate of importation, which has jumped from the sum of 2,000,000 pairs a year to a rate

which indicates that importations will reach at least 6,000,000 pairs in 1929, plus the perfecting of distributing methods by our foreign competitors, it will be but a comparatively short time before the entire country will feel the effect of this invasion as keenly as it is felt at the present time in the New England States and New York.

American manufacturers can compete successfully with foreign manufacturers in methods, style, and quality, but can not compete successfully in costs. Unless American manufacturers are assisted by tariff protection in order that they may enjoy a more equal basis of competition, the shoe industry in the United States will suffer a serious setback, to say the least.

It has been stated before this committee that certain women's shoe manufacturers do not require protection. We are convinced, however, that Brooklyn manufacturers need protection, or the prosperity of our city will be affected. The indirect effect of the Czechoslovakia product, as well as the direct effect of the Serbian, Austrian, French, and Belgian products, is not cutting into our trade and will increasingly affect us unless some protection is afforded. This protection, we believe, should be for all grades of shoes, because our foreign competitors can easily change their plants over to the manufacture of that grade of shoes which is left unprotected.

The Brooklyn Chamber of Commerce heartily indorses the efforts of the Shoe Manufacturers' Board of Trade of New York, the Chamber of Commerce of Lynn and other New England centers, and the National Boot and Shoe Manufacturers' Association to secure protection for the workers in American shoe industries and in allied industries.

A reasonable tariff on shoes is in line with sound economic policy of the Government for the protection of American working men and should be supported by both of the major political parties in that it is consistent with the platform of both parties, to say the least.

You have heard testimony with regard to the Bally Shoe Co. I want to state as a fact because it was my experience to serve for a number of months, probably two years, as an arbitrator for the shoe manufacturing interests of Brooklyn, that the Bally Co. at one time, only quite recently, operated a plant in Long Island City, N. Y., employing American labor and American methods and educating their executives in the manners and methods and skill of the American trade. They do not now operate such a plant, and I understand their operations are wholly in foreign countries.

Senator WALSH. Is it supported by American capital?

Mr. WADSWORTH. I am not sure.

Senator COUZENS. Have you any unemployment in Brooklyn?

Mr. WADSWORTH. In the shoe industry?

Senator COUZENS. Yes.

Mr. WADSWORTH. I think there is quite some unemployment, but, of course, the shoe industry operates in periods and at the present time is at a low period.

Senator COUZENS. You have no statistics as to that?

Mr. WADSWORTH. I have no statistics as to the number of unemployed.

Senator WALSH. What price do you get for these Brooklyn shoes?

Mr. WADSWORTH. The price for Brooklyn shoes ranges from \$10 up to \$25 or more a pair.

Senator WALSH. Probably a high class of ladies shoes.

Senator KEYES. Are they all ladies' shoes?

Mr. WADSWORTH. Practically all ladies' shoes. There are very few men's shoes manufactured in Brooklyn.

Senator COUZENS. Do you not think that the large increase in the early months of this year was due to the possibility of a tariff?

Mr. WADSWORTH. That might have had an effect. But our competition is in the wholesale prices of these shoes. I heard from Mr. Garsaid who testified last night what he had to say on this matter. I can not give the details as I think he can or could if he had more time, but he lost one big order recently because he was unable to meet competition of the Bally Co. with one of its customers. We are, therefore, very much concerned at the present time about the importation of these foreign-made shoes, made with labor that is so much cheaper than what we have in the United States.

Senator COUZENS. Are the provisions of the present House bill before us satisfactory?

Mr. WADSWORTH. No; not satisfactory, because we feel in Brooklyn, and I am expressing the Brooklyn manufacturers' point of view, that to give them an equal chance there should be a higher duty than in the House bill.

Senator COUZENS. Do you recommend any specific change?

Mr. WADSWORTH. No; the shoe manufacturers recommended 50 per cent to cover the spread of the domestic shoe with the quality of imports, 50 to 75 per cent over the Brooklyn-made shoe.

Senator THOMAS. How many factories do you represent approximately?

Mr. WADSWORTH. The Shoe Manufacturers' Board of Trade has in its membership some 35 factories producing about 60 per cent of the shoes in Brooklyn, but we represent also factories that are not in the shoe manufacture.

Senator THOMAS. How many employees do you represent?

Mr. WADSWORTH. Nine thousand eight hundred and forty-three are represented by the Brooklyn activity.

Senator THOMAS. If this tariff is granted, is it contemplated to pass some of the increased cost on to the employees, the labor?

Senator WALSH. Some of the benefits.

Mr. WADSWORTH. The benefit to the country, by employing to more complete capacity the working of the factory. Our employees receive undoubtedly the highest wages that are paid in the United States.

Senator THOMAS. State some facts about the wage scale, if you have them.

Mr. WADSWORTH. I have not the complete facts of the wage scale. I can only state that the wages run up to as high as any individual cases I know of. For example, I have seen the pay slip of \$95 of a woman folder in our factory.

Senator THOMAS. How long do they go?

Mr. WADSWORTH. I do not think it goes below \$18 a week for the work of a young man.

Senator THOMAS. What would be the average rate per annum?

Mr. WADSWORTH. I can not give you that.

Senator THOMAS. You can send the figures to us. Will you furnish them?

Mr. WADSWORTH. Absolutely.

Senator THOMAS. Why is there less labor in a pair of shoes of the higher cost?

Mr. WADSWORTH. I do not know that I can answer that. I am not an expert, but I would venture this opinion if called upon, that the labor used in the high-priced shoes is a very highly selected quality of labor, which produces at considerable cost, the workmanship on these shoes, a very delicate nature of handwork largely, and those come very high.

(Subsequently Mr. Wadsworth submitted the following:)

BROOKLYN CHAMBER OF COMMERCE,
Brooklyn, N. Y., July 8, 1929.

HON. HENRY W. KEYES,

Chairman Subcommittee on Sundries,
Senate Finance Committee, Washington, D. C.

MY DEAR SENATOR KEYES: In my testimony before your committee Saturday, June 29 I was asked to supply certain information re the wages paid workers in Brooklyn shoe factories.

The following figures taken from a special study of conditions in the shoe industry in Haverhill, Mass., by the United States Department of Labor in 1928 appears to be the most trustworthy of any recent studies. These figures show by comparison the average wages paid in New York City, which includes Brooklyn, with those of other shoe manufacturing cities.

You will note that the wages paid the New York district are higher than those paid elsewhere. This substantiates the statements made by the Shoe Manufacturers Board of Trade of New York to the effect that labor cost in Brooklyn is an important factor in their competition with foreign-made shoes and duty on shoes sufficient at least to equalize the difference is necessary to put us on a fair basis of competition with foreign shoe manufacturers who are selling in the United States.

Average full-time hours per week, earnings per hour, and full-time earnings per week for shoe workers in all occupations combined, by locality, 1928

| Locality | Average full-time hours per week | Average earnings per hour | Average full-time earnings | Full-time hours per week | Earnings per hour | Average full-time earnings per week |
|----------------------------|----------------------------------|---------------------------|----------------------------|---|-------------------|-------------------------------------|
| | | | | Index number (United States equals 100) | | |
| Haverhill..... | 48.0 | \$0.699 | \$33.55 | 97.8 | 131.9 | 128.9 |
| Cities near Haverhill..... | 49.0 | .527 | 25.82 | 99.8 | 99.4 | 99.2 |
| Bost'n, Mass..... | 48.0 | .677 | 32.49 | 97.8 | 127.7 | 124.9 |
| Brockton, Mass..... | 48.0 | .615 | 29.52 | 97.8 | 116.0 | 113.6 |
| Lynn, Mass..... | 47.9 | .617 | 29.55 | 97.6 | 116.4 | 113.6 |
| Chicago, Ill..... | 47.9 | .641 | 30.70 | 97.6 | 120.9 | 118.0 |
| Milwaukee..... | 48.2 | .534 | 25.93 | 98.2 | 101.5 | 99.7 |
| New York..... | 45.1 | .771 | 34.77 | 91.9 | 145.5 | 133.6 |
| Philadelphia..... | 48.0 | .537 | 25.78 | 97.8 | 101.3 | 99.1 |
| Rochester, N. Y..... | 48.0 | .581 | 27.89 | 97.8 | 109.6 | 107.2 |
| St. Louis, Mo..... | 48.0 | .542 | 26.02 | 97.8 | 102.3 | 100.0 |
| United States..... | 49.1 | .530 | 26.02 | 100.0 | 100.0 | 100.0 |

I trust that this information will be of service to your committee.

Very truly yours,

F. G. WADSWORTH, Assistant Secretary.

STATEMENT OF WILLIAM O. ATWILL, REPRESENTING THE SHOE MANUFACTURERS TARIFF COMMITTEE OF LYNN, MASS.

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

Mr. ATWILL. Mr. Chairman and members of the Finance Committee, I represent the Lynn shoe manufacturers tariff committee and am going to submit a brief signed by the members of that committee. This committee was chosen to represent 70 manufacturers in the city of Lynn, 80 per cent of their product being women's novelty McKay shoes. The greater part of these shoes are made to sell to the consumer at \$5 a pair and are sold to the chain store operator and retailer, or the manufacturer, across the board at prices ranging from \$3.35 to \$3.50 per pair. In the brief as submitted, all estimates, deductions, and conclusions are based on these types of shoes.

And, Mr. Chairman, the brief so ably presented by Mr. McElwain covers to a great extent our principles and policies, and I will try to make it brief and only read what there is in our brief that differs in a way from the brief submitted by Mr. McElwain. And the reason that we are doing this is that Mr. McElwain has ably represented the country as a whole, but we have a particular problem in Lynn, and while we are small manufacturers up there and we can not talk in the millions of pairs or millions of dollars, we still feel that we have a right to be heard, and our contention is that an adequate duty on shoes, both wholly or partly finished, will benefit the shoe workers, and to as great an extent other American labor; will give the consuming public better quality, style and workmanship for their money with no increase in the present established prices, and aside from the effect on the business of manufacturing shoes, will stimulate business in other industries in other sections and localities all over the United States.

Adequate tariff protection will also make good the promises made by leaders and spokesmen for both political parties when they stated that the prosperity of the country depends upon the maintenance of the American standards of wages and living conditions.

We are not asking for an embargo or protection at the expense of the consumer or other sections of this country, and we believe that a careful analysis of the list of materials, supplies, and findings used in the making of shoes, a copy of which is annexed hereto, marked Exhibit 1, will prove that other industries and workers throughout this country will receive as much benefit from the protective tariff as our own industry and workers, and we feel that when this fact is thoroughly realized, that other sections of the country will join with us in asking for protection from foreign competition, based wholly on low labor wage scales.

We are submitting figures taken from the cost sheets of 53 different styles and types of women's McKay shoes made in the city of Lynn, a copy of which is annexed hereto, marked Exhibit 2, showing an average material cost of \$1.76 per pair, and an average labor cost of \$0.95 a pair.

We are submitting this, Mr. Chairman and gentlemen, with the brief, so as to let you see what a wide range these shoes that we sell cover for this price. We have got shoes here that run anywhere from

a manufacturing cost of as low as \$2.43 up to \$3.89, and they will all be sold to the chain store and the retailer so that they can retail them for \$5.

We have labor prices here running as low as 70 cents and 73 cents up to \$1.15 a pair, and we have material costs entering into these shoes running down as low as \$1.40 up to over \$2.

Now, in regard to the need for the tariff, that has been very well covered by Mr. McElwain. We just want to mention some of our estimates as applying to the importations which we figure will come in during the year 1929 on shoes which compete with ours, that is, women's McKay shoes, and we estimate these importations will amount to more than six per cent of the production of women's McKay shoes in the United States, more than 10 per cent of the production of women's McKay shoes in New England, more than 15 per cent of the production of women's McKay shoes in the State of Massachusetts, the largest shoe producing State in the Union, and more than 70 per cent of the number of pairs in valuation of women's McKay shoes produced in the city of Lynn.

I am just citing those percentages, gentlemen, because when we were over in the House it was told to us time after time that the importations were less than one per cent of the production. We figure that these importations, based on our labor prices, if the shoes are made there, would cause a loss in wages of over \$5,000,000 to shoe workers in 1929, and a loss of employment to more than 3,770 men and women in the shoe industry, and we figure that the amount of American labor entering into the materials and supplies and findings for the shoes equals the amount of labor of the shoe worker, and if that is so, it will make a grand total of over \$10,000,000 in wages lost to American labor, and over 7,500 workers, American men and women, thrown out of employment.

In our previous brief we stated—that is under the head of amount of tariff necessary—that we believed the amount of tariff necessary to be 30 per cent based on American valuation, or not less than 45 per cent ad valorem, and our reasons for doing so are: It seems to be an agreed fact of principle that a protective tariff, in order to be fair, should equal the difference in the cost of production of the same article in the different countries, and we believe the difference in the cost of producing shoes in Lynn, Mass., and Zlinn, Czechoslovakia, is over \$1.10 per pair, based on the average manufacturing cost price of Lynn shoes according to the list as submitted, over \$3.22 per pair, and the average selling price of \$3.35 to \$3.50, against the wholesale price of imported Czechoslovakian shoes in New York City of \$2.25 a pair.

Now, the list that we have appended shows that our average labor cost in Lynn is 95 cents a pair, and it is hard work to find out what the labor cost is in other countries, but we have taken a figure that was submitted to the House Ways and Means Committee by Doctor Eppinger, representing the Walter Lowendahl Shoe Co., in New York City, and the T. & A. Bata Shoe Co., of Czechoslovakia, reference page 8758, of the Tariff Readjustment Hearings of 1929, where he says that the average cost of producing shoes over there is 32 cents a pair, and I don't think that he would enlarge on it or exaggerate.

Now, if there is \$1.10 a pair difference in our selling price, and our cost of production and our labor cost is 95 cents, and theirs is 32 cents, leaving 63 cents difference on the labor cost of the shoe workers alone, we figure that the other 47 cents must come in on the lower price of materials, due to the lower cost of labor entering into those materials.

Now, I just want to call attention to what we feel is the 20 per cent tariff as fixed in the House bill under consideration, based on an assumed ad valorem valuation equal to the present wholesale selling price of \$2.25 for Czechoslovakian shoes, after deducting 3 per cent for the increased cost to the American manufacturer of a 10 per cent duty on hides, would mean approximately 38¼ cents per pair.

In all probability this will be nearer 30 cents per pair, and we submit that this is not enough to equal more than one-half the difference in the amount paid to the shoe workers in these two cities of Lynn and Zlinn. Those names are pretty close together, aren't they?

The effect of a tariff sufficient to give American manufacturers a change to compete with foreign manufacturers on a basis of style, quality, workmanship, and deliveries, without the handicap of a lower labor cost to contend with, would not raise the price to the consumer, due to the keen competition existing in the United States among the shoe manufacturers. It will tend to keep retail prices at the present standards and grades, whereas an insufficient tariff may, in the last analysis, cause an increase in the price to the consumer on certain grades of the extreme novelty shoes.

An adequate tariff will furnish employment to thousands of American men and women, thereby increasing their purchasing power in the American market by many millions of dollars, and by doing so will relieve the unemployment problem in this country; also, an adequate tariff will give millions of dollars worth of additional business to shoe manufacturers and allied industries all over the country.

In conclusion, we have endeavored to make plain the Lynn situation regarding women's novelty McKay shoes and the amount of tariff necessary for adequate protection, and we ask to have our case considered on its merits after a thorough investigation. What I mean by that is this: In our deductions and conclusions and figures that we are putting up here, we have tried to be honest and conservative, and we know that they can be investigated and checked up through the experts of the Tariff Commission, and we expect it will be done. However, if the Senate decides, after considering all the facts in the case that have been advanced, that 20 per cent is sufficient, we can not do otherwise than accept the same graciously and use our best efforts to continue to exist and maintain our business until such time as we can receive the full measure of protection which time will show we are entitled to.

Senator WALSH. You refer to this shoe as the McKay shoe?

Mr. ATWILL. Yes, sir.

Senator WALSH. That means it is made by the McKay machine?

Mr. ATWILL. That means it is a McKay-sewed shoe; yes.

Senator WALSH. And those same machines that you use in Lynn are now being used in Czechoslovakia?

Mr. ATWILL. Yes, indeed.

Senator WALSH. To make the same kind of shoe?

Mr. ATWILL. The same kind of machine, put out by the United Shoe Machinery Co.

Senator WALSH. Have any of these other manufacturers who have appeared here—do they make the McKay shoe?

Mr. ATWILL. Well, I think that the majority of the manufacturers that have appeared so far are making a higher class shoe and generally a welt shoe.

Senator WALSH. So the McKay shoe is largely made in Haverhill and Lynn, Mass.?

Mr. ATWILL. Yes; that is the bulk of our product in both places, and I think that the McKay shoe production in Massachusetts alone is over half of the entire McKay shoe production of the country on women's shoes.

In 1927 the figures from the Department of Commerce showed 74,000,000 pairs and some odd thousand of McKay women's shoes made in the country, and the 1928 figures from the Department of Commerce show, I believe, over 40,000,000 pair of McKay shoes made in Massachusetts alone for women.

Senator WALSH. Could a distinction be made in the levying of tariff duties here upon shoes that would confine the tariff duty to McKay shoes alone? I notice that one of the gentlemen here bows his head approvingly. He thinks that would be possible to protect your industry.

Mr. ATWILL. Well, Senator, I would say this: I am not competent to answer a question as to what Congress could do, but I will say that they put a duty on shoes of other materials, of materials other than leather, and left it off leather shoes, and if they want to go so far as to distinguish between different kinds of leather shoes, that is within their province to do so.

Senator WALSH. Suppose we should find here that there was not any serious competition from imports with any other shoe other than the McKay shoe, is it not possible—and I would like to ask Mr. Florsheim this question—is it not possible to confine the levying of this duty to McKay shoes?

Mr. FLORSHEIM. Certainly; it could be done very easily, and it was done once before.

Senator WALSH. When was it done before?

Mr. FLORSHEIM. When Taft was President there were certain grades of shoes that were 10 per cent and another type was made 15 per cent.

Senator WALSH. You agree, Mr. Florsheim, that this branch of the shoe industry really has met with severe competition?

Mr. FLORSHEIM. I believe that this branch of the shoe industry could be protected by defining shoes under a certain price being dutiable.

Senator WALSH. Ladies' shoes?

Mr. FLORSHEIM. Ladies' shoes.

Senator WALSH. What price would you fix?

Mr. FLORSHEIM. I would say \$3.50 a pair down. In that way you would not increase the price to the consuming public of America,

but you would make it harder for the importer to get in that grade of shoes.

Senator THOMAS. I did not understand just whom you represented.

Mr. ATWILL. I represent the Lynn shoe manufacturers' tariff committee. 70 manufacturers in the city of Lynn.

Senator THOMAS. You represent the factory owners or the employees?

Mr. ATWILL. The factory owners, the manufacturers themselves.

Senator WALSH. You really represent the chamber of commerce, which includes all the manufacturers?

Mr. ATWILL. No; Mr. Sebring represents the chamber of commerce. I am the secretary of the Lynn Shoe Manufacturers' Bureau.

Senator THOMAS. I want to ask some questions, but I want to ask them from some one else who can probably give me the information, and I will defer my questions until later.

Mr. ATWILL. Thank you, gentlemen, for allowing me to go on.

STATEMENT OF RAYMOND V. McNAMARA, REPRESENTING THE HAVERHILL (MASS.) CHAMBER OF COMMERCE AND OTHERS

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

Mr. McNAMARA. Mr. Chairman and gentlemen, I represent the Haverhill Chamber of Commerce, the Shoe Workers' Protective Union of America, the Haverhill Shoe Manufacturers' Association, and I am a member of the firm of Wright, Goravitz & McNamara, of Haverhill.

I want to first express my own appreciation of the kindly courtesy that has been extended to me to come here at this late hour to plead the case of the shoe workers of Haverhill and the industry of Haverhill in reference to the importation of foreign shoes. I have here a brief that I intend to submit to the Senate Finance Committee, and with your permission I wish to read it [reading].

SENATE FINANCE COMMITTEE,

United States Senate, Washington, D. C.

GENTLEMEN: The Haverhill Chamber of Commerce, composed of 465 members, which include those engaged in the allied shoe manufacturing lines as well as the Shoe Workers' Protective Union of America, representing a membership numbering 20,000 shoe workers, and the Haverhill Shoe Manufacturers' Association, representing the great majority of the shoe manufacturers in this city, desire that I, as their representative, record them as heartily indorsing the proposals of the National Boot and Shoe Manufacturers' Association for an adequate tariff on imported shoes.

Haverhill, a city of 50,000 people, has approximately 150 shoe manufacturers and 100 firms engaged in the manufacture or sale of allied lines connected with the shoe-manufacturing business. Of these 150 manufacturing firms, all but one of them manufacture women's shoes. Haverhill manufactures approximately 16,000,000 pairs of women's shoes yearly, which production represents one-seventh of all the women's shoes manufactured in the United States. According to the records as furnished by the United States Federal Reserve, 85 per cent of Haverhill's manufacturing business is the manufacture of women's shoes or allied lines.

The conditions that exist to-day in the manufacture of women's shoes here in Haverhill are indeed serious, occasioned in great part by reason of the importation of women's shoes from foreign countries. We have to-day 1,750,000 square feet of shoe-manufacturing space idle, 1,700 vacant tenements, whereas eight years ago factory space was at a premium and tenement houses fully

occupied. Our population has diminished from 58,000 until at the present time it is approximately 50,000.

During the year 1928 there were 20 shoe-manufacturing plants who were forced to liquidate their business, 9 assigned, and 19 forced to seek other locations in towns where labor could be employed more cheaply, so that they might meet competition.

At the present time some 8,000 workers are on strike in Haverhill, seeking a wage increase of 10 per cent and a 5-day week. If American labor is to continue to receive a living wage and if we are to continue to encourage the advance of the standard of American living, we must give some protection to the industries that are making this possible. The average full-time earnings of the wage workers engaged in the shoe industry here averaged \$33.55 according to the United States Department of Labor for the year 1928.

Senator WALSH. That includes women?

Mr. McNAMARA. That includes women.

The average wage scale of our principal European competitor, Czechoslovakia, we are told, is approximately one-third of ours. Against our 48 hours a week schedule, we are told that the employees work in Czechoslovakia approximately 10 hours a day and six days in the week. Our situation is acute, for while industry has declined at home, imports have reached the monumental figure of 2,018,269 pairs for the year 1928, an increase of 1,650 per cent in five years.

Senator WALSH. How does that compare with the output in a year of the Haverhill factories?

Mr. McNAMARA. We make one-seventh of all the shoes produced in the United States.

Senator WALSH. Ladies' shoes?

Mr. McNAMARA. Ladies' shoes.

Senator WALSH. How many is that?

Mr. McNAMARA. Sixteen million pairs.

Senator WALSH. That you make in Haverhill?

Mr. McNAMARA. In Haverhill; yes, sir.

Senator WALSH. And these importations are how much?

Mr. McNAMARA. The importation is 2,018,269 pairs for the year 1928.

Senator WALSH. So there are being imported—what was last year imported amounted to one-eighth of all the ladies' shoes produced in America?

Mr. McNAMARA. Produced in America.

Senator WALSH. And you say you produce one-seventh of that 16,000,000? That would be a little more than the amount imported from Czechoslovakia.

Mr. McNAMARA. A little more than the amount imported by Czechoslovakia.

Senator WALSH. Now you include in "ladies shoes," of course, all kinds of ladies' shoes other than Oxfords in that 16,000,000, or is it just Oxfords?

Mr. McNAMARA. All women's shoes, practically all women's shoes, because there is only one men's shoe factory in the city of Haverhill.

Senator WALSH. No; but I mean is not the production of ladies' shoes more than 16,000,000 pair? Are you talking of ladies' shoes of all kinds, or are you talking only of ladies' shoes of the Oxford type?

Mr. McNAMARA. I am talking now, Senator, of all kinds.

Senator WALSH. Sixteen million pair.

Mr. McNAMARA. Sixteen million pair; yes, sir.

If this rate continues during the present year the imports will exceed 6,000,000 pairs and in 10 years the manufacture of the principal grades of women's shoes will be extinct in the United States.

Senator WALSH. Pardon me, Mr. McNamara. The 16,000,000 pairs of ladies' shoes is the amount produced in Haverhill?

Mr. McNAMARA. In Haverhill; yes, sir.

Senator WALSH. Which is one-seventh of all ladies' shoes produced in America?

Mr. McNAMARA. That is true.

Our industry here in Haverhill has an invested capital of some \$10,000,000 and furnished during the year 1926 \$10,245,617 in wages to some 8,500 workers.

Comparative wages: No recent official figures are available in the shoe industry from which comparisons of wages in the United States and foreign shoe-producing countries can be made. The following, while they do not relate to the shoe industry, will give some indication of the general relation between wages in the United States and in Europe. These figures are taken from the latest available publications of the Bureau of Labor Statistics, United States Department of Labor.

Machinists:

| | | |
|-----------------------------------|------------|---------|
| United States (1925)..... | per hour.. | \$0. 70 |
| Czechoslovakia (1924)..... | per week.. | 7. 75 |
| France, time-workers (1926)..... | per hour.. | . 15 |
| France, piece workers (1926)..... | do..... | . 16 |

Carpenters:

| | | |
|------------------------------|------------|--------|
| United States (1926)..... | per hour.. | 1. 27 |
| Belgium (1925)..... | do..... | . 17 |
| Czechoslovakia (1924)..... | per week.. | 6. 72 |
| France (Paris) (1925)..... | per hour.. | . 18 |
| Germany (Berlin) (1924)..... | per week.. | 11. 13 |

Bookbinders:

| | | |
|-------------------------------------|------------|-------|
| United States (1926)..... | per hour.. | . 98 |
| Belgium (Brussels) (1924)..... | per week.. | 8. 12 |
| Czechoslovakia (Prague) (1924)..... | do..... | 6. 26 |
| France (Paris) (1925)..... | per hour.. | . 17 |
| France (outside Paris) (1925)..... | do..... | . 13 |
| Germany (Hamburg) (1925)..... | do..... | . 24 |

Senator KEYES. Pardon me, what about that six dollars and something for what?

Mr. McNAMARA. \$6.72 per week.

Senator KEYES. I thought you said per pair.

Mr. McNAMARA. No; per week.

Most of these shoes are coming from Czechoslovakia. Five years ago, in 1923, less than 500 pairs were imported into the United States from Czechoslovakia, and last year there were 1,415,143. The numbers are increasing by leaps and bounds month after month. They are coming in now at the rate of 15,000 pairs every day, and in the single month of March more than 434,000 pairs of women's shoes came into the United States from Czechoslovakia. There is one firm in that country which is said to be making 100,000 pairs a day.

Imports of women's shoes from Czechoslovakia

| | Pairs |
|-------------------------|-------------|
| 1923..... | 447 |
| 1926..... | 174, 262 |
| 1927..... | 547, 908 |
| 1928..... | 1, 507, 580 |
| January, 1929..... | 305, 867 |
| February, 1929..... | 351, 531 |
| March, 1929..... | 434, 943 |
| Three months, 1929..... | 1, 092, 341 |

This factory is owned by one Thomas Bata, in the city of Zlin, and he produced last year 22,500,000 pairs of shoes, seven times as many as he made in 1923. During the five months of 1928 the Bata shop sent 1,105,618 pairs of shoes into the United States, duty free, in competition with the product of American workmen. These were made on American lasts and the machinery used was built here by the United Shoe Machinery Corporation so that his product to-day varies little from our own type and style of shoes except it is stamped on the sole, "made in Czechoslovakia."

I manufacture women's shoes in Haverhill, Mass., employing 400 people and desire to call your attention to the fact that owing to the importation from this one factory in Czechoslovakia of a woven or a braided sandal into this country (this being one of many styles they manufacture) that our summer sandal business has been drifting away from us until to-day it has made serious inroads into our production.

The following table of comparisons showing sales in my factory for the year 1926, 1927, and 1928 of summer sandals will clearly demonstrate how seriously affected we have been by these imports.

Sales comparison

| | 1926 | 1927 | 1928 |
|-------------|-------------|-------------|-------------|
| May..... | \$34,350.67 | \$31,373.03 | \$12,997.77 |
| June..... | 41,745.72 | 19,361.65 | 12,516.49 |
| July..... | 41,209.55 | 13,843.40 | 19,052.61 |
| August..... | 57,068.32 | 52,186.66 | 39,632.70 |

As the representative of the various bodies mentioned in this brief and as a shoe manufacturer born here in a city that was once known as the Slipper City of the World, I plead with you to throw around this industry here the protection she should and must have by placing an adequate protective tariff on shoe imports.

This is respectfully submitted by Raymond V. McNamara as the representative of the various bodies mentioned here, the Haverhill Chamber of Commerce, the Haverhill Shoe Manufacturers' Association, and the Shoe Workers' Protective Union of America.

Senator KEYES. What do you mean when you say an adequate tariff? What is your idea of an adequate tariff?

Mr. McNAMARA. Senator, we believe that the tariff on shoes should be 35 per cent, but in view of the fact that the House has already reported in a tariff bill of less than that, and not desiring in any way to conflict with the views of the Senate Finance Committee, if it is their pleasure, that would be some relief for our industry.

Senator THOMAS. What is the population of your city?

Mr. McNAMARA. The population of Haverhill is slightly under 50,000. It is stated in the brief 50,000. I think it is forty-nine thousand and some odd, Senator.

Senator THOMAS. And shoes are the principal thing that you make there?

Mr. McNAMARA. Eighty-five per cent of the shoe manufacturing industry is shoes in Haverhill.

Senator WALSH. And one type of shoe, practically?

Mr. McNAMARA. Practically all women's shoes.

Senator THOMAS. You spoke about these shoes being made in Czechoslovakia, being made over American lasts and by American machinery. Do you know whether or not these factories in that country are financed by American capital?

Mr. McNAMARA. I question that, Senator. There was a time in our industry when we did not fear the European competition because of the fact that their styles were not adapted to the American.

Senator THOMAS. That does not answer my question. I want to know whether or not these factories in Czechoslovakia are financed by American capital.

Mr. McNAMARA. I have not that information, Senator, but if I were to give my honest opinion, I do not believe that there is any American money invested in any of these Czechoslovakian factories.

Senator WALSH. The United Shoe Machinery Co.—they have heavy investments there in their machines?

Mr. McNAMARA. Yes, sir.

Senator WALSH. How do they sell their machinery now?

Mr. McNAMARA. Most of it is leased, Senator. Some of it is bought outright.

Senator WALSH. Do you know whether the terms of their leases to this firm in Czechoslovakia are any more favorable than they are to the American firms?

Mr. McNAMARA. I do not believe so.

Senator WALSH. Are these leases based upon the theory of paying royalties?

Mr. McNAMARA. Of paying royalties; yes, sir.

Senator WALSH. For every pair of shoes that comes from the machine?

Mr. McNAMARA. Every pair that is produced is so much royalty per pair.

Senator WALSH. You can not buy any machine outright?

Mr. McNAMARA. You can buy some machines of the United Shoe Machinery Co. in America outright. I do not know whether you can buy machines outright in Czechoslovakia. I presume that the same system applies here that applies there.

Senator WALSH. What machines are those that you have to lease?

Mr. McNAMARA. In the making room alone there are perhaps seven or eight, Senator, in the different departments.

Senator WALSH. Are they highly patented machines?

Mr. McNAMARA. Highly patented; yes.

Senator WALSH. In other words, what are the most important for you to have, the most valuable machines you can not buy outright, but have to lease?

Mr. McNAMARA. You have to lease them; yes.

Senator WALSH. And this system has gone on for years?

Mr. McNAMARA. For years.

Senator WALSH. And they control practically the entire boot and shoe machinery output of the world?

Mr. McNAMARA. They do.

Senator WALSH. There is practically no competition of any serious character?

Mr. McNAMARA. Not a bit.

Senator WALSH. Then to a degree it is their willingness to sell their machines in Europe in competition with the American manufacturer who employs American labor and pays a higher rate of wage that is responsible for this trouble you speak of in Haverhill?

Mr. McNAMARA. In a measure; yes, sir.

Senator WALSH. What did you say the drop in population is in Haverhill?

Mr. McNAMARA. About 8,000, Senator.

Senator WALSH. In how many years?

Mr. McNAMARA. In about six years.

Senator KEYES. And I understood you to say there were 8,000 men on strike at the present time?

Mr. McNAMARA. Men and women, Senator. The strike is called because they seek a 10 per cent increase in wages and a 5-day week, and the manufacturers there have been through a very bad season; in fact, for the last two or three years the majority of them have been in red ink, and it is impossible for them to meet the increased demands of the union.

Senator KEYES. How long has the strike been in progress?

Mr. McNAMARA. The strike has been in progress—I think the first factory was called out, Senator, about three weeks ago, and as fast as the agreements expire in each individual factory, those crews all come out. For instance, our factory agreement expires in August, and our factory will not come out, our help will not come out, until then.

Senator THOMAS. I want to ask another question. These 8,000 men and women on strike, could they get employment at the existing rate of wage now?

Mr. McNAMARA. At the existing rate of wage; yes.

Senator THOMAS. What is that wage that they could receive employment at?

Mr. McNAMARA. It varies, Senator, according to the operation.

Senator THOMAS. Can you give us an idea?

Senator WALSH. Give the average.

Mr. McNAMARA. The average was \$33, I believe I said.

Senator THOMAS. Now the maximum and minimum?

Mr. McNAMARA. Well, women in the stitching room receive approximately 60 cents an hour.

Senator WALSH. For eight hours?

Mr. McNAMARA. An edge setter in the making room will receive approximately 90 cents to a dollar an hour.

Senator THOMAS. How many hours per day?

Mr. McNAMARA. Eight hours. A 45-hour week.

Senator WALSH. What is the lowest wage that any woman worker gets in that shoe factory?

Mr. McNAMARA. Unskilled help in our packing room receives \$18.50. I believe that is correct.

Senator WALSH. There are not many unskilled helpers in the shoe factory, are there?

Mr. McNAMARA. Very few—a small minority.

Senator WALSH. What is the cheapest skilled help?

Mr. McNAMARA. \$20 a week.

Senator WALSH. What is the highest?

Mr. McNAMARA. It is on piecework, Senator. We had one edge setter, I think, that earned as high as seventy odd dollars a week.

Senator WALSH. I suppose that is exceptional?

Mr. McNAMARA. That runs with certain operations. Wood heelers are very well paid. Their wages run extremely high.

Senator THOMAS. This strike, then, is an attempt to secure fewer days in the week and also an increased price?

Mr. McNAMARA. That applies, also, Senator, to the weekly price.

Senator THOMAS. In the event you should grant a 5-day week, what what effect would that have upon the industry?

Mr. McNAMARA. In Haverhill?

Senator THOMAS. Yes.

Mr. McNAMARA. It would be demoralizing, to say the least.

Senator THOMAS. Explain how?

Mr. McNAMARA. For this reason, Senator: That we have got—we can manufacture here in the United States now in about six months all the shoes that we need for domestic production for a year. There is no question but that there is overcapacity in our factories. That, of course, stiffens competition and makes conditions extremely hard. It is impossible for us to compete with a 5-day week and a 10 per cent increase when other sections of the country are working 54 hours a week and at a lower wage scale than we are.

Senator THOMAS. In the event this increased tariff should be granted, explain to the committee just what effect you hope it will have on the shoe industry, so far as you are personally concerned and those you represent.

Mr. McNAMARA. I realize this: that the importations at the present time of women's shoes as against domestic production, is very limited. I am looking ahead for the next 10 years. I believe that with the constant increase in importations of shoes, that within a decade the women's shoe industry will be obsolete, unless some protection is afforded the industry.

Senator KEYES. What is the character of the women's shoes that you manufacture, or are manufactured in Haverhill?

Mr. McNAMARA. McKay's shoes, Senator.

Senator KEYES. Are they shoes at what price?

Mr. McNAMARA. They retail anywhere from \$5 to \$6 a pair.

Senator KEYES. So that the shoes that are coming in from Czechoslovakia come in competition with your products?

Mr. McNAMARA. They come in competition with ours, and then they also import a lower grade that comes in competition with other factories in the same city.

Senator WALSH. What are they selling for—the Czechoslovakian shoes—in competition with yours?

Mr. McNAMARA. \$2.98, I think, up to \$7 or \$8 a pair.

Senator WALSH. What price Czechoslovakia shoes can you get that is comparable with your \$6 shoe, retail price?

Mr. McNAMARA. I should say, Senator, that the shoe that they would sell here to the retailer for about \$2.40 would cost us in the neighborhood of \$3.50.

Senator WALSH. To make?

Mr. McNAMARA. To sell at retail.

Senator WALSH. About a dollar difference?

Mr. McNAMARA. About a dollar difference. I should say about 50 per cent of that would be taken up with labor.

Senator THOMAS. I think there are about three main reasons for increasing the tariff. I would like to ask you about each one of them. First, an increased tariff with the same amount of imports will increase the revenue to the Treasury. Are you interested in that phase of the tariff matter?

Mr. McNAMARA. Certainly not, Senator.

Senator THOMAS. Second, an increased tariff will naturally decrease the amount of imports. You would be interested in that?

Mr. McNAMARA. Yes, sir.

Senator THOMAS. To the extent that imports are decreased, local or domestic demand will increase?

Mr. McNAMARA. Will increase; yes.

Senator THOMAS. And that will help you?

Mr. McNAMARA. That will help me.

Senator THOMAS. If the tariff is raised sufficiently high to substantially decrease imports, then, of course, the demand that would otherwise go to the foreign-made article would necessarily have to go to the domestic-made article?

Mr. McNAMARA. Absolutely.

Senator THOMAS. And that would increase your production; the demand for your goods necessarily, of course, will increase your production?

Mr. McNAMARA. Yes, sir.

Senator THOMAS. Now, do you hope through an increase of tariff to so decrease imports that there will be an increased demand for your product?

Mr. McNAMARA. I do, Senator.

Senator THOMAS. And would you be satisfied with a tariff that would accomplish that end and that alone?

Mr. McNAMARA. That would increase the production of shoes in America, certainly.

Senator THOMAS. At present prices?

Mr. McNAMARA. At our present prices.

Senator THOMAS. You would be satisfied with a tariff that would bring about that result?

Mr. McNAMARA. Absolutely.

Senator THOMAS. In the event that this tariff is placed on as is provided in this bill, it is admitted, I think, that it will decrease imports, and I think it will be admitted by most people that it will increase the price that they will have to pay for shoes. Now, when that is done, do you anticipate that labor will make an additional demand in proportion to the increase in the tariff rates?

Mr. McNAMARA. I don't contend, Senator, that the price of shoes is going to increase.

Senator THOMAS. Well, you perhaps are about the only one that will make that contention. Conceding that it will not increase, the fact that the Congress gives an increased duty on shoes, will not that have the effect of leading labor to believe that you are making more money out of the shoe business, and will not that stimulate further demand on behalf of labor for decreased hours and increased wages for the time they work?

Mr. McNAMARA. In view of the fact, Senator, that the Shoe Workers Protective Union, which I presume is one of the strongest unions in America, numbering 20,000 people, are indorsing this tariff on shoes, I do not believe that they have any such idea.

Senator THOMAS. Well, why do you think they are indorsing it? They are not doing it just for the fun of it. They are not doing it to benefit the Treasury.

Mr. McNAMARA. They are simply doing it to protect American workmen, because our production is decreasing, and they can see ahead to the time when the entire women's shoe industry will be obsolete unless something is done to protect the American workmen. We are getting constant demands for increases, constant demands for shorter hours. I believe that the 5-day week is coming, and yet how in Heaven's name in the shoe industry can we give them a 5-day week when we are competing against a 6-day week with 10 hours a day and a wage scale that varies anywhere from \$4 to \$14 a week?

Senator THOMAS. It now appears that labor quite generally is indorsing this tariff bill and its various features, and do you not think that that is done because of the fact that labor believes that the more prosperous the factories become, the shorter hours they may obtain and the more money for each hour that they work likewise?

Mr. McNAMARA. I am not going to contend, Senator, that the labor unions are not interested in shorter hours or are not interested in more money for their members? There is no question in my mind but what they would like to get it, but I do not believe that they have any ulterior motive in advocating the tariff on shoes at the present time.

Senator THOMAS. I would not call that ulterior. It is for their benefit if they can bring about their demands, as I see it.

Mr. McNAMARA. It is my conception that they see the handwriting on the wall; that they are attempting to have the Senate throw around this industry the protection that it needs, so they can get steadier employment and that the rate of wage scale that is prevailing now will at least be maintained.

Senator THOMAS. If your industry gets the benefit of this tariff raise, do you not think that the first thing that the shoe industry will do will be to grant a 5-day week and 10 per cent increase?

Mr. McNAMARA. It is impossible, Senator.

Senator THOMAS. Even with the increased duty?

Mr. McNAMARA. Even with the increased duty; yes.

Senator THOMAS. Do you not think that if this tariff bill passes and the manufacturing interests take the same viewpoint that you do, that we will have in the next few months a general strike in every line of industry throughout the entire United States?

Mr. McNAMARA. I can not get the same conception of their demands that you do, Senator. I do not believe that they have any intention to demand an increased wage scale nor a shorter week if a tariff is placed on shoes. I believe that what they are trying to do is to simply hold what they already have.

Senator THOMAS. They are doing like some other factories, asking for a 50 per cent tariff and would be delighted to have 25 per cent; is that the idea?

Mr. McNAMARA. I have no record here of any union asking for a 50 per cent tariff, Senator.

Senator THOMAS. That is all.

Senator WALSH. You stated that there has been a falling off in production, particularly in the last three years, which I assume means a falling off in working hours?

Mr. McNAMARA. In working hours; yes, sir.

Senator WALSH. Have you any figures to show how much less the annual returns to labor have been in Haverhill during the last three years?

Mr. McNAMARA. I have not, Senator. I think I might get that information and file it with the committee.

Senator WALSH. Is it a fact that the men and women working in the Haverhill shoe factories have been getting a less total return without any reduction in wages?

Mr. McNAMARA. That is true.

Senator WALSH. During the last few years?

Mr. McNAMARA. Yes; because of the fact that we have not run to capacity.

Thank you, gentlemen.

STATEMENT OF THOMAS A. O'HARE, QUINCY, MASS., REPRESENTING THE BOOT AND SHOE WORKERS UNION

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

Mr. O'HARE. I am representing the Boot and Shoe Workers Union. Senator KEYES. Are you listed in this calendar, do you know?

Mr. O'HARE. Yes, sir; I am, Senator.

Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. O'HARE. On February 22, I think it was. I also appeared before the Ways and Means Committee in 1923.

Senator KEYES. Have you something new to add? Of course, we have the testimony before the Ways and Means Committee.

Mr. O'HARE. In addition to the testimony that I gave at that time, the imports are gradually growing greater.

Senator KEYES. You are referring to imports of boots and shoes?

Mr. O'HARE. Imports of shoes, particularly of the cheap grades of women's shoes.

The capacity of the shoe factories in the United States to-day is such that in six months all the shoes that are needed in the United States could be made. So that every case of shoes imported into this country means so much less employment for our American shoe workers. The menace is growing greater. We are not satisfied with what the Ways and Means Committee has done in recommending 10 per cent on shoes, but we are very grateful for that, because it does give the opportunity, as this menace becomes more acute, for a remedy to be applied.

I think that is about all that I have to say, Mr. Chairman.

Senator THOMAS. Whom do you represent?

Mr. O'HARE. The Boot and Shoe Workers Union, affiliated with the American Federation of Labor, recognized as the legitimate trades union for shoe workers to belong to.

Senator THOMAS. How many people are engaged—I mean how many people are included in this organization?

Mr. O'HARE. We have in the neighborhood of 35,000.

Senator THOMAS. Where are they distributed?

Mr. O'HARE. From Maine to California.

Senator THOMAS. There are very large shoe factories, are there not, in St. Louis and Chicago?

Mr. O'HARE. Yes; the International, that run open shop. They have 22 factories in 22 towns in Missouri.

Senator THOMAS. Do you represent them?

Mr. O'HARE. No; I represent the organized shoe workers, because we realize that the men who are members of a labor union, their conditions are greatly governed by the detrimental conditions that can be established in open shops throughout the country, and if those open shops are menaced by very keen competition, from foreign countries, then, of course, it makes for industrial chaos.

Senator THOMAS. Which gives your organization the most concern, the open shops or the foreign imports?

Mr. O'HARE. They are both of very serious import, naturally, to us. At the same time we realize that an open condition is something that, in due course of time, as the communist element becomes stronger in this country, that all employers of labor will naturally look to the American Federation of Labor unions for solution of the trouble. We at the present time in Boston are engaged in a legal strife precipitated by the communist element, and through their force they have set the few workers out on the street, one department, which controls all the factories, over three months.

Senator THOMAS. What percentage of the shoe industry, at this time, is affected from the standpoint of unemployment?

Mr. O'HARE. Mayor Barth testified before the Ways and Means Committee—he happens to be mayor of Lynn—that they were paying \$40,000 a month in relief, through relief to skilled shoe workers. The shoe industry at the present time, I should say, would be from 20 to 25 per cent unemployed.

Senator THOMAS. Are the men who belong to the unions unemployed, as well as the nonunion men and the open-shop men?

Mr. O'HARE. Yes, sir.

Senator THOMAS. There is no distinction made then? You are not able, in other words, to afford employment for the union men any more than the nonunion men can secure employment?

Mr. O'HARE. No. We recognize that the farsceing employers of labor, who have arbitration agreements, their organization is built upon arbitration, will be handicapped by the importation of foreign shoes, making it possible that the open-shop employers may attempt to secure, through reduction of the wages, relief from the imports, which would mean that the fair employers of labor would be confronted with a loss of business, or we would be confronted with requests, through arbitrations, for reductions in wages.

I might say that the average wage, according to the statistics of Massachusetts last year, was \$26 a week for skilled shoe workers.

Senator THOMAS. What about the hours of employment in the shoe industry?

Mr. O'HARE. We have as a standard throughout the United States an 8-hour day.

Senator THOMAS. And a 6-day week?

Mr. O'HARE. Half a day on Saturday, and the rest made up in the other five days.

In our convention, which was held only last week, we have gone on record for the 5-day week, until the time arrives when the large open-shop employers will see the wisdom of a shorter week.

Senator THOMAS. How do the wages range among the employees of the shoe industry?

Mr. O'HARE. In Massachusetts the average wage is \$26, according to the statistics.

Senator THOMAS. Are they paid by the piece or by the hour?

Mr. O'HARE. That varies from 60 to 90 per cent in various factories. We concede the right of the employer to have either the piece system or day system. Some employers indulge more in piecework than others.

Senator WALSH. Along the line of the Senator's inquiry, is it not a fact that the highest wage paid to any females employed in any industry in America are paid in the boot and shoe industry?

Mr. O'HARE. We are lucky in that respect, on that account.

Senator WALSH. I thought that would be interesting. And incidentally, up to the present time, it is the only important industry that has not been given protection.

Mr. O'HARE. The only industry. What little protection we have—15 per cent. I appeared before the Ways and Means Committee in 1913, and as far as leather shoes are concerned, that was wiped out at that time.

Senator THOMAS. I want to get into the record the minimum and maximum wage paid the shoe industry, the workers, and if you will give for the record what the lowest paid workers receive and go up the scale to the highest paid workers—give an idea of the wage schedule.

Mr. O'HARE. In our union factories, \$12 a week is the minimum, and under the piece system it goes up as high as \$60 and \$70 a week, but on account of its being a seasonable occupation, the unemployment which naturally follows in that trade brings the average down, so that, as I have already said, in Massachusetts, the State statistics are \$26 a week; in that neighborhood.

Senator THOMAS. Senator Walsh spoke about female employment being especially attractive in the shoe industry. What do they receive for maximum wages?

Mr. O'HARE. They have female employees in advancing and stitching uppers that make \$45, \$50, and \$55 a week when employed.

Senator WALSH. Do you know what the average number of weeks of employment are during the year?

Mr. O'HARE. That varies, Senator. In some factories they run fairly steady, while in other factories there are short seasons. There will be perhaps 12 or 14 or 16 weeks' work and then perhaps four or six weeks no employment or part time. Then again they have about the same number of weeks in the fall.

Senator THOMAS. Have you been in the shoe industry all your life?

Mr. O'HARE. I have been 30 years in America and 20 years in England before I came here.

Senator THOMAS. Are you in favor of legislation through the present tariff bill, or other bills, that would give American labor the full benefit of the American demand?

Mr. O'HARE. Senator, our first request was that the tariff should be placed upon the American valuation.

Senator THOMAS. I am not speaking about that. I am asking you if you are in favor of a system that will give to American labor all the work that is demanded to be done by our American population?

Mr. O'HARE. As far as feasible.

Senator THOMAS. What do you mean by "feasible"?

Mr. O'HARE. There are certain things, in all probability, that are not produced in America at all. I listened to an argument before the Ways and Means Committee where glove manufacturers testified that ladies' welts could not be made in the United States. Not being familiar with it I have no opinion. But I do know this, that there are not many shoes made but what can be made in America. To-day, just before coming here, I happened to stop and look in a store window, the Hahn store, and I noticed that they had men's shoes made in Czechoslovakia. Now, manufacturers of men's shoes in the United States are not as fully alive to the dangers to the trade, as the manufacturers of ladies' shoes, but that danger is here.

Senator THOMAS. What per cent of the American shoe output is exported?

Mr. O'HARE. I have those figures here somewhere. That was filed in the brief of the manufacturers before the Ways and Means Committee.

Senator THOMAS. You concede that a very large amount of American shoes are sold abroad, do you not?

Mr. O'HARE. Very few in comparison to the imports. I will find that later in one of these papers.

Senator WALSH. Have the exports been dropping or increasing?

Mr. O'HARE. The exports have very greatly declined, while imports are alarmingly on the increase.

Senator WALSH. Cuba used to be the great export place?

Mr. O'HARE. That was a great export country for the American men's shoes—men's shoes in particular.

I made the statement, Senator, before the Ways and Means Committee hearing in 1923, that there was no immediate danger to the shoe factories or shoe workers at that time, but that danger would arise when the foreign countries adopted the American system of manufacture, mass production, with efficiency methods, and it took quite a number of years before that point was arrived at. Mr. Barter (?) of Czechoslovakia, spent some years in Lynn, and they have what is termed the "belt system" for manufacturing shoes in operation in only two factories in that State, and their output per unit is greater than the output in this country, while their earnings are about one-third of what our American shoe workers' earnings are. So it is perfectly logical to see that it is only a question of time before the shoe-making industry will be extinct.

I am given to understand that within the last few weeks one of the American manufacturers has imported some of the Czechoslovakian shoes for the trade. I am unable to say that of my own knowledge, but I received that on very reliable information.

Senator THOMAS. Is it not a fact that in every city in the world of any size there will be on exhibition and for sale shoes made in America?

Mr. O'HARE. That was so, but it is not so at the present time. I remember 35 years ago seeing American shoes cut through the center in an English shoe manufacturer's store, showing, as they termed it over there, the imperfect way of making the shoe. Instead of being made of solid leather, the bottom filling was different, and all of the other things that entered into it. In England, you know, at that time, we thought no one could make shoes but ourselves.

Senator THOMAS. Well, it is a fact, I am sure you will admit, that there are a few stores in all parts of the world handling American shoes?

Mr. O'HARE. Yes; owned and controlled by American shoe manufacturers.

Senator THOMAS. And does not that demand coming from abroad help the American laboring man to the extent at least that these shoes are sold abroad?

Mr. O'HARE. That is of such very slight importance that it is well answered by Mr. Harold Heath, president of the Walk-Over Shoe Co., in his testimony before the Ways and Means Committee—that their company had given serious consideration to whether they would not make their shoes on the other side. They have already had a survey made. You will find that in his testimony.

And in addition to that, the statement was made by him that the shoes that they sent abroad to be sold through the Walk-Over stores had established a clientele all of their own, so that a person who bought a Walk-Over shoe would go back again for a Walk-Over shoe. But that was not in the usual competitive way of selling goods.

Senator THOMAS. Are you in favor of a tariff on raw hides?

Mr. O'HARE. Whatever the committee decides will have to be satisfactory to us, but we think that there should be a compensatory tariff added to the shoes. We realize that 40 per cent of the hides must be imported into this country. The farmers are asking for a duty on hides, and that may be the answer; yes. At the same time, I doubt very much myself whether the farmers are going to receive any benefit from the duty on hides.

Senator THOMAS. Well, how is it that everyone else can receive benefits from the tariff except the farmers, and the folks who are getting the benefit say that he can't get any?

Mr. O'HARE. Well, what I have in mind, Senator, is this, that the animal is bought on the hoof, the hide is part of the by-product, and looking at it from a businesslike viewpoint, the man who does the buying will probably have that in mind. It happens to be the packer that does the buying, and the farmer might not get anything to speak of. And if there is a duty on hides—and I am not arguing against it—if there is a duty on hides, that will bring an added cost to the shoe. The farmer consumes one-third of the shoes that are made in the United States, the farmer himself, and the figures produced before the Ways and Means Committee showed that the farmer would receive \$25,000,000 from the duty on hides.

Senator WALSH. If it was effected.

Mr. O'HARE. And he would pay \$24,000,000 in extra price for his shoes.

Senator THOMAS. Does that not apply to every article upon which a duty is placed?

Mr. O'HARE. Hides are in a rather different situation, because this country does not produce within 40 per cent of the needs of the country.

Senator THOMAS. A tariff on hides would be effective, would it not?

Mr. O'HARE. It would be effective. It would add to the cost, of course. But I am not arguing against a duty on hides, but I am

asking that should a duty be placed on hides, that the difference, the compensatory difference, should be added to shoes.

Senator KEYES. How much do you think that ought to be?

Mr. O'HARE. Well, we asked in our brief before the Ways and Means Committee, 35 per cent for shoes. I understand the Farm Bureau was asking for 45, and then they whittled it down to 15.

Senator THOMAS. Do you think if this farm bill passes, which adds to the burdens of the farmer, that unless he is given some benefits in this bill, the farmer can continue to be the purchaser of one-third of the output of American shoe factories?

Mr. O'HARE. I realize, Senator, that unless the farmer is prosperous all the other people in the United States can not be prosperous. We all depend upon the farmer's prosperity. There isn't any labor man that I am acquainted with in the United States but what will readily concede that.

Senator THOMAS. You will admit, will you not, that the tariff on hides will be of some benefit to the farmer?

Mr. O'HARE. I don't see that it would be of any particular benefit. I think there are other items in which he would receive more direct benefits.

Senator THOMAS. Name them, if you will.

Mr. O'HARE. The things that are grown.

Senator THOMAS. Well, suggest some of them. We are looking for that sort of information.

Mr. O'HARE. Practically everything that is raised by the farmer.

Senator THOMAS. Well, name some of them.

Mr. O'HARE. Personally I am very strongly in favor of the farm bill without the debenture.

Senator THOMAS. With the debenture?

Mr. O'HARE. Without. That is only my own personal opinion. If the committee deems it wise to recommend the tariff on hides, that is satisfactory to us.

Senator THOMAS. But it will raise the price of shoes, in your opinion, if the tariff is placed on hides?

Mr. O'HARE. The testimony of Mr. McAn, who represented the manufacturers in the Ways and Means hearings, was that it would raise the cost of shoes about 30 cents a pair.

Senator THOMAS. It was testified this morning that three and a half pounds of raw hide would make a pair of shoes. These raw hides are worth in the neighborhood of 15 cents a pound. That would make the cost of the raw hides in a pair of shoes, taken for an average, fifty-odd cents a pair. You estimate now that the shoe manufacturers should have a 35 per cent increase in tariff because of this proposed increase on hides. Thirty-five per cent tariff on a pair of shoes which cost, say, \$10, would be considerable. Do you think that is necessary?

Mr. O'HARE. The point I had in mind, or the thought I had in mind, Senator, in mentioning Mr. McAn's name, was that the shoe he manufactures, the Thom McAn shoe, in most stores retails at \$4 or \$4.50, and the shoe that retails at \$8 or \$10 would in all probability be priced higher. That is the difference in percentage. We are asking for a duty, not for any other reason except to protect the American shoe worker in his job. Unless a duty is placed upon shoes, the New England States, where probably half the women's shoes are

manufactured in this country, will gradually diminished in employment.

Senator THOMAS. Do you not agree that with a higher cost to the consumer for shoes, a less number of pairs will be purchased?

Mr. O'HARE. My experience has not found it that way. The novelty shoes, the style, makes for the sale.

Senator THOMAS. Well, that is only a rather small proportion of the shoes manufactured in America, the novelty shoes, won't you admit?

Mr. O'HARE. The novelty shoes really are supplanting the staples in women's shoes, the old-line staple, the oxford and blucher, which more than half the ladies have been wearing. It is an exceptional thing to see any lady wearing a plain oxford shoe. It is all novelty. In fact, they are introducing novelties in men's goods.

Senator THOMAS. Where does the chief competition come from to American shoe factories, from what foreign countries?

Mr. O'HARE. Czechoslovakia at the present time is the real menace.

Senator THOMAS. Aren't shoes from that country of a very inferior quality?

Mr. O'HARE. I would like to be able to say yes, and if they were, the American consumers would not purchase them. But that would be untrue. The shoe that is sold for \$3.95 to \$4, I have seen many of those shoes cut up, and they are really shoes of value for the price. And the American public does not get the benefit of those shoes; it is the importer. The importer takes the difference of 45 cents and puts it in his pocket.

Senator THOMAS. Well, he would not be businesslike if he did not stick something in his pocket.

Mr. O'HARE. I mean the extra 45 cents. I believe they are entitled to what is right.

Senator THOMAS. Doesn't everybody stick all he can into his pocket, without somebody prevents him?

Mr. O'HARE. I am afraid that is a fact. Regrettable, but it is true.

Senator THOMAS. I think we have a demonstration of that here at the present time, everybody trying to get all that is loose and all that they can pry loose.

Mr. O'HARE. Except the shoe industry, Senator. [Laughter.]

Senator THOMAS. You think that is an exception?

Mr. O'HARE. I know it is an exception, because this is a question of life or death for an industry that has no protection whatever on leather goods.

Senator THOMAS. In the event that Congress should decide not to place a tariff on hides, would the shoe industry still insist on having protection?

Mr. O'HARE. If we do not have protection it is simply a question of how long it will be before the men in Haverhill, Lynn, and Boston will be out of work.

Senator THOMAS. Doesn't that obtain in every class of industry at the present time?

Mr. O'HARE. Well, this is one industry in which we have no protection.

Senator THOMAS. Do you ask for protection in the event that the bill does not carry a tariff on hides?

Mr. O'HARE. Decidedly. But if in the judgment of the committee a tariff on hides is necessary, then we ask that a compensatory tariff be added on shoes.

Senator THOMAS. A 10 per cent tariff on hides would necessitate what sort of compensatory tariff on shoes?

Mr. O'HARE. We ask 35 per cent, and whatever difference there was on hides to be added to that. What we received from the Ways and Means Committee was 10 per cent on hides, 15 per cent on manufactured leather, and 20 per cent on shoes. It was not what we wanted, but we were thankful that we had at least the shoes on a protective basis, so that as the facts would warrant and as the days went along, if any change should be made by Executive order, the opportunity would be there. This is of all industries, I think, the one that is most seriously threatened at the present time.

Senator THOMAS. Well, we hear that in every class that comes before us.

Mr. O'HARE. I imagine so, but this is really true, coming from the shoe workers.

Senator THOMAS. This is a true statement? [Laughter].

Mr. O'HARE. This is a true statement.

Senator WALSH. In the event of no duty being placed upon hides, would the shoe manufacturers be satisfied to limit the protective duty upon the finished goods to that class of ladies' shoes that are imported from Czechoslovakia?

Mr. O'HARE. I think, Senator, that some of the manufacturers might be of that frame of mind. Those who are manufacturing men's goods, they don't seem to realize—I have talked with quite a number, and they don't seem to realize what is possible by efficient methods of manufacturing on women's goods can be so applied on men's goods. We have at the present time in some of the stores on Pennsylvania Avenue shoes made by Church & Co., Northampton, England, and Robinson & Co., of Northampton, England, that stand up better than the American goods, at 50 cents a pair less. When I say "better" I mean that they are made on the American last. We have in England at the present time the same machinery company that is in Beverly, with their branch office in Leicester, and the same patent company that is in Brockton, Mass., with their branch office in Northampton, England, and the designs and patents and everything are just identical. Even in Czechoslovakia the machinery is the machinery that is manufactured in America that these goods are being made on.

Senator WALSH. The United Shoe Machinery Co. has had that monopoly on all patented shoe machinery for years.

Mr. O'HARE. Yes, sir.

Senator WALSH. And they have in recent years been selling their machines in Europe, and Europe is now beginning to produce shoes that are as well made, and at cheaper prices because of differences in cost of labor there, and here and are now for the first time entering the American market in large volume.

Mr. O'HARE. That is correctly stated, Senator.

Senator WALSH. I want to ask you one other question with reference to American shoes being sold abroad.

Isn't the American shoe a part of the wearing apparel of Americans, and if an American wants to get shoes, no matter in what part of

the world he is, aren't there a good many of these stores in London and Paris and throughout the world, largely, to supply the American residents there?

Mr. O'HARE. There is no question but what that is so.

Senator WALSH. I think that is all. I want to say for your information that yesterday—you probably were not here—some people representing the cattle association recommended to the committee a duty, a specific duty, upon hides that would represent an ad valorem duty of 33½ per cent on hides. What will that do to the shoe industry?

Mr. O'HARE. I think it would wreck it, simply wreck it.

Senator THOMAS. Do you know of any American shoe manufacturing concerns that are going abroad and establishing factories and producing goods abroad?

Mr. O'HARE. No; but judging American manufacturers from my acquaintanceship with them for over 20 years, I don't think it will be long before some of them do that.

Senator WALSH. Another phase of this question that perhaps I ought not to bother asking you about—the shoe industry has been one of the industries that has not enjoyed protection, and it has been highly competitive. Is that true?

Mr. O'HARE. Very true.

Senator WALSH. There is no price agreement between manufacturers or wholesalers, and it has been highly competitive. Don't you think that the levying of a tariff duty on hides, leather, and shoes, may result in what has happened in many other industries, the elimination of the competitive character of the industry and ultimately result in the creation of monopoly?

Mr. O'HARE. It might have that result. At the present time I don't think any industry in the United States is so highly competitive as the shoe industry. It is practically a cutthroat proposition, and that is based upon the fact that any manufacturer is able to lease machines from the United Shoe Machinery Co., and with a little capital of his own and some acquaintanceship among the jobbers can start in business in the shoe industry with about \$5,000, and if he goes out of business it is unfortunate for those that are working for him.

We have some factories that started on the so-called "cooperative plan," that if there was any material duty on hides I can see where a monopoly in shoes is quite a possibility.

BRIEF OF HON. JOHN D. CLARKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Through their committee, 17,000 shoe workers and their families in and around Endicott, West Endicott, Johnson City, and Binghamton have asked me to plead their cause before the Finance Committee of the United States Senate. A struggling industry has been transformed into a highly successful business enterprise; farm lands changed into home sites and thousands of homes built at cost, sometimes less, sold at cost to these workers handy to their work; stores have been established and supplies sold at cost or a trifle over; hospitals and trained nurses—all free to the shoe workers and their families; playgrounds, swimming pools—all carefully planned by the great humanitarian, George F. Johnson, and each year, aside from the dividends on the issued stock, a share of earnings goes to each worker. The objective of the genius of George F. Johnson is a \$1,500 pay envelope for each worker, homes where

American standards of living are enjoyed, churches of all denominations cheerfully supported, all for the making of better Americans.

Two years ago work was less and last year another falling off. Somewhere in the economic and industrial machinery of the enterprise and similar shoe-manufacturing plants of the United States was the intrusion and unfair competition of shoes manufactured in Europe by foreigners trained in the industry in this country where the labor cost is from one-third to one-half what is paid by the Endicott Johnson Co.

Importations growing from \$1,246,000 in 1923 to an estimated importation in 1929 based on present imports of approximately \$17,000,000.

The shoe industry needs help now, and it will need more help if these foreign shoes are permitted to come into this country free of duty until another tariff bill is written. Many a community where the shoe industry is now seeking to survive will be utterly ruined.

I feel that the tariff bill as passed by the House of Representatives represents a fair compromise between the different interests, whether it be hides, leather, or shoes, and respectfully urge the Senate Committee to adopt these schedules as approved by the Ways and Means Committee of the House of Representatives and which passed the House itself by an overwhelming vote.

STATEMENT OF LLOYD D. BOWER, LEGISLATIVE SECRETARY OF THE OHIO CHAMBER OF COMMERCE, COLUMBUS, OHIO

[Including hides and skins, par. 1630 (a)]

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

Senator KEYES. Will you state whom you represent?

Mr. BOWER. I am legislative secretary of the Ohio Chamber of Commerce, Columbus, Ohio.

I am here merely representing some of our members by filing certain of their views in the form of affidavits, and so forth.

I would like to file a letter and resolution of the Portsmouth, Ohio, Chamber of Commerce, and a brief on the same subject, namely, an import duty on hides and skins, and a duty on boots and shoes.

I would also like to file a letter from the Halley Bros. Co., of Cleveland, which is also duly certified.

(The matter above referred to, submitted by Mr. Bower, is as follows:

THE CHAMBER OF COMMERCE,
Portsmouth, Ohio, June 26, 1929.

Mr. LLOYD D. BOWER,

Legislative Secretary, the Ohio Chamber of Commerce, Washington, D. C.

MY DEAR MR. BOWER: The State of Ohio is one of the leaders in the manufacture of boots and shoes in the United States. Consequently the treatment this industry receives from the Congress in the final draft of the pending tariff bill is most important, not only to the manufacturers of shoes and the allied industries dependent thereon but also to the thousands of men and women who work in the trades comprising this vast industry.

At the suggestion of Mr. Chandler, I am inclosing herewith two copies of the brief prepared by Mr. J. Franklin McElwain, chairman of the tariff committee of the National Boot and Shoe manufacturers' Association, and presented to the Ways and Means Committee of the House of Representatives as an expression of the industry collectively regarding their views upon the schedules affecting the industry. If you will refer to page 7 of the brief, you will find the personnel of the tariff committee, and further that three Ohio shoe manufacturers are included in the list, so that the brief truly reflects the attitude of the industry in the State of Ohio.

In addition to the above, I am also submitting herewith two copies of a resolution prepared by a committee of the Chamber of Commerce of Portsmouth, Ohio, representing the shoe industry of our city, outlining the views of the shoe manufacturers and the chamber of commerce upon the hide, skin,

and shoe schedules of the proposed tariff bill. This resolution was unanimously adopted at a regular meeting of the board of directors on March 21, 1929.

Inasmuch as both of these writings are explicit in every detail, I feel that further comment upon them is unnecessary. I trust they may aid you in your work before the Senate committee which now has the tariff bill under consideration.

Very truly yours,

MARK W. SELBY, *President.*

CHAMBER OF COMMERCE,
Portsmouth, Ohio, March 21, 1929.

To the PRESIDENT AND DIRECTORS,

The Chamber of Commerce, Portsmouth, Ohio:

Your committee charged with the duty of preparing a memorial to the Ways and Means Committee of the Congress of the United States in support of an import tariff upon the foreign-made shoes now entering the United States, recommends the adoption of the following resolution, namely:

Whereas foreign-made shoes are being introduced into the United States in greatly increasing numbers; and

Whereas the shoe-manufacturing industry in the United States is national in its extent and is particularly important in the State of Ohio and in the city of Portsmouth; and

Whereas there are no trusts or combinations in the industry, and without doubt the shoe factories of the United States are operating to not more than 50 per cent of their potential capacity, which means of necessity that competition is keen and that excessive profits are impossible; and

Whereas American workmen are forced to compete with foreign labor where wages and living conditions are far below the standards existing in the United States: Now, therefore, be it

Resolved, That the board of directors of the Portsmouth Chamber of Commerce hereby record the vote of its members in favor of a revision of the present tariff law to protect the American shoe industry by providing for adequate duties upon foreign-made shoes entering the United States; and

Whereas a duty upon hides and calfskins will be a serious handicap to the shoe industry, because this country can not produce enough hides to meet the demand, but must necessarily import a large portion of its requirements; and

Whereas such a duty will therefore increase the cost of living to every person in the United States; and

Whereas such a duty will result in no material gain to the farmers of the United States whom it is intended to benefit, because the increased amount the farmer will pay for articles of leather which he is obliged to use will be much greater than the amount he might gain through an increase in hide prices because of a duty on hides; and moreover, only a relatively small number of farmers raise cattle to a sufficient extent to benefit by a duty on hides: Now, therefore, it is further

Resolved, That the board of directors of the Portsmouth Chamber of Commerce hereby record the vote of its members in opposition to an import duty upon hides and skins; and

Whereas if a duty can not be had upon shoes without a corresponding duty upon hides and skins: Then be it further

Resolved, That the board of directors of the Portsmouth Chamber of Commerce hereby record the vote of its members in opposition to any import duty upon shoes or upon hides and skins.

Respectfully submitted,

ROGER A. SELBY,
T. C. LLOYD,
FRANK M. BAGGS,
Committee.

At a meeting of the board of directors of the chamber of commerce of Portsmouth, Ohio, held this 21st day of March, 1929, the above resolution was unanimously adopted.

MARK W. SELBY, *President.*
VAUGHAN A. TALBOTT, *Secretary.*

AFFIDAVIT

Lloyd D. Bower, being first duly sworn, deposes and says that he resides in Columbus, Ohio; that he is the legislative secretary of the Ohio Chamber of Commerce; that he is at present in Washington, D. C., attempting to assist some of the members of the Ohio Chamber of Commerce in the presentation of their views on certain tariff schedules through letters, statements, briefs, etc., to the subcommittee of the Senate Finance Committee; that the above letter, dated June 26, 1929, to which is attached a resolution and brief, was received by him in the city of Washington on June 27, 1929, from Mark W. Selby, president of the chamber of commerce of Portsmouth, Ohio; that he is familiar with the signature of Mr. Selby; and to the best of his knowledge and belief Mr. Selby signed such letter; that he has only a general knowledge of the statements contained in such letter, resolution, and brief, but believes the statements made therein are true.

LLOYD D. BOWER.

DISTRICT OF COLUMBIA.

City of Washington:

Sworn to and subscribed before me this 28th day of June, 1929.

JOHN G. SIMS, *Notary Public.*

CLEVELAND, June 25, 1929.

Mr. GEORGE B. CHANDLER,

*Secretary Ohio Chamber of Commerce,
Columbus, Ohio.*

DEAR SIR: We are pleased to acknowledge your circular letter of May 31, relative to the pending tariff bill.

There are a number of items in the bill which we took up particularly with our State senators and local representatives, the principal one of which is the American valuation provision. This comes under section 402 of the bill, H. R. 2667. Since 1922 the American valuation has been taken as a basis for duties on certain things, but the present bill would appear to open up the matter of valuation to such an extent as to permit the use of the American valuation as a general rule or principle. This would appear objectionable, as it would at once increase the duties very materially, the American valuations in most instances being much higher. Likewise, the matter is left largely to the determination of the appraiser, from whose determination there is no appeal except to the Secretary of the Treasury.

If the United States value were to be used generally, and the duties were not to be materially increased, it would require a complete revision of the entire tariff schedule so as to bring the duties to the approximate current levels. This could properly only be done after years of actual experience. The adoption of the American valuation basis generally would tend to create an unstable or chaotic condition of business and would keep the tariff question unsettled and uncertain for many years.

Still another matter was that of a duty on hides. This also will increase the cost of leather and leather products, which are now certainly high enough, and would add to the cost of living in this country.

A protective tariff is a necessity for the welfare of industry and the working men of this country, but to carry it to an extreme only results in excessive profits to the manufacturer, impoverishment of the working man, and increased living costs to the masses. A general tariff principle, as we understand it, is a reasonable protective tariff on manufactured articles, with little or no duty on raw materials.

Yours very truly,

THE HALLE BROS. CO.,
JAY IGLAUER,
Vice President and Treasurer.

STATE OF OHIO.

Cuyahoga County, ss:

Mr. Jay Iglauer, being first duly sworn, says that he is vice president and treasurer of the Halle Bros. Co.; that he signed the foregoing letter; and that the statements therein made are true as he verily believes.

JAY IGLAUER.

Subscribed and sworn to before me this 25th day of June, A. D. 1929.

LEONARD SCHULDY, *Notary Public.*

HARNESS, SADDLES, AND SADDLERY

[Par. 1530 (f)]

STATEMENT OF J. A. ROBERTS, REPRESENTING THE SMITH-WORTHINGTON, SADDLERY CO., HARTFORD, CONN.

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

Mr. ROBERTS. I represent Smith-Worthington Saddlery Co.

Senator KEYES. And you are interested in what?

Mr. ROBERTS. Section (f) of paragraph 1530.

Senator KEYES. Harness leathers?

Mr. ROBERTS. Harness, saddles, and saddlery. Section (f) relates to duties on harness, saddles, and saddlery.

Under the present law all riding saddles whose foreign value is \$40 or less are imported free of duty. If the foreign value is in excess of \$40 they are subject to a duty of 35 per cent. Saddlery items other than as referred to, and saddlery hardware are subject to a duty of 45 per cent. Saddlery hardware is subject to a duty of 50 per cent. Under the proposed law the riding saddles, in the construction of which pig skin or imitation pig skin is used, will be subject to a duty of 35 per cent; saddles in which pig skin or imitation pig skin is not used, will come in free of duty, provided their foreign value is \$40 or less. All saddles whose foreign value is \$40 or over will be subject to a duty of 35 per cent. Other saddlery items will be subject to a duty of 35 per cent, and saddlery hardware will be subject to a duty of 50 per cent.

If it had not been that in the wisdom of the House it was thought desirable to take hides and leather off the free list and put them on the dutiable list, we would not be so much concerned, although a 35 per cent duty on our product, even though leather was brought in free of duty, is not adequate to cover the spread in price between the cost abroad and the cost in the United States.

In the construction of a riding saddle there are certain elements and factors which must be used, and unfortunately we must go abroad for practically all of them; for, owing to conditions which have prevailed, the American producer has been without an opportunity to market his product.

Senator THOMAS. What do you have to get abroad?

Mr. ROBERTS. This saddle tree [producing a saddle tree] is the basis of all English type saddles, and I would like to say that the saddle which is imported, the so-called English type, is used by polo clubs, hunt clubs, and for pleasure purposes. It is not related to equipment common to the ranchman or the lumberman or the farmer. It is entirely foreign to it, has nothing whatever to do with the farm question.

Senator COUZENS. Do the farmers import theirs or are their saddles made in this country?

Mr. ROBERTS. Farm saddles are made in the United States. None of that is imported. We export that kind of riding equipment. Stock saddles, Whitman saddles, McClellan saddles, Park saddles, Sheridan saddles, Kentucky spring seats, Buena Vista saddles, are all produced in the United States, and we export those. None of

them have been made abroad and offered to the home market, as the line of effort in the saddle building game abroad is absolutely away from that line of riding equipment, it is in the direction of the so-called "English type."

The first item that is necessary in the construction of an English type saddle is the tree. This is a hand-made article. The wood is shaped by hand. It is ironed by hand, and made at a cost much lower than is possible to duplicate it in the United States. In fact, it is not made in the United States. The man who shapes the wood in this tree is the son of a man whose grandfather's grandfather has been engaged in this same occupation, and the same can be said about the man who irons the tree. We buy these abroad, of necessity. They are not produced in the United States, and they come in duty free under the present law, because they are and can be used in saddles whose foreign value is \$40 or less.

Senator THOMAS. How much duty do you want placed on that tree?

Mr. ROBERTS. We do not want any duty on the tree. The new law will place a duty of 35 per cent on it. I have not objection to that whatever, if a compensatory duty is placed on the finished product, but under the proposed law it will be subject to a duty of 35 per cent.

The hardware on this tree, if imported purposely, will be subject to a duty of 50 per cent.

Senator WALSH. Is the reason why it would be subject to duty because it has leather on it?

Mr. ROBERTS. No; only because it is saddlery, and under the law saddlery items are subject to a duty of 35 per cent. And that is something that we have been advocating, of course. We do not want saddlery goods brought in free of duty, for we simply can not live under such a competitive condition.

The first step in the construction of the saddle is to strain the seat, and in the straining of the seat we use an all-linen straining ware, which forms the bridge or arch between the pommel and the cantle. This material is not made in the United States. We go abroad for it. We pay a duty of 35 per cent upon our straining ware.

The War Department, up to recent months, when in the market for this material, used the term "quality: Bird or equal." Bird is the outstanding producer abroad of this straining ware. This is from Bird in England.

Senator THOMAS. What other use is made of that commodity?

Mr. ROBERTS. This commodity? I know of no other use, sir. I have not learned of any place where we could sell it.

Senator THOMAS. What does the War Department use it for?

Mr. ROBERTS. The biggest competitor that the saddlery industry has is the activities of the Jeffersonville Arsenal at Jeffersonville, Ind. They produce by far more saddles than any other concern in the United States.

Senator THOMAS. You mean that is a War Department activity?

Mr. ROBERTS. A War Department activity; yes.

Senator THOMAS. And they buy this material for use in their factory?

Mr. ROBERTS. They have just advertised for 3,000 yards of this material.

Senator THOMAS. Does the War Department have to pay a duty on this commodity?

Mr. ROBERTS. The War Department buys it from local dealers like ourselves. We have to pay a duty on it, but the War Department will not allow us to import it and have a rebate on the duty, and which redounds to the War Department's advantage, for under such conditions as that we would be compelled to sell it to the War Department on the basis of no duty, but the War Department buys this on a basis of a 30 per cent duty, and recent tenders were invited for 3,000 yards of this particular material and there is not a consumer in the United States that uses 3,000 yards of that in any one year.

Senator THOMAS. Does the War Department get a rebate of the duty?

Mr. ROBERTS. Not that I know of. I don't believe so. We have furnished the War Department this material in the past, on several occasions, and we paid a duty on it and the Government has paid us for it on the basis of such price.

Senator THOMAS. That is one case, then, where the Government has to pay a duty on a commodity that it uses in its own product?

Mr. ROBERTS. I believe that is common practice, where they use imported material subject to a duty.

Senator WALSH. Does the War Department make saddlery cheaper than private concerns?

Mr. ROBERTS. They do. They do not have our overhead. They do not figure their cost as we do. They operate on a basis that is absolutely foreign to any free labor.

Senator THOMAS. The War Department just makes goods for its own use, does it not?

Mr. ROBERTS. It sells to the Army officers. They do not make this particular type of saddle for Army use. The Army officer buys his saddle and they make them for the Army officers. The Army has determined upon a given type of saddle known as the "Fort Riley training saddle," and also as "an Army officer's field saddle," and to be sure that they are going to get that same type they make that saddle at Jeffersonville and in quantities in excess of the production of any saddle shop in the United States, decidedly so, and they make it in a manner that is not according to the common usages in shops where this saddle is produced, in that we give to the man at the branch his ingredients from the tree up, and he builds the entire saddle. At Jeffersonville it was the custom up to recent months to give to one man one operation, to another man another operation—panels or pads will be made by one man and pieces will be sewed by another man, and strained by another, so that they did not have a key man, other than the man who is proficient in one operation, and in the event of a major crisis and they wanted to take their men out and put them into factories as key men, that man would not be competent to carry all of the operations through.

In our industry, as is common in the industry, the man who makes the saddle begins with the tree. He carries all the operations through and completes the job. After the tree has been strained the seat is set, as we call it. In this operation an all-wool saddle serge is used. Unfortunately, we have to go abroad for that because it is not produced in the United States in the quality or at the price

that is comparable to what can be obtained abroad. This serge in this particular piece here is what we commonly use. We pay 4 shillings and 4 pence in Birmingham for it, and the specific and ad valorem duty doubles that cost.

Senator THOMAS. What is that made of?

Mr. ROBERTS. This is all wool, long all-wool staple. The seat is set with what we call an all-wool flock. In other words, there is a small opening in the center of the seat and this long staple wool is worked in and fashioned so that the seat or shape of the seat is determined and established.

This article costs \$2.96, double the price it does our foreign competitor. American makers of wool material have attempted to duplicate the foreign article, but as a rule the price is from 100 to 200 per cent higher than we can buy the product with the duty on, and although they have attempted to produce it in this country, it has not been a success. Remember, gentlemen, under the proposed law 35 per cent is the duty to be levied on the finished article.

After the saddle has been carried to this condition, strained and set, the seat is drawn on—

Senator THOMAS (interposing). Before you leave that, who is benefited by a duty on that wool cloth that you just mentioned?

Mr. ROBERTS. Nobody is, for it has not enabled the American producer to duplicate this material at the price.

Senator THOMAS. What use is that put to, save for the making of saddles?

Mr. ROBERTS. I presume there are many other uses. I really do not know. I could not answer that question.

Senator THOMAS. Do you know of any other use?

Mr. ROBERTS. I do not, for in our work we do not come in contact with any other uses, but I do not know why it should not be. It is not so peculiar to the saddle building needs.

Senator THOMAS. It is not a clothing cloth, is it?

Mr. ROBERTS. I could not answer you intelligently. I don't know why it could not be.

Senator THOMAS. It is not under clothing cloth.

Mr. ROBERTS. Hardly. Particularly for Oklahoma.

Senator THOMAS. I was just wondering what use could be made of it. I have no idea.

Mr. ROBERTS. We do not come in contact with any other uses for it, possibly because we have not searched for other uses. I do not doubt that it is imported by others than the saddlery industry.

After the seat is set, built up, we then draw on this pigskin [indicating]. The pigskin to-day comes in free of duty; under the proposed law it will be subject to a duty of 30 per cent, I believe. Such a duty has been requested, I believe, by the only concern in the United States that could produce it. We import it under the present law free of duty. This is a piece of skin that is unusually fine in every sense of the word and is not obtainable off the back of the average American pig.

Senator THOMAS. Why do you not buy American pigskin?

Mr. ROBERTS. Largely because you and I buy the pigskin with the ham and the bacon, and because it is such a difficult thing to skin a pig. The skin of the pig is glued fast to the fat, and every inch of

the hide must be removed with a knife. The hands become smeared with grease, and every little nick in the tissue of the pigskin impairs its value, and it is a really difficult thing to skin a pig.

Senator THOMAS. The evidence shows here that we do not produce any raw pigskins, or practically nothing, but my question goes now: Why not patronize American tanners who import the raw pigskins and finish them here and have them for sale?

Mr. ROBERTS. We would rather do so, because we would be closer to our market and we could go and select our material.

Senator THOMAS. Then why do you not do it?

Mr. ROBERTS. Because none of them produce their extra pigskin in the United States to-day.

Senator THOMAS. In other words, they do not produce the quality that your business demands?

Mr. ROBERTS. No, sir. This is what we call an all hand finished, hand stock pigskin, and is a grade and quality that is found in Europe only, where the man keeps the pig, scrubs the pig, and takes care of him.

Senator THOMAS. You can buy this cheaper in Europe than you can buy it in America?

Mr. ROBERTS. Yes. And furthermore, we can not get it in America. This pigskin so far has not been produced in 20 years in the United States.

Senator COUZENS. Supposing we imported pigskin, couldn't we produce that finished product with American labor?

Mr. ROBERTS. Yes, we could, but this pigskin is produced in an entirely different way from pigskin which is now produced in this country. This is hand scrubbed, hand curried.

Senator COUZENS. We could bring it in in an unfinished condition and make it into the finished product, could we not?

Mr. ROBERTS. Without doubt.

Senator WALSH. We do make pigskin leather, do we not?

Mr. ROBERTS. Yes, but not of this type. This has a liberal grease content; the pigskin which is produced in the United States is dry pigskin, and it glazes and the imperfections are lost in the treatment. We draw this seat on, and in the drawing of it on, any little imperfection, any grain break, and so forth, is drawn out. So that before the skin is put into the seat it is very necessary that every inch of it be gone over and hunted for any imperfection which is covered with the glazing process. But this leather, this pigskin is not glazed to the same extent that the average pigskin is that is colored and finished for the shoe trade and other industries.

Senator THOMAS. So you are opposing a tariff on pigskin?

Mr. ROBERTS. No, sir; I am not. I don't want to be considered as apposing a duty on any other man's product. I would not feel that I would have a right to come and ask for consideration of my product and deny the other fellow the same consideration.

Senator THOMAS. Well, we struck a man the other day that had a conscience; I think you are the second one. [Laughter.]

Mr. ROBERTS. I am glad of that. I hope I am not so unique as that. As I say, this pigskin will be subject, according to the proposed law, to a duty of 30 per cent, and the saddle comes in under a basis of 35 per cent.

The next operation after the seat is drawn on is to flap it. Then here is a leather that we must go abroad for. It is not produced in the United States. The proposed law will place a duty of 12½ per cent on that. And I venture the opinion without fear of contradiction that 12½ per cent will never bridge the gap between the cost of the production of this material abroad and in the United States. I know of no one in the United States who carries leather or finishes leather, who is attempting seriously to produce this leather in twenty years. It is a so-called hand-curried, hand-stocked, hand-finished leather, and is of a decidedly superior type, as it is cut wholly out of the butt of the hide, and it must be free and clear. It must not have barbed wire scratches and ringburns.

Senator THOMAS. Under existing law what does that saddle cost your company to produce?

Mr. ROBERTS. Under existing conditions about \$38 for the material and labor only. That includes duties.

Senator THOMAS. That includes all duty on the raw product?

Mr. ROBERTS. Yes; but that does not include any overhead or any of the necessary costs which must be added.

Senator THOMAS. It does not cover your profit?

Mr. ROBERTS. No; it does not.

Senator THOMAS. What does that saddle sell for to the trade?

Mr. ROBERTS. To the trade? It sells for \$63.50.

Senator THOMAS. If this bill should pass as it is now written, what would that saddle cost you to make?

Mr. ROBERTS. It would cost about \$48.

Senator THOMAS. Necessitating, if you maintain your same overhead and same rate of profit, sale to the trade at how much?

Mr. ROBERTS. To the trade it would go up on a par, to \$74 or \$75, or a little more than that, generally.

Senator COUZENS. How much do you pyramid this duty before it gets to the horseback rider—the ultimate horseback rider?

Mr. ROBERTS. It is not pyramided very much, because owing to the continued increase in importations of saddles at a cost we can not equal, we are compelled to take what we can get for our product, while the importer is able to get a better price for his article. And I would like to answer a question that the Senator asked last week, whether branding an article helped or hindered its sale.

Senator THOMAS. I will be glad to have you answer that.

Mr. ROBERTS. In this line of merchandise branding is the hall mark of the proper article, and while we make this saddle in the United States up to about six months we did not put our name on it, because when we sold it to dealers in Chicago, Cleveland, or possibly Oklahoma City, the dealer did not care to be in the position where if asked if that was an English saddle he could not say it was an English saddle. [Laughter.]

Senator THOMAS. Well, isn't that an English saddle?

Mr. ROBERTS. It is English type, but not made in England.

Senator THOMAS. It is made out of English material and no doubt by English workmen, and the fact that it is made physically in the United States, I can not see any difference from that and an English saddle.

Mr. ROBERTS. A man could say it was an English saddle, in that it was an English-type saddle, but he would not be telling the truth when he said it was made in England.

Senator THOMAS. Well, I think that may be the inference.

Mr. ROBERTS. That is the inference they wish to convey.

Senator KEYES. Are importations increasing?

Mr. ROBERTS. Thirty per cent last year; 35 per cent in the non-dutiables, which means riding saddles of the value of \$40 or less. Nondutiable saddlery items increased last year 35 per cent over the previous year. Dutiable items increased 25 per cent, making a net increase on the two of 30 per cent.

Senator COUZENS. Getting back to that question of pyramiding the duty, assuming, for instance, that the duty on every other product that you imported in that saddle was \$10, what would it cost the ultimate purchaser? What would that \$10 be pyramided to the ultimate consumer?

Mr. ROBERTS. Adding various duties so as to—

Senator COUZENS. No; I am saying, if you paid \$10 duty—just taking a hypothetical case, suppose you pay \$10 for example, on all the material you import for a saddle, what does that duty cost the ultimate consumer when he purchases the saddle? How much has that been raised to?

Mr. ROBERTS. You have asked a difficult question, and I might answer it in this way—

Senator COUZENS. Answer it in your own way, of course.

Mr. ROBERTS. The ultimate consumer would pay, possibly \$125 to \$150 for this design here, for this type of saddle that would come in duty free.

Senator COUZENS. That is not the question I am asking. I am asking, when you pay \$10 duty, how much do you add to that duty before you sell it?

Mr. ROBERTS. We add 40 per cent gross profit.

Senator COUZENS. You add 40 per cent gross profit?

Mr. ROBERTS. Yes.

Senator COUZENS. So that it would cost him \$14 by the time you sold it?

Mr. ROBERTS. Yes.

Senator COUZENS. Now, you sell it to the dealer?

Mr. ROBERTS. Yes.

Senator COUZENS. And the dealer, I suppose, adds 50 per cent more?

Mr. ROBERTS. It is common practice to add 100 per cent.

Senator COUZENS. So that by that time the duty that started out at \$10 then cost \$28?

Mr. ROBERTS. Yes.

Senator COUZENS. So that the ultimate consumer pays \$28 for what the Government got out of it, and the Government got \$10?

Mr. ROBERTS. Yes. The reason they are able to get this price is because this is an article not common to industry. It is an article that is used by sport clubs, hunt clubs, polo teams, and by men and women who like to ride horses for pleasure.

Senator THOMAS. You exhibit that as a type of the best saddle, do you not?

Mr. ROBERTS. This is a type of the best saddle that is imported free of duty. There are better types that are imported, but not much better, for a saddle abroad that cost over 160 shillings is decidedly the exception. The bulk of the saddles will cost less than 160 shillings abroad.

Senator COUZENS. So when you are not competing in any way with competition, you rather like to pay Uncle Sam a duty, do you not?

Mr. ROBERTS. Not necessarily.

Senator COUZENS. I mean if you can make \$18 on something that cost you only \$10. Why not?

Mr. ROBERTS. We are only making \$4 on the \$10.

Senator COUZENS. Is not 40 per cent return a pretty good investment just for simply handing Uncle Sam \$10?

Mr. ROBERTS. Well, we do a good deal more than that.

Senator COUZENS. That is all you possibly can do on the duty?

Mr. ROBERTS. On the duty; yes.

Senator COUZENS. That is what I say. All you can possibly do on the duty is 40 per cent. So that any importer, leaving out the question of competition, ought to be glad to make an investment on duty, because he gets an adequate return without any risk.

Mr. ROBERTS. I would like to say this: That the thought has been expressed that the importer will not object to an increase in the cost of his product, to the increased duty, because owing to the fact that the importer has so completely dominated the American market during the past seven years, that the American user of this material has been educated to the use of the foreign goods and he will insist on that, even though it cost more money. I think there is more truth in that thought than fiction. And bear in mind that it is much easier to sell saddlery goods branded "Made in England" than if it is made in the United States. And there is nothing peculiar or inherent in any brand or hall mark that gives to that source of supply that is denied to other makers, who will give the problem the attention, the application, and the endeavor that is necessary to produce an article of this top quality.

Senator COUZENS. Is it not your observation that in retail stores emphasis is placed on the fact that this is an imported article and carries with it the inference that it is better than the domestic article?

Mr. ROBERTS. It is very, very true, sir. So much so that we sell our equipment to some sources of supply who do not want our name on it.

Senator COUZENS. So that they can palm it off as an imported article?

Mr. ROBERTS. Yes, sir. Some of the importers will buy imported goods, take the foreign maker's name off, and put their name on it, and sell it under another hall mark and brand.

After the saddle has been flapped, it is necessary to put the panels in. This is called the panels or pads [showing]. This is stuffed with an all-wool felt, and on the basis of the foreign and American values the felt in here which we use costs us in the United States, with the specific and ad valorem duty, 80 per cent more than it costs our foreign friends who make the same goods. The felt is covered

with leather, calfskin, sheepskin, or some other kind of leather, all of which is subject to a duty of 20 per cent.

The saddle also has a few nails in it. We go abroad for those, because they are not made in the United States at a price that compares with the foreign price, although we pay a 50 per cent duty on them.

Senator THOMAS. Is it not a fact that in England practically every commodity is inspected by the Government and stamped or hall marked?

Mr. ROBERTS. That is news to me, if it is true in the saddlery business.

Senator THOMAS. Well, it is true in other lines, is it not?

Mr. ROBERTS. Possibly. I am not familiar with that.

Senator THOMAS. In sterling lines and gold lines the goods are hall marked.

Mr. ROBERTS. That might be true, but in our line I have never heard of such a service.

To complete the saddle. After it has been built it is necessary to use a pair of stirrup leathers. The buckles on the stirrup leathers are subject to a duty of 50 per cent. We have our choice of either buying them in the home market or abroad. The cost goes up accordingly.

The leather is out of an imported stirrup butt. To get a stirrup butt in a length carrying a substance and free from imperfections is a difficult thing, and the supply is limited to the ability of the curer to find a hide which will carry a butt with leather of the quality and substance all the way. It must be peculiar in that this hide had just about as much substance on his rump as he did under his shoulder, and it is a hard thing to educate a steer to grow a hide where it will carry a substance from butt to neck of one thickness. We import this leather, and under the proposed duty 12½ per cent will be assessed on it, and 50 per cent on the buckles. And there again I say, 12½ per cent will not span the gap existing between the cost of production of this leather abroad and in our home market, for this also is hand stock, hand sheared, hand fleshed and hand finished leather. It must be supreme in quality, for the rider's life depends on his stirrup leathers not breaking. If they did, he would get a pretty nasty fall. And the stirrup leather must be the right texture and must be just the limit of leather strength, and it must be pliable and soft.

Senator THOMAS. Is that foreign leather?

Mr. ROBERTS. Foreign leather; yes, sir.

Senator THOMAS. And foreign buckles?

Mr. ROBERTS. No, the buckles were made in the United States, but the price is the same, whether we buy that buckle at home or abroad.

Senator THOMAS. What is the tariff on buckles?

Mr. ROBERTS. 50 per cent.

Senator THOMAS. So the manufacturer of buckles in America gets the foreign price plus 50 per cent duty?

Mr. ROBERTS. Yes, sir.

Senator THOMAS. And the price is practically the same?

Mr. ROBERTS. The market price in the United States is practically the same.

Senator THOMAS. So on buckles at least the tariff is effective?

Mr. ROBERTS. It is effective; yes, sir.

Senator COUZENS. I have not quite gotten yet just what you want in the bill.

Mr. ROBERTS. Our present proposed tariff of 35 per cent is absolutely inadequate, in view of the circumstances that we are confronted with, and when we pay at least three times the labor cost of the foreign article, and I am asking, and I think it is a very modest request, a 50 per cent duty. The fact that we go abroad and buy all these supplies brings us intimately in contact with the source of supply that our competitor abroad uses. We are not guessing at what he probably pays. Without doubt we pay a little bit more, for he being on the ground can take advantage of any soft spot or buying opportunities that come along. We are compelled to send our orders over in bulk, so that when they are imported the cost of transportation and entries will be the minimum. And we send them to high class standard concerns, and they without doubt charge us the price which our foreign competitors quite likely do not have to pay, and so when we compare foreign cost of this saddle on the basis of our knowledge of what the commodities abroad cost, we are really giving him a more liberal figure than is necessary.

Senator THOMAS. Are the stirrups you exhibited American or foreign made?

Mr. ROBERTS. This was made in England. I didn't know it when I brought it here.

Senator THOMAS. That goes with this saddle?

Mr. ROBERTS. Yes, sir.

Senator THOMAS. When the stirrup straps are attached with the stirrups, what else does it take to make that a completed article?

Mr. ROBERTS. The girth [indicating].

Senator THOMAS. Where is that produced?

Mr. ROBERTS. This is made in the United States. In fact, all of the work is done in the United States. This leather is produced in the United States.

Senator THOMAS. The girth is a United States article?

Mr. ROBERTS. Yes.

Senator THOMAS. How about the buckles on the girth?

Mr. ROBERTS. These buckles—I could not answer you whether that is imported or not. Well, I see it is made in England.

Senator THOMAS. Then that saddle when complete contains a girth and two buckles of United States manufacture, and the balance is all imported? Is that correct?

Mr. ROBERTS. With the exception of the buckles in the stirrup leathers.

Senator THOMAS. There are just two of those. How about the nails?

Mr. ROBERTS. The saddle nails are imported.

Senator THOMAS. What about the tacks?

Mr. ROBERTS. The tacks are American made.

Senator THOMAS. And yet that must be classified as an American saddle?

Mr. ROBERTS. It is made in the United States. A lot of material that we use in the United States is imported, you know. Hides, for

instance, that go into our leather in large measure are not off of American cattle.

Senator THOMAS. Are you interested in the factory?

Mr. ROBERTS. Yes; I am.

Senator THOMAS. You are of English descent, aren't you?

Mr. ROBERTS. Well, my great grandfather was born in England. I have a combination of mixtures in me, Holland Dutch, Welsh, and English. So I don't know whether I can say I am very much English or not. [Laughter.]

Now, I want to call your attention to another fact. Here is a girth, a wool girth, which we can not make in the United States. I can buy these abroad, land them in the United States, and make 80 cents apiece on each one of them over what it will cost me to make them in the United States, because this webbing carries a duty of 100 per cent. And the buckles on here, six of them, they also bear a duty of 50 per cent.

Senator COUZENS. You can still pay that duty and get them cheaper abroad?

Mr. ROBERTS. Yes; we can, for a 35 per cent duty on the completed article because this will cost me practically twice what it costs abroad, and the buckles, if I buy them in the United States cost me half again as much as in England. So with this girth, we have to import it; there is no question about that. We can not make that in the United States. It is out of the question.

Senator THOMAS. We have seen you put together a saddle. Please explain to the committee, if you can, how the interests of the consumer will be served by the text of this bill.

Mr. ROBERTS. It will be to his advantage, because it is going to throw the production of this material to England, where it has been for the last seven years, and the article is going to be brought into the United States duty free, and the cost of production of such materials will be reflected to the consumer in this country. However, when this particular article is imported into the United States and is sold for from \$135 to \$175, a change in the cost is not going to reduce the cost of a saddle, nor materially increase the cost. It will be for the benefit of the English, the French, and the Italian makers.

Senator THOMAS. Who will be injured?

Mr. ROBERTS. The American makers, like my company.

Senator THOMAS. How will the text have to be changed to protect your factory?

Mr. ROBERTS. The 35 per cent duty applying on riding equipment should read at least 50 per cent, and at that rate we will be at least 88 per cent under the production cost of this article in England on materials and labor alone.

Senator THOMAS. In other words, if there is a tariff on the raw products from which you make saddles it will only be fair to you to put a tariff on the finished product, or else the effect will be to force you out of business?

Mr. ROBERTS. Yes. Our factory records have been written in red ink for the last four years, and there has been a reorganization, because those in the business determined that it was an unprofitable business, and as a result of the recent election they determined to

continue for a few years in the belief and hope that there would be a change, so that they could continue in the business profitably.

Senator COUZENS. How many men do you employ?

Mr. ROBERTS. We have 24 at the present time, and the average service of 19 of those men is over 20 years.

Senator COUZENS. How many are employed in the whole industry in the United States?

Mr. ROBERTS. All those men that we employ are not saddlers. We have only six saddlers in our employ.

Senator COUZENS. In the whole industry?

Mr. ROBERTS. I do not think there are 30 or more than 30 saddlers in the United States at the present time. They have been driven out of business. It is not profitable to produce your saddles if you can buy them cheaper than you can produce them. There are very few saddlers remaining in the United States because their vocation is gone, and they have got to go abroad to get work.

Here is a fancy product, and according to the provisions of law it is subject to a duty of 70 per cent. Under the present law it comes in free of duty. A 35 per cent duty would be applied to this article, and we earnestly urge you to seriously consider a radical change in this duty, and I think that it is no more than fair and proper that that duty should be applied to this article.

Senator THOMAS. The demand for that class of article is limited, in the main, to Army officers, is it not?

Mr. ROBERTS. No; at Jeffersonville they are operating in the interest of Army officers.

Senator THOMAS. The Army officers can buy as they see fit. Is it not true that in the main the use of that article is limited to Army officers?

Senator COUZENS. That is not correct, is it?

Senator THOMAS. I want to find out.

Senator COUZENS. Is it not true that nearly every regular horse-back rider has it?

Mr. ROBERTS. The Army officer buys as much and as good as he can, but so far as the purchases among the Army officers is concerned, or the sales, or the opportunity for sales among officers of the Army, it is not to be compared to that of men who maintain stables of fancy horses. A man of that kind will choose his material because some groom or somebody else in his employ indicates that such a saddle should be purchased, and he buys those for his stable or his string of horses, and they are also sold to the men who also ride for the benefit of riding. That is where the business lies.

Senator THOMAS. That is a style article largely, is it not?

Mr. ROBERTS. In the sense of its relationship to horsemanship, good horsemanship, this is a style saddle and is recognized as being the type that is best for that purpose.

There is another matter I would like to refer to briefly, and that is this, that the Procurement Division of the War Department is interested in securing a supply and maintaining a supply of necessary war materials in case of a major crisis, and the procurement officer

who has that matter in charge and is interested in obtaining tentative contracts in New England and New York State, after several conferences, indicated that his needs in saddles would be 120,000 for the first year, and with the saddle industry in the condition it has been in for the last six or seven years, there is no chance for the construction of 120,000 McClellan saddles in that time; and in addition to that there would be about 14,000 officers to be supplied, and that would put the production of this material out of the market.

(Mr. Roberts submitted the following brief:)

BRIEF OF J. A. ROBERTS, REPRESENTING THE SMITH-WORTHINGTON SADDLERY CO., HARTFORD, CONN.

The proposed law specifies duty of 35 per cent on above. We earnestly request an increase in the rate of duty to 50 per cent, and for reasons as follows:

DESCRIPTION

The type of imported riding saddle which we meet in competition is the so-called English type. This definition or description is not only in common use in England but also in France, Germany, the United States, and, in fact, all over the world where such saddles are made or marketed or used. The word "English" denotes type and style, regardless of country of manufacture. It is built on a wooden tree, has a so-called flat seat, and is covered with pigskin or imitation pigskin. The skirts and flaps are generally made of leather tanned from beef hide and printed to imitate pigskin. The pad or panels of the saddle is covered either with leather or all-wool serge. These panels are stuffed with felt or with white all-wool flock or hair.

USE

The "English" type riding saddle is strictly an article for sport or pleasure, a luxury item during peace times, but in war times it is a necessity. It is used in polo, for hunting, and for other forms of pleasure or contest riding, and for military purposes. It is never used in place of the all-leather, and for military "cowboy" saddle used by cattlemen and others in their trades or professions. A fact well known to the saddlery trade is that the cowboy-type saddle is not imported. That it can be made better in the United States is evidenced by the quantity exported annually to Latin America. It should be noted here that the Latin American countries, chief market for United States exports of heavy so-called cowboy saddles, do not export to the United States the so-called English or pleasure type of saddle, nor is the United Kingdom a market for American-made heavy cowboy saddles. In 1927 the Latin American countries used \$207,592 of saddlery goods, including cowboy saddles, whereas the United Kingdom imported but \$1,886. Therefore, the countries which offer this serious competition to American pleasure-saddle manufacturers offer no market to American manufacturers of cowboy saddles or other saddlery goods.

REQUESTED CHANGE IN THE PROPOSED TARIFF ACT—H. R. 2667

We propose to show that because of the fact that imports of saddles are made up entirely of the so-called English type, because of the importance of our industry in a national emergency, the high percentage of skilled manual labor in the cost of manufacture, and the low wage scale abroad, our rapidly disappearing industry can not survive any longer without more adequate protection than now provided in H. R. 2667.

SUBSTANTIATING EVIDENCE

The following figures taken from Foreign Commerce and Navigation of the United States, published annually by the Department of Commerce, indicate the steady absorption of the American market by foreign competition:

Harness, saddles, and saddlery not elsewhere specified, etc.—Paragraph 1436, act of 1922

| Year | Free | Duty of 35 per cent |
|-----------|-----------|---------------------|
| 1925..... | \$156,969 | \$114,722 |
| 1926..... | 188,076 | 119,818 |
| 1927..... | 171,684 | 112,242 |
| 1928..... | 220,392 | 157,066 |
| | 737,121 | 503,878 |

The increase in 1928 imports over 1927 is 30 per cent; there being a 35 per cent increase on free goods and 25 per cent on dutiable. The item not subject to duty being riding saddles valued at less than \$40 abroad.

The importation of riding saddles valued abroad at less than \$40 exceeds all other—or dutiable saddlery items (bridles, caveseons, martingales, etc., including saddles valued at more than \$40) by 46 per cent for the past four years.

One-quarter to one-third of the total cost of American manufacture of so-called English-type saddles is skilled manual labor.

The volume and value of domestic exports since 1922 does not affect our case, as it is known to consist of all-leather saddles of the cowboy or similar professional type.

We have in our employ several expert saddle makers who served their apprenticeship abroad and who have worked in saddlery plants in Germany, Austria, Switzerland, and England. From actual recent experience they aver the following:

Prevalent wage rate for expert saddle makers, United States, \$40 to \$42 per week; England, \$9 to \$12 per week.

England is our principal competitor.

Furthermore, much of the handwork on imported or foreign-made saddles and saddlery is done in the homes of the workers by the women members of their families, without overhead expense to the employer and at a material saving in labor costs. Similar conditions can not prevail in the United States.

Because of the disparity in the cost of labor abroad and the cost of labor in the United States, and because of the fact that most of our materials necessary to the building of the so-called English saddle must be imported, a revision in the rate of duty in the tariff act covering pleasure-type saddles is absolutely essential to the continuance of the domestic industry.

SOURCE OF RAW MATERIALS

England is the best source for all the materials used in the manufacture of English-type saddles. The United States does not produce materials either in grade, style, or price that give the American manufacturer any choice but to go abroad for his supplies.

White all-wool saddle serge is an essential part of the construction of all so-called English saddles. This serge can not be bought in the United States other than at a price in excess of the foreign cost-plus duty. This material is subject to paragraph 1109. Serge suitable for the construction of the saddle used in our exhibit, which is of a grade that comes just under the \$40 valuation, costs in England \$1.05 per yard. The duty increases this cost to \$2.05 per yard. H. R. 2667 carries an increase of 5 cents per pound specific duty over the present prevailing rate for the above grade serge.

Linen straining web, also essential to the construction of English-type riding saddles, and for which we must go abroad, is subject to a duty of 35 per cent, paragraph 1015 present law, and which is also rate specified in proposed law.

Wool flock, also essential to the construction of this type of saddle, is subject to varying rates of duty under schedule 11.

Felt, likewise essential, is subject to varying rates, depending upon quality. The rate in the proposed law is written at an advance over the present law.

The hardware, likewise essential, such as silver saddle nails, stirrup bars (nickel plated or polished), saddle staples, saddle dees, metal stirrups (polished nickel or iron), buckles on girths and stirrup leathers, bits, chains, studs, bridle buckles, etc., are, under paragraph 345, subject to duty of 50 per cent ad valorem.

HOGSKINS

The very best grade hogskin is used in so-called English-type saddles, and this is also imported. This hogskin must be specially curried and finished and be the very best grade obtainable, and American leather finishers for years past have not attempted to produce or compete with foreign sources. Practically all the hogskins finished in the United States are imported, either in the rough, white, or crust. These hogskins, under the present law, are imported free of duty—paragraph 1606. Under the proposed law they will be subject to a duty of 30 per cent—paragraph 1530.

LEATHER—SADDLE SKIRTING

This leather also is of superior grade and quality, especially curried, stuffed, finished, and colored for the riding-saddle trade and is not obtainable in the home market, and is imported. This leather, under the present law, is admitted free of duty—paragraph 1606. Under the proposed law it will be subject to a duty of 12½ per cent—paragraph 1530.

LEATHER—BAG

This leather, used in covering the panels or saddle pads, and also in the leather girths, is subject to a duty of 20 per cent under the present and also under the proposed law.

SADDLE TREES

In the construction of the so-called English-type saddle, a saddle tree is absolutely necessary. This is made of wood and steel, a strictly handmade product, and such as are required in the so-called English-type saddles, are not produced or procurable in our home market. Under the interpretations of the present law, they are admitted free of duty, as they are and can be used in saddles whose value abroad is \$40 or less. Under H. R. 2667, they will be subject to a duty of 35 per cent.

COMPARATIVE COST OF PRODUCTION ABROAD AND IN THE UNITED STATES

Compelled to go abroad for practically all of the materials essential in the making of so-called English-type saddles, and other riding equipment, the American maker of such goods can intimately estimate the comparative production costs of the same grade equipment. Such a comparison, based on known foreign costs of raw materials and labor alone, justifies the statement that a so-called English-type saddle whose foreign value is under \$40 will cost 58 per cent more to duplicate in the United States. This is primarily because of varying rates of duty, ranging from 100 to 12½ per cent, levied on materials for which we must go abroad.

HARNESS VALUED AT MORE THAN \$70 PER SET, SINGLE HARNESS VALUED AT MORE THAN \$40

All harness imported and subject to the above description is used solely for show-ring or sporting purposes. It is not used by the farmer, teamster, or truckman. It is invariably handmade, composed of very best grades black harness leather and patent leather and trimmed with expensive nickel, brass, silver, or gold hardware. This type of harness is not produced in the American harness factories or shops, and is the product of coach-harness mechanics. A duty of 35 per cent can not possibly span the gap existing between the cost abroad and the production of like harness in the United States.

The hardware in such harness is subject to duty, under paragraph 345, varying from 35 to 60 per cent ad valorem. The black harness leather, under the proposed law, will be subject to a duty of 12½ per cent and the patent leather 15 per cent ad valorem.

This summarizes the problem of the American maker, and indicates the futility of endeavoring to successfully compete with foreign saddlery goods and harness under the proposed tariff rate of 35 per cent.

We again repeat that it is vitally essential that the duty be increased to at least 50 per cent. This would apply to paragraph 1530, and to so effect, should read:

(f) Harness valued at more than \$70 per set, single harness valued at more than \$40, saddles valued at more than \$40 each, saddlery, and parts (except metal parts) for any of the foregoing, 50 per centum ad valorem; saddles made wholly or in part of pigskin or imitation pigskin, 50 per centum ad valorem; saddles and harness, not specially provided for, parts thereof, except metal parts, and leather shoe laces, finished or unfinished, 15 per centum ad valorem.

IMPORTANCE OF INDUSTRY

The importance of the industry is demonstrated by the fact that no mechanical means of transportation has yet been devised that replaces the horse where no roadway exists. That the horse is indispensable is recognized by the War Department by the fact that it maintains at its largest artillery training camp, Fort Sill, as much horse-drawn equipment as it does motor drawn; also, that the War Department has distributed over the country remount stallions to insure the continued breed of type and style of horse essential to artillery, cavalry, etc.

The War Department maintains at the Jeffersonville Arsenal, Jeffersonville, Ind., a saddlery shop for the production of riding equipment appropriate to the various uses of Army officers as well as the enlisted man. That this saddlery shop is not sufficiently large nor elastic enough to meet the needs of the Nation in the event of an emergency is evidenced by tentative contract offered by the Procurement Division of the War Department for the New England and New York State area only, and to take effect in an emergency, which calls for the production within one year's time of approximately 104,000 enlisted men's saddles and 15,000 officers' and training saddles. The needs of the War Department for the other procurement areas would increase this total many times.

In an emergency, the Government would be compelled to rely, because of unfair foreign competition, on what is now a declining industry, principally because saddles can be made only by experts after years of training and apprenticeship. During the World War, the United States Government called upon the domestic manufacturers for over 400,000 enlisted men's saddles. The entire number of expert saddle makers remaining in the United States does not exceed 50 whereas many times this number are employed by our foreign competitors.

The saddlery industry in the United States is one of the oldest. The Smith-Worthington Saddlery Co., which I represent, is the largest and most important in the existing domestic industry. It was established in 1794, at Hartford, Conn., and has been engaged in the manufacture of the same products since that time. Its business, due to foreign competition, has declined steadily. Under the present tariff act, the decline in the number of skilled saddle and bridle employees of the type necessary for war-time work has been approximately 60 per cent, whereas the use of English type saddlery is constantly increasing.

Imported saddlery and harness goods are for pleasure use; luxury items, and not used by the farmer, cattlemen, lumbermen, etc.

BRANDING GOODS—COUNTRY OF ORIGIN

Saddlery goods bearing label of foreign origin appeals to American buyers and is a big factor in competition the American maker of same goods must face.

Representatives of foreign makers travel from Atlantic to Pacific soliciting business. No American maker of same goods has been able to secure sufficient business to make possible such extensive trips for years past.

Adding to the marked advantage in saddlery wage rates abroad, the unusually advantageous commodity costs enjoyed by the foreign maker, producing a spread to the disadvantage of the American maker of at least 58 per cent on English type riding saddles, compels our urgent request that the rate of duty in H. R. 2667, paragraph 1530, section (f), be made to read at least 50 per cent.

Respectfully submitted, and sworn to and subscribed by

J. A. ROBERTS.

STATE OF CONNECTICUT,
County of Hartford, ss:

Sworn and subscribed before me, this 6th day of July, 1929.

[SEAL.]

JOHN W. SWEENEY,
Notary Public.

BRIEF OF BARTLEY BROS. & HALL (INC.), NEW YORK CITY

[Pigskin saddles]

FINANCE COMMITTEE OF THE SENATE,
Washington, D. C.

DEAR SIRs: We are interested in H. R. 2007, paragraph 1530, subparagraph F, covering saddles made wholly or in part of pigskin or imitation pigskin at 35 per cent ad valorem, and on all other saddles not specially provided for, 15 per cent ad valorem.

This bill, if enacted, will discriminate against the English pigskin saddle which is not made in this country—assessing it over 100 per cent higher than the rate on saddles made of other leather.

The tariff act of 1922 places all saddles on the free list if valued less than \$40 under paragraph 1606, and under paragraph 345 this same discrimination appears by assessing saddlery hardware at 35 per cent and bridle hardware at 50 per cent. Why it is necessary to carry two rates on saddle parts and saddlery hardware, we can not understand.

When the tariff act of 1922 was enacted, we experienced considerable litigation with the customs, as to the proper rate on saddlery parts, and there has always been a question as to whether the correct rate should be 35 or 50 per cent, or in some instances, free of duty.

We believe that the ambiguity of the harness and saddlery paragraph can be easily clarified by having one rate covering saddles, regardless as to whether they are made of pigskin, imitation of pigskin, or any other leather made from the skins of the bovine species, and saddlery and bridle hardware whether made of metal or leather.

There is no necessity to assess saddlery, saddlery hardware, harness and bridles at any protective rate, as this industry can not expand, nor can labor be induced to engage in a business which is so rapidly declining, as we are now in the "horseless age."

Therefore we recommend a uniform rate of 25 per cent to cover all harness, saddlery, and parts thereof commonly or commercially known as saddlery and harness hardware, not plated with gold or silver.

It would greatly facilitate our business if we would know the correct rate of duty, and this could only be accomplished by having a uniform rate on both metal and leather saddlery.

We note with great interest the briefs filed by the Smith Worthington Saddle Co., page 7740, Volume XIV, Schedule 14. We are rather surprised that there should be a desire by any of the American manufacturers of saddlery to ask for a protective tariff, in view of the fact that there are hardly any saddle makers in this country who know how to make the imported saddles.

We would be only too glad to manufacture saddles in this country, if we could be assured that we could hire skilled saddle makers. This scarcity of skilled saddlers has been brought about by the substitution of the automobile for the horse, and there is no legislation that could restore the domestic saddle business to its former importance.

In reference to the statement that an English saddle maker's wage runs about \$9 to \$10 per week, we wish to state that this is not according to facts. Our saddle makers in England are paid between \$21 and \$26 per week.

The volume of the importations of saddles and harnesses is rapidly diminishing, and the saddlery hardware is not of any consequence, compared with the domestic production—and a business that is so rapidly declining should not be wiped out entirely by excessive tariff rates—with resultant losses to the revenue.

You will note the figures of the imported free of duty saddles and harnesses for 1927 are 171,684, and that saddlery hardware is valued at \$41,000. You can easily conclude that this small volume does not require any serious consideration, if the increase of duty is for the purpose of revenue, and it is equally evident that it is not necessary to tax this business for the purpose of protecting American industry. We ask that a fair tariff be imposed, so as to permit us to continue the little business which we are now doing, as so evidenced by the following figures.

Hereunder are Government figures of the value of imported harnesses, and saddlery, which are correct and which speak convincingly that no protective tariff would be effective or necessary to further restrict the insignificant volume

which is gradually fading into obscurity, and for that reason we hope you will give this matter your kind consideration.

| | |
|--|----------------|
| Value of domestic production of harness and saddlery for the year of 1927..... | \$27, 356, 244 |
| Compared with the value of imported harnesses and saddlery, entered free of duty under paragraph 1606, for the year of 1927..... | 171,084 |
| Harnesses valued over \$70 per set, saddles valued at \$40 each, saddlery parts, except metal, for same..... | 112, 248 |
| Total importations of harnesses and saddles of all kinds..... | 283, 932 |
| Imported harness hardware consisting of nickel rings, snaps, bits, swivals, etc., dutiable at 35 per cent..... | 5, 733 |
| Imported harness hardware not gold or silver plated, dutiable at 50 per cent..... | 35, 348 |
| Final total value of all imported saddlery and harness hardware..... | 324, 006 |

N. B.—The above statistics were obtained from Foreign Commerce and Navigation of the United States, calendar year of 1927, Volume I, section 9, page 496, and Biennial Census of Manufacturers, year of 1927.

Respectfully submitted.

BARTLEY BROS. & HALL (INC.),
PHILIP C. HALL, *President*.

LEATHER GOODS AND LUGGAGE

[Par. 1531]

STATEMENT OF ABRAHAM MITTENTHAL, NEW YORK CITY, REPRESENTING LEATHER GOODS AND LUGGAGE MANUFACTURERS AND ALLIED INDUSTRIES

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

Mr. MITTENTHAL. I am a manufacturer of fancy leather goods such as ladies' hand bags, pocketbooks, bill folds, and articles of that kind, and I represent in my petition the associated leather-goods manufacturers of the United States, some 60 manufacturers of ladies' purses and hand bags, also a group of manufacturers of trunks, the trunk leather and luggage and leather goods manufacturers of America, and the Luggage and Leather Manufacturers' Association of New York, about 100 manufacturers, making valises, traveling bags, suit cases, brief cases, and so forth, comprising about 70 per cent of the volume of the industry; also represent allied trades and accessory manufacturers. The factories for the manufacture of fancy leather goods in the United States are located in all parts of the United States, in practically every State of the Union.

The principal centers for production of ladies' hand bags, purses, shopping bags, and so forth, are New York, Philadelphia, Boston, Chicago, Los Angeles, San Francisco, and in addition a large number of factories are located in Ohio, New Jersey, Massachusetts, Maryland, Wisconsin, Missouri, and so forth. The principal centers of production in the group of trunk, luggage, and leather goods are Petersburg, Va., Philadelphia, Chicago, New York, and Newark, N. J., and a number of large factories are located in Massachusetts, Missouri, Ohio, California, and so forth.

Our industry is affected by paragraph 1432 of the old law, the 1922 tariff, and we are asking for an increase in tariff on articles such

as we make, and the necessity for the present tariff is due to the following facts in our industry.

Senator COUZENS. Necessity for an increase?

Mr. MITTENTHAL. For an increase in the present tariff.

Senator KEYES. You are speaking of paragraph 1531?

Mr. MITTENTHAL. That is the new paragraph 1531; the old paragraph is 1432.

Senator COUZENS. You are not satisfied with the way the House wrote the bill?

Mr. MITTENTHAL. No, sir; due to the fact that there has been an increased price of leather material affecting our product, the great number of foreign manufacturers maintaining sales offices in the United States, and to-day we have a number of manufacturers who are located at _____ and Vienna, who maintain not only sales organizations in the United States but actually carry stocks. They make deliveries right here in the United States and have their traveling men travel throughout the United States.

The further growth of the industry is being hindered by the tremendous increase in imports. In that respect, in 1925, there were \$1,177,446 worth of foreign imports of leather goods, and in the year 1928 that had increase to \$3,508,918.

Next, there is the large difference in labor costs between the United States and foreign countries.

Senator WALSH. Was any conspicuous class of your leather goods outstanding in the importations?

Mr. MITTENTHAL. No. It consisted in general of these articles I have enumerated—hand bags, fittings, and so forth. Belgium has a labor rate of 15 cents per hour; Italy, 14 cents; Germany, 25 cents per hour; while in the United States our workers receive a minimum of \$1.05 per hour, and piece workers make \$1.28 per hour; on ordinary work average \$1.25 per hour, and a piece worker may average as high as \$2.50 per hour.

Senator COUZENS. Do you mean to say that the man who gets these high wages does not produce more than the man who gets the low wages?

Mr. MITTENTHAL. The nature of the work they do is divided into groups. One class of work that is known as framers commands that amount of wages and we are obliged to pay it because there are not so many of that skilled branch of the industry.

Senator COUZENS. Do they average more than the foreign worker?

Mr. MITTENTHAL. No, they do not, neither are they more efficient in the class of work that they produce. There is a professed intention on the part of foreign manufacturers to make an intensive drive upon the American market, and in that respect we have a statement of United States Consul Hamilton C. Claiborne, of Frankfort on the Main, Germany, who writes as of December, 1928, the following:

The German leather-goods manufacturers, of which those in Offenbach are the most important, are planning a campaign to capture the first place in the world's leather-goods markets.

And we know when they speak of the world's markets in leather goods they speak of the United States market, because we are the largest consumers of leather goods of any country in the world.

There is the necessity of maintaining high wages, regularity of employment, and American standards of living. American manufacturers have opened factories in foreign countries to take advantage of low wages and the present low tariff, and that has happened in half a dozen countries.

Senator THOMAS. Give us some examples.

Mr. MITTENTHAL. A number of manufacturers. Our line is fashioned pretty much after the styles that are shown in Paris. In fact we copy most of the styles that are shown in ladies' hand bags from the Paris markets.

Senator KEYES. Who does?

Mr. MITTENTHAL. The American manufacturer.

Senator KEYES. Who? Name them.

Mr. MITTENTHAL. I will be glad to furnish them to you.

Senator KEYES. We would like to know the American manufacturers that have gone over there to do it.

Senator WALSH. Yes.

Mr. MITTENTHAL. They have established factories where they take advantage of the low price of labor and are able to procure these styles first hand and then send them here.

Senator THOMAS. What commodities do you have reference to especially?

Mr. MITTENTHAL. Ladies' hand bags.

Senator THOMAS. Is it not a fact that in France, in Paris, the hand-bag factory consists of a little room where a man buys the beads in little quantities and the thread in small quantities and sends the material out to homes in France with the designs; and the personnel of the home, the women, during the spare hours, weave this piece of cloth in the form of a bag and they send it back to the little room in the Paris building where the framework is put on it, and that constitutes the beaded-bag factory.

Mr. MITTENTHAL. That is correct, in the case of bead bags, but with manufacturers of leather bags it is different. We customarily make beaded bags on the other side, in that way, but that is not so with the leather bags. In leather bags they maintain factories of considerable size. Leather goods are not made in one room. There is one factory with 200 to 300 workers, and inside factory.

Senator THOMAS. That condition does, however, apply to the beaded factory?

Mr. MITTENTHAL. That just applies to these beaded bags only.

Senator THOMAS. I want to get that clear. Do they have factories in Paris where any permanent labor comes together in one building and there make beaded bags?

Mr. MITTENTHAL. They have one very large factory where they have perhaps 1,000 girls working on beaded bags, doing the largest business of any of these factories in Europe. In addition to that, they send this beadwork out into the country in the small homes and it is brought back and mounted on the frames. That is a customary thing in beaded bags.

Placing a duty of 30 per cent on fancy leathers would make a considerable addition, a considerable difference to the leather goods manufacturers of the United States, on the basis of cost, which I am going to give you of an article that retails at \$3. It would mean

approximately 15 per cent addition in the cost of our goods in this country.

Articles enumerated under paragraph 1432 of the tariff act of 1922, if made of materials other than leather, carry a duty considerably higher than those of leather, and in this respect the manufacturers of leather hand bags—and they constitute 70 per cent, probably more than that, of the manufacturers in our country, those who make leather hand bags—contend that they are being discriminated against in favor of bags that are made of articles other than leather, such as bags which are made of cloth, that have a present duty of 40 per cent. Those that are made of wood straight or papier-mâché have a duty of 45 per cent. If manufactured wholly or in chief value of wool they have a duty of 50 per cent. That goes as high as 75 per cent. In the case of fabrics, spangles, and beads it is 60 per cent.

It is still a hand bag, and the hand bags which are made of leather bear the lowest percentage of duty, and that is 30 per cent on manufactured leather. Manufacturers of fabrics never could understand the reason for this discrimination. It has been in the bill of 1922, and we do not know why it ever was, why a bag, the same bag, if it was made of cloth, would be dutiable at 40 per cent, but if made of leather it carries a duty of 30 per cent. We have suffered from this discrimination and never could understand the reason for it.

Now, comparison of the tariffs of other countries has shown that this country is far behind in protecting home industries. We find in the countries such as Japan they have 100 per cent; Chile, 60 per cent; Uruguay, 62 per cent; Brazil, 60 per cent; Peru, 60 per cent; Australia, 50 per cent; New Zealand, 45 per cent; and the Argentine, 40 per cent, and almost every country in the world has a duty on leather goods that is higher than the duty on leather goods entering the United States.

In New York City alone there are 25 sales offices of foreign manufacturers who are selling hand bags in the United States, some of them selling for import, and others for delivery right into the United States, and they maintain expensive sales organizations for the purpose of selling their products throughout the United States.

The leather-goods industry, like all needle industries, uses comparatively little machinery and labor costs represent a large factor in the cost of manufacturing leather goods. Figures compiled by various manufacturers indicate that labor represents from 30 to 33½ per cent of the selling price of the manufactured article. All the skilled operations in the making of hand bags, etc., are performed by hand and this work is done in regularly established factories.

The industry in New York City and the metropolitan district, which produces approximately 70 per cent of the total production in the country under the first group I mentioned at the beginning of my statement, and approximately 50 per cent under the second group, fittings, suitcases, and luggage, is highly unionized, and wages and working hours are regulated under collective agreements with the respective unions. These provide for a working week of 44 hours, time and one-half for overtime, payment for legal holidays, no home work, and other restrictive regulations.

Senator WALSH. Is there any unemployment there now in this industry?

Mr. MITTENTHAL. At the present time the industry is facing a strike which will probably be called on Monday.

Senator WALSH. Leaving out the strike?

Mr. MITTENTHAL. Yes; there has been considerable unemployment.

Senator WALSH. What nationality are your own employes?

Mr. MITTENTHAL. In the New York market I should say there are probably 70 per cent foreigners.

Senator WALSH. Polish or western Europe.

Mr. MITTENTHAL. Russian, Polish, German, and some Italian.

Senator THOMAS. Do they speak English in the main?

Mr. MITTENTHAL. They do.

Senator THOMAS. Are they naturalized mainly?

Mr. MITTENTHAL. I should say 50 per cent of them are, as far as I know.

Senator WALSH. In the past year, during the past year, at what capacity has the industry as a whole been operated?

Mr. MITTENTHAL. The industry in New York has been operating, I should say, at a capacity of about 65 to 70 per cent.

Senator THOMAS. If we get the rates in this tariff bill so high that the American farms can not sell their surplus abroad and agriculture keeps on the decline with the agricultural population buying power diminished, which would evidently mean a decreased demand for manufactured products, and general depression throughout the country making possible strikes and closing down of industries, in your opinion, what would be the result in New York City?

Mr. MITTENTHAL. We find that our strikes come more during prosperity than during depression—we find that when the workers are able to work steadily that we are in danger of strikes more so than if they worked only a small part of the time.

Senator THOMAS. Would you recommend, then, legislation to keep down prosperity instead of stimulating it?

Mr. MITTENTHAL. No, sir; prosperity is essential to the welfare of this country.

Senator THOMAS. For the manufacturing interests and the owners?

Mr. MITTENTHAL. For the workers also. Of course, our industry and all other industries endeavor to procure business so as to give them steady employment.

Senator THOMAS. In your judgment, it is proposed to give part of the benefit of the increased tariff to the working class?

Mr. MITTENTHAL. It would. It is natural that it would, because the working class in our industry are asking now for burdens that we are turning down with the probability of a strike, because we know that the industry can not bear these burdens under the conditions under which we operate, in making leather bags in this country to-day, and any added burden, whether it be in the form of reduced hours or increased wages, unemployment insurance, or any of the many things they ask, would make it still more impossible for us to operate our factory and give them the steady employment that is desirable.

Senator WALSH. Resume with your formal statement.

Mr. MITTENTHAL. I will just add in closing that these suggested increases will only partly offset the tremendous difference in labor costs, and the additional duty on fancy leather which, up to now, has been

on the free list. We show here the labor costs on a pocketbook manufactured to retail for \$3, as calculated by five of our leading manufacturers, and they compute the labor at \$67.50 a gross. The same article made in Germany would bear a labor cost of \$14.50 a gross. That terrific difference in labor costs is bringing more and more leather goods into this country every year.

In conclusion, it is most urgently requested of the committee that they earnestly consider the position of this industry. Confronted with mounting production costs and rapidly increasing foreign competition, the leather-goods industry in the United States, and thousands of American workers dependent on it for a livelihood, face a situation well nigh hopeless, unless immediate relief by means of a higher tariff is granted.

(Mr. Mittenthal subsequently submitted the following brief:)

BRIEF OF THE LEATHER GOODS AND LUGGAGE MANUFACTURERS AND ALLIED INDUSTRIES

JULY 8, 1929.

HON. REED SMOOT, *Chairman, and*
Members of the Finance Committee,
United States Senate, Washington, D. C.

GENTLEMEN: On behalf of the tariff committee representing the Leather Goods and Luggage Manufacturers and allied industries of the United States, I have the honor to respectfully request an additional increase in the rate of duty on imported leather goods under paragraph 1432 of the tariff act of 1922, or paragraph 1531 of H. R. 2667.

This industry is divided into two groups, one consisting of manufacturers of hand bags, pocketbooks, etc., and the other of manufacturers of traveling bags, satchels, suitcases, etc.

Our committee represents about 70 per cent of the volume of the industry; it also represents allied trades consisting principally of manufacturers of accessories used in the manufacture of the two classes of merchandise heretofore referred to.

Paragraph 1513 of H. R. 2667 provides increases in the rates of duty on the various classes of leather goods, the domestic manufacturers of which are represented by our committee. The increase under the first subdivision is 5 per cent, the duty being increased from 35 to 40 per cent, and under the second subdivision of this paragraph the duty has been increased from 45 to 50 per cent. These increases are not sufficient to afford the American industry an adequate measure of protection, for the reason that, in H. R. 2667, the rates of duty on the raw materials and accessories used in the manufacture of these products have been materially increased and, therefore, the increases which have been allowed in paragraph 1531 in the same bill will not compensate for the increases in duty on the raw materials and accessories.

The tremendous increases in the importations of these classes of merchandise under paragraph 1432 of the tariff act of 1922 is shown in the following table, compiled from the annual reports on the foreign and domestic commerce and navigation of the United States:

| | |
|-----------|---------------|
| 1925..... | \$1, 177, 446 |
| 1926..... | 1, 247, 103 |
| 1927..... | 3, 683, 926 |
| 1928..... | 3, 508, 918 |

Therefrom it will be seen that these importations have approximately trebled in quantity in the last four years.

Figures compiled by various manufacturers indicate that labor represents from 30 to 33¼ per cent of the selling prices of the manufactured articles. A very large percentage of this labor is hand work and is performed in regularly established factories and not in the homes of the workers, as is the case in most European countries.

The industry in New York City and the metropolitan district, which provides about 70 per cent of the total production in the United States of hand bags, pocketbooks, etc., and approximately 50 per cent of the traveling bags, satchels,

suit cases, etc., is highly unionized and wages and working hours and conditions are regulated under collective agreements with the respective unions. These agreements provide for a working week of 44 hours, with time and a half for over-time, payment for legal holidays, and that no home work shall be done by the employees.

A comparison of the wage scales in the United States and in the principal foreign competing countries is shown below:

| | Per hour |
|----------------------------|----------|
| Germany.....average..... | \$0. 25 |
| France.....do..... | 29 |
| Italy.....do..... | 14 |
| England.....do..... | 32 |
| Austria.....do..... | 24 |
| Belgium.....do..... | 15 |
| United States: | |
| Week work.....minimum..... | 1. 05 |
| Piecework.....do..... | 1. 21 |
| Week work.....average..... | 1. 25 |
| Piecework.....do..... | 2. 50 |

These figures have been compiled from consular reports and the columns of foreign leather-goods trade papers. The actual labor costs on a pocketbook made by an American manufacturer and retailing for \$2.95 has been calculated by five of our leading manufacturers, as follows:

| | United States | Germany |
|----------------------------------|------------------|------------------|
| | <i>Per gross</i> | <i>Per gross</i> |
| Cutting and trimming of bag..... | \$11. 00 | \$2. 50 |
| Paring of leather..... | 2. 50 | . 50 |
| Sewing..... | 14. 00 | 3. 00 |
| Framing..... | 6. 00 | 1. 00 |
| Pocketbook work..... | 34. 00 | 7. 50 |
| | 67. 50 | 14. 50 |

In the European countries, which are the chief competitors of the American manufacturers, a considerable portion of the labor on leather goods is done in the homes of the workers without restriction as to hours of labor or rates of wages. Home work in the United States in this industry is unknown and is strictly prohibited in all union agreements.

That the damage to the American industry by this competition is very serious is proved by the fact that at least five American manufacturers have opened factories in foreign countries during the past year.

H. R. 2667 provides substantial increases in the rates of duty on raw materials and the accessories which enter into the manufacture of these classes of merchandise. A comparison between the duty under the tariff act of 1922 and H. R. 2667 is submitted below:

Leathers and accessories used in the manufacture of bags, suit cases, etc., showing rate of duty under the tariff act of 1922 and under H. R. 2667 as passed by the House

| | Tariff act 1922 | | H. R. 2667 | |
|------------------------|--|----------|---|----------|
| | Duty | Par. No. | Duty | Par. No. |
| Bag leather..... | 20 per cent | 1431 | 20 per cent | 1530 |
| Seal leather..... | do | 1431 | 25 per cent | 1530 |
| Embossed leather..... | do | 1431 | 30 per cent | 1530 |
| Hides..... | Free | 1589 | 10 per cent | 1530 |
| Goat skins, rough..... | do | 1606 | 25 per cent | 1530 |
| Rayon for lining..... | 45 cents per pound and 60 per cent. | 1213 | 45 cents per pound and 60 per cent, ¹ plus 10 per cent additional. | 1306 |
| Silk for lining..... | 55 per cent | 1205 | 55 per cent | 1205 |
| Locks, plated..... | 40 to 60 per cent | 399 | 50 to 65 per cent | 399 |

¹ Equivalent to more than 100 per cent ad valorem.

Seal leather has been increased from 20 to 25 per cent; embossed leather 20 to 30 per cent; kid skins, goatskins, rough, which previously came in free, are dutiable at 25 per cent. The rate of duty on locks plated has been increased to 50 and 65 per cent.

The removal of hides from the free list and placing a duty of 10 per cent thereon will undoubtedly increase the cost of leather. (See par. 1530 of H. R. 2667.)

Leather represents approximately 35 per cent of the total cost of ladies' handbags, pocketbooks, purses, etc., and represents approximately 42 per cent of the total cost of valises, traveling bags, suit cases, etc. It will be seen that the increases in the rates of duty on leathers will more than offset the increase in duty of 5 per cent under paragraph 1531.

In view of the increasing importations, the industry needs a reasonable measure of protection greater than that provided in the tariff act of 1922. This is borne out by the statistics of importations which have been hereinbefore set out.

Approximately 90 per cent of the workers employed in factories engaged in the manufacture of these classes of merchandise make them from leather. Therefore the workers employed in factories which represent only 10 per cent of the total where the articles are made from materials other than leather are materially benefited and the workers in factories using leather are discriminated against under paragraph 1531. This it appears is manifestly unfair. (See comparison set forth in attached Exhibit A.)

This committee respectfully submits that the increases of 5 per cent shown in H. R. 2667 are inadequate, and we urge that the rates of duty under paragraph 1531, subdivisions (1) and (2) be increased to 75 per cent ad valorem.

This industry is confronted with constantly mounting production costs and rapidly increasing foreign competition, and the thousands of American workers depending upon it for a livelihood face a serious situation unless immediate relief through a higher protective tariff is afforded.

Very respectfully submitted.

ABRAHAM MITTENTHAL.

Representing tariff committee, Leather Goods and Luggage Manufacturers and Allied Industries, 303 Fifth Avenue, New York, N. Y.

EXHIBIT A

A comparison of the rates of duty on materials other than leather, in both the tariff act of 1922 and H. R. 2667, showing the handicap suffered by articles made of leather.

TARIFF ACT OF 1922

PAR. 385. * * * articles made wholly or in chief value of tinsel wire, metal thread, lame or lahn, or of tinsel wire, lame or lahn and india rubber, bullions or metal threads, n. s. p. f., 45 per centum ad valorem.

PAR. 409. * * * baskets * * * wholly or in chief value of bamboo, wood, straw, papier-mâché, palm-leaf, or compositions of wood, n. s. p. f., 35 per centum ad valorem; if stained, dyed, painted, printed, polished, grained, or creosoted, 45 per centum ad valorem.

PAR. 910. * * * manufactures, in any form, made or cut from cotton pile fabrics, 50 per centum ad valorem; terry-woven fabrics, composed wholly or in chief value of cotton, and manufactures, in any form, made or cut from terry-woven fabrics, 40 per centum ad valorem.

PAR. 921. All articles made from cotton cloth, whether finished or unfinished, and all manufactures of cotton or of which cotton is the component material of chief value, not specially provided for, 40 per centum ad valorem.

H. R. 2667

PAR. 385. * * * articles made wholly or in chief value of tinsel wire, metal thread, lame or lahn, or of tinsel wire, lame or lahn and india rubber, bullions, or metal threads, n. s. p. f., 55 per centum ad valorem.

PAR. 412. * * * baskets, bags * * * if stained, dyed, painted, printed, polished, grained, or creosoted, 50 per centum ad valorem.

PAR. 909. * * * all articles, finished or unfinished, made or cut from such pile fabrics * * * all the foregoing, if velveteens or velvets, 62½ per centum ad valorem; if corduroys, plushes, or chenilles, 50 per centum ad valorem; if terry-woven, 40 per centum ad valorem.

PAR. 922. * * * all manufactures wholly or in chief value of cotton, n. s. p. f., 40 per centum ad valorem.

PAR. 1119. All manufactures n. s. p. f. wholly or in chief value of wool, 50 per centum ad valorem.

PAR. 1403. * * * fabrics and articles not ornamented with beads, spangles, or bugles, not embroidered, tamboured, appliqued, or scalloped, composed wholly or in chief value of beads or spangles other than imitation pearl beads and beads in imitation of precious or semiprecious stones, 60 per centum ad valorem.

PAR. 1419. * * * all articles n. s. p. f. composed wholly or in chief value of any of the feathers, flowers, leaves or other material herein mentioned 60 per centum ad valorem.

PAR. 1428. * * * mesh bags and purses * * * vanity cases, and like articles * * * 80 per centum ad valorem.

PAR. 1430. * * * articles embroidered in any manner by hand or machinery * * * or tamboured, appliqued, scalloped, or ornamented with beads, bugles, or spangles, or with threads introduced after weaving to finish or ornament the finished or unfinished, by whatever name known, and to whatever use applied, and whether or not named, described, or provided elsewhere in this act, when composed wholly or in chief value of yarns, threads, filaments, tinsel wire, lame, bullions, metal threads, beads, bugles, spangles, or products of cellulose provided for in paragraph 1213, 75 per centum ad valorem.

PAR. 1432. "Bags, baskets, belts, satchels, card cases, pocketbooks, jewel boxes, portfolios, and other boxes and cases, not jewelry," wholly or in chief value of leather or parchment, and manufactures of leather, rawhide, or parchment or of which leather, rawhide, or parchment is the component material of chief value, n. s. p. f. 30 per centum ad valorem; any of the foregoing permanently fitted and furnished with traveling, bottle, drinking, dining or luncheon, sewing, manicure, or similar sets, 45 per centum ad valorem.

PAR. 1120. All manufactures, wholly or in chief value of wool, n. s. p. f., 50 per centum ad valorem.

PAR. 1503. * * * articles not ornamented with beads, spangles, or bugles, nor embroidered, tamboured, appliqued, or scalloped, composed wholly or in chief value of beads or spangles, 60 per centum ad valorem.

PAR. 1518. * * * all articles n. s. p. f. composed wholly or in chief value of any of the feathers, flowers, leaves, or other material above mentioned, shall be subject to the rate of duty provided in this paragraph for such materials, but not less than 60 per centum ad valorem.

PAR. 1527. * * * mesh bags and purses * * * composed wholly or in chief value of gold or platinum, 80 per centum ad valorem.

PAR. 1529. * * * fabrics and articles embroidered * * * tamboured, appliqued, ornamented with beads, bugles or spangles, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork * * * 90 per centum ad valorem.

PAR. 1531. Bags, baskets, belts, satchels, card cases, pocketbooks, jewel boxes, portfolios, and other boxes and cases, not jewelry, wholly or in chief value of leather or parchment, and manufactures of leather, rawhide, or parchment, or of which leather, rawhide, or parchment is the component material of chief value, not specially provided for, 35 per centum ad valorem; any of the foregoing permanently fitted and furnished with traveling, bottle, drinking, dining or luncheon, sewing, manicure or similar sets, 50 per centum ad valorem.

STATEMENT OF ARY KAUFMANN, REPRESENTING K. KAUFMANN & CO., NEWARK, N. J.

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

Mr. KAUFMANN. I appear on paragraph 1531, at the request of some of the trunk and leather goods industry and baggage industry. I am also making this my own appearance here.

Senator KEYES. Are you a manufacturer of leather goods?

Mr. KAUFMANN. We are manufacturers of traveling bags, suitcases, and similar goods. I will not take up much of your time with my leather goods inasmuch as Mr. Mittenthal gave you quite a detailed description of conditions in our industry.

Senator KEYES. You heard his testimony?

Mr. KAUFMANN. Yes.

Senator KEYES. Do you agree with him?

Mr. KAUFMANN. Yes, but on account of the leather and hides going up we were just granted 5 per cent increase on our list over 1922.

Senator KEYES. You think you ought to get the same, in comparison with the change of duty on hides?

Mr. KAUFMANN. Not only that, but we use other materials in our industry, such as rayons.

Senator WALSH. And upon them an increased duty is placed.

Mr. KAUFMANN. We also use quite a lot of suitcase stuff which we buy in Europe, on account of the style, and that has been advanced about 10 per cent in this tariff and 5 per cent on the gold fittings that are used.

Senator WALSH. At what capacity is your industry running?

Mr. KAUFMANN. Right now it is running very slowly. It has been very much higher.

Senator WALSH. What per cent?

Mr. KAUFMANN. Around 50 per cent.

Senator WALSH. How is it the past year?

Mr. KAUFMANN. The last year it is a little bit better.

Senator WALSH. Last year it was better. How has it been in the last six months?

Mr. KAUFMANN. It has been worse than last year up to the present time.

Senator WALSH. Has anybody been making money in the industry?

Mr. KAUFMANN. We do not make what we should make on our capital.

Senator WALSH. Do you pay a dividend?

Mr. KAUFMANN. We have not paid any dividend in years.

Senator THOMAS. How many?

Mr. KAUFMANN. None.

Senator THOMAS. How many years?

Mr. KAUFMANN. We are in business in the neighborhood of 20 years.

Senator WALSH. Is it a controlled business so that you can rest profits as salaries for members of the family?

Mr. KAUFMANN. Ours is; yes. I have a telegram which I received. You brought this subject up. I did not intend to mention this. This is from Trunk, Luggage, and Leather Goods Manufacturers of America, Chicago, Ill., dated June 24, 1929, and reads as follows:

Latest figures we had based on 1924 corporation tax; returns on 198 luggage manufacturers show 57½ made total profit of \$804,596; average, \$7,057 per plant; the other 42½ per cent showed deficit, \$876,447; average, \$10,434 per plant; from information received, 1927 and 1928, would show considerable larger losses. Conditions getting worse all the time. Each year sees larger importations of foreign-made leather goods and luggage. Have Mosesson show you copy of tariff resolution passed at our Washington convention.

Senator WALSH. What year is that? The report of income-tax returns was of what year?

Mr. KAUFMANN. 1924—1927 or 1928 evidently—

Senator WALSH (interposing). Let me see the telegram.

Mr. KAUFMANN. Here it is. In other words, it shows in this telegram that there has been more money lost than gained.

Senator WALSH. I am wondering since this hearing has been going on from what source the Government gets its income. I have not found anyone in all America that is making money, have you?

Senator THOMAS. I do not remember any.

Mr. KAUFMANN. This is from your records that I am going to tell you now this, that the imports for the last four years have been increased 400 per cent in fitted bags and suit cases. That is in the existing tariff.

Now, there is another item that I would like to mention to you regarding suit cases and bags. Those having equipment on the inside. Those are articles that are being sold more and more extensively every year, imported from Europe, because they are creating style over there and when we try to match their latest creations we can not buy the fittings in this country. We are compelled to go to Europe to get them.

Senator KEYES. Do you have to pay duty on those?

Mr. KAUFMANN. That is just what I am coming to. All the biggest department stores and specialized stores send their buyers to Europe once or twice a year, and they go to the big markets over there and see all these fine lines laid out. In Germany they make specialties of certain kinds, in Vienna other kinds, and in France still other kinds, and in this way they get their component parts to put into these grips. If we want to sell this merchandise over here, we have tried to buy the same materials they have and we have tried to get them to look entirely different. We can go in and compete here and there, but the bulk of this fine stuff is coming from the other side. The style for the last four years has been what they call enameled fittings, that is metal with a glass coat on top. On the side and front it is metal and it makes a very beautiful effect, but that is only made in this country of very fine silver, and the silver would cost a set \$100. On the other side, with the same effect, but with some other kind of metal which looks like silver, it can be bought over there for around \$16 to \$18 a set. This same article we are compelled to buy over there; under the proposed tariff they are subject to around 70 per cent, but when you import the completed bag with fittings under the proposed tariff, the duty is 50 per cent.

In addition to clois de ne articles, we use a great many bottles in our cases, these perfume bottles. You know what the women have. There is no manufacturer in the United States who makes these fine glass bottles and we are compelled to buy all of these articles from Czechoslovakia.

Senator THOMAS. Does this bill propose to put a tariff on that class of bottles?

Mr. KAUFMANN. Yes.

Senator THOMAS. Bottles that have no competition in America.

Mr. KAUFMANN. They have competition. They are made here, but they are not made for our purposes. The American manufacturers

make them too heavy. They make a lot of these bottles here which we put on the heavier things that they use for silvered dressers, and they are real heavy, but our glasses which we use must be a lighter proposition. We can not compete with fine glass bottles in this country of any sort. We must buy them there. The only ones we get here are so heavy it is impracticable to put them into leather goods.

Senator THOMAS. It adds too much to the weight of the article.

Mr. KAUFMANN. Yes. We are at a disadvantage when we pay 70 per cent duty and the man in Vienna is in 70 per cent on the costs at once. I mention 70 per cent on fittings because the brushes might come in around 60 per cent in the new tariff. Scissors go up to 200 per cent more, and all the different articles made of celluloid pay around 60 per cent duty, they all come in, in this group. We have 45 now, they are 50 per cent under the House bill, and the silk with the other things there is 55 per cent.

At the present time, they are starting to use a lot of rayons in this country because they have a wonderful luster, a beautiful effect, and the price is much less than real silk. The foreign manufacturer has the same chance to put out rayon, and I believe rayon runs around 10 per cent duty, something like that. I do not have the brief with me, I can not give it exactly, but it is very high. In suit cases, it takes quite a lot of silk to make the linings and that is quite an item, too. So we are at a disadvantage there. We are at a disadvantage on locks, which are 65 per cent. All fitted suit cases have mostly silver-plated locks, because a discriminating trade buys the high-grade articles and they want the thing just right. You see the disadvantage we are subjected to, and I believe there should be a higher rate on fitted suit cases with all these articles in them.

Senator THOMAS. What is the present rate?

Mr. KAUFMANN. It was 45. It is 50 per cent under the House bill.

Senator THOMAS. What do you recommend or suggest?

Mr. KAUFMANN. Seventy-five per cent. I want to call your attention to one other thing, under the 1922 tariff law there has been a 500 per cent increase in imports of these articles, according to the records.

(Mr. Kaufmann submitted the following brief:)

BRIEF OF THE TRUNK, LUGGAGE, AND LEATHER GOODS MANUFACTURERS OF AMERICA

FINANCE COMMITTEE,

United States Senate, Washington, D. C.

GENTLEMEN: On behalf of the Trunk, Luggage, and Leather Goods Manufacturers of America, I have the honor to request an increase of the duty on luggage and on luggage permanently fitted with travelling or manicule sets.

These classes of merchandise under paragraph 1432 of the act of 1922 are now assessed for duty at the rates of 30 and 45 per cent ad valorem, respectively.

Under H. R. 2667, as passed by the House, these classes of merchandise are provided for in paragraph 1531 at the rates of 35 and 50 per cent ad valorem, respectively. These increases are not sufficient to afford the industry necessary protection against increasing foreign importations.

From the yearly reports of statistics published by the Bureau of Foreign and Domestic Commerce showing imports under paragraph 1432 of the act of 1922, it will be seen that the total importations under this paragraph have increased approximately 300 per cent within the past four years.

The rates of duty on the materials used in the manufacture of these classes of merchandise have been materially increased under H. R. 2667, as passed by the House, and are shown in the schedule below:

Leathers and accessories used in the manufacture of bags, suitcases, etc., showing rate of duty under act of 1922 and in accordance with H. R. 2667 as passed by the House

| | Tariff act of 1922 | Para- graph No. | H. R. 2667 | Para- graph No. |
|-----------------------|--------------------------------------|--------------------|--|--------------------|
| Bag, leather | 20 per cent..... | 1431 | 20 per cent..... | 1530 |
| Seal, leather | do..... | 1431 | 25 per cent..... | 1530 |
| Embossed leather..... | do..... | 1431 | 30 per cent..... | 1530 |
| Hides..... | Free..... | 1559 | 10 per cent..... | 1530 |
| Goatskins, rough..... | Free..... | 1606 | 25 per cent..... | 1530 |
| Rayon for lining..... | \$0.45 per pound and 60 per cent. | 1213 | \$0.45 per pound and 60 per cent plus 10 per cent additional. ¹ | 1396 |
| Silk for lining..... | 55 per cent..... | 1205 | 55 per cent..... | 1205 |
| Locks, plated..... | 40 to 60 per cent..... | 399 | 50 to 65 per cent..... | 393 |

¹ Equivalent to more than 100 per cent ad valorem.

The leathers used in the manufacture of these classes of merchandise are under H. R. 2667, subject to higher duties than under the act of 1922; for instance, seal leather is increased from 20 per cent to 25 per cent; embossed leather is increased from 20 per cent to 30 per cent; goatskins, rough, which previously came in free, are increased to 25 per cent ad valorem. Hides are also removed from the free list and are subject to a duty of 10 per cent. These increases I believe warrant a compensatory duty in excess of the amount which has been allowed under the first subdivision of paragraph 1531 of H. R. 2667. The vast increase in importations of merchandise of these classes within the past few years justifies the conclusion that the existing duties are not sufficient to protect the American industry. With the increase to which I have referred, in the leather schedule, the increase of 5 per cent under paragraph 1531 will not more than compensate for the increase in the price of raw material resulting from the duties imposed under H. R. 2667, as passed by the House.

Labor costs in the leather-goods industry represent a very large factor in the manufacturing costs of such goods.

I am advised that figures compiled by various manufacturers indicate that labor represents approximately 30 per cent of the selling price of the manufactured article. Of course, in fitted bags, labor varies in relation to the value of the fittings used. Where more expensive fittings are used the percentage of labor costs would decrease proportionately.

Labor being a very important factor in the manufacture of these classes of merchandise, a comparison of the labor costs in the United States and the European countries from which this merchandise is imported, indicates a very large difference. For example, labor costs in Austria, as shown on page 19, Senate Document No. 9, Wages in Foreign Countries, "Leather workers—qualified worker—weekly wage, \$7.43-\$8.43."

In the same report on page 116 the hourly tariff rate of wages in the leather and shoe industry for skilled workers in Germany varies from \$0.252 to \$0.180 per hour. The unskilled workers receive from \$0.231 to \$0.149 per hour. These foreign wages on a basis of an 8-hour day run from \$7.20 to \$12 per week, whereas the wages paid by my company range from \$35 to \$80 per week.

While I feel that luggage manufacturers are entitled to a very substantial increase in the rate of duty under the first subdivision of paragraph 1531 of H. R. 2667, I desire to stress particularly the second subdivision of paragraph 1531 of H. R. 2667. That is, hand bags equipped with traveling, toilet, or other sets. Previously this merchandise came in subject to a duty of 45 per cent ad valorem. Under paragraph 1531 of H. R. 2667 this was increased to 50 per cent. Therefore, the duty on this class of merchandise has not been proportionately increased.

Attention is invited to Summary of Tariff Information, 1929, on tariff act of 1922, Schedule 14, page 2048, wherein the importations for the years 1919

to 1928, inclusive, on merchandise under the second subdivision of paragraph 1531 are set out in detail, as follows:

Value of importations

Calendar year:

| | |
|------------------------------|-----------|
| 1919..... | \$16, 896 |
| 1920..... | 136, 790 |
| 1921..... | 135, 580 |
| 1922 (Jan. 1-Sept. 21)..... | 111, 291 |
| 1922 (Sept. 22-Dec. 31)..... | 116, 706 |
| 1923..... | 369, 362 |
| 1924..... | 406, 280 |
| 1925..... | 471, 505 |
| 1926..... | 679, 886 |
| 1927..... | 730, 832 |
| 1928..... | 734, 250 |

Even a cursory examination of these figures will suffice to show the tremendous increase in the value of the importations of merchandise of this class. This results primarily from the fact that the fittings which go into these bags are subject to much lower duties when imported in a fitted bag than when imported as separate articles.

Below is a table showing the rates of duty imposed on the articles most commonly included in bag fittings, both under the tariff act of 1922 and H. R. 2667:

| Fittings | Tariff act of 1922 | Para- graph No. | H. R. 2667 | Para- graph No. |
|---|------------------------------|-----------------------|---|-----------------------|
| Glass bottles..... | 55 per cent..... | 218 | 70 per cent..... | 218 (e) |
| Mirrors (metal, enameled, gold plated). | 50 per cent..... | 230 | 60 to 65 per cent..... | 230 (b) |
| Brushes (plated)..... | 45 per cent..... | 1407 | 50 to 60 per cent..... | 1506 |
| Nail files..... | 40 to 60 per cent..... | 399 | 50 to 65 per cent..... | 399 |
| Scissors (more than \$1.75 dozen). | \$0.20 each and 45 per cent. | 357 | \$0.20 each and 45 per cent. ¹ | 357 |
| Celluloid articles..... | 60 per cent..... | 31 | 60 per cent..... | 31 (2) |

¹ Equivalent to an ad valorem duty of over 180 per cent.

Taking the first item, for instance glass bottles, which are used for toilet purposes. Under H. R. 2667 such bottles are subject to a duty of 70 per cent and the foreign manufacturer of traveling bags is therefore in a position to buy his bottles at a price materially less than they can be bought by the domestic manufacturer in the American market, and when included as a part of the fittings of a traveling bag under the second subdivision of paragraph 1531 the completed article will be subject to a duty of only 50 per cent.

It will be noted that every item shown on this list pays a greater duty when imported separately than when imported as a fitting in a suitcase or bag.

It will be seen therefore that the American manufacturer is placed at a decided disadvantage in competing with the European producers in this class of merchandise. A reference to the above schedule makes this too obvious to require further argument.

The increase of 5 per cent which has been allowed in paragraph 1531 of H. R. 2667, under the second subdivision, does not by any means compensate for the increase in duties on the various fittings which are used.

I, therefore, urge that all merchandise coming in under paragraph 1531 of H. R. 2667, as passed by the House, be increased to 75 per cent ad valorem for the following reasons:

- (a) Increasing foreign competition.
- (b) Large increases in duty on raw materials and accessories used.
- (c) Inability of American manufacturers to compete with foreign competition because of large differences in labor costs.

(d) The increases in duties under paragraph 1531 of H. R. 2667 are more than offset by the increases in duties on raw materials and accessories; there-

fore, the American industry will suffer a greater burden under proposed paragraph 1531 of H. R. 2667 than under the existing law.

This is a comparatively small industry and unless it receives a reasonable measure of tariff protection foreign importations will result in a serious loss of business and possibly financial ruin for the American manufacturers.

Yours most respectfully,

A. KAUFMANN,
*Representing Trunk, Luggage, and Leather Goods
Manufacturers of America.*

LEATHER GLOVES

[Par. 1532]

STATEMENT OF THOMAS R. LEWIS, REPRESENTING THE ASSOCIATION OF GLOVE IMPORTERS OF NEW YORK CITY

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

Mr. LEWIS. I represent the leather-glove importers, Mr. Chairman and members of this honorable committee.

Senator THOMAS. First, state whom you represent? How many glove importers?

Mr. LEWIS. Forty.

Senator THOMAS. What per cent of the entire glove-importing industry is that?

Mr. LEWIS. I would say it represents 95 per cent, and I may say also that I represent the large retailers and jobbers.

Senator THOMAS. Where are the dealers you represent located in the main?

Mr. LEWIS. In New York. We respectfully submit the following for your consideration, having in mind to make this brief short, concise, and to the point, without sacrificing necessary information.

We earnestly petition your honorable committee to change the leather-glove schedule from an ad valorem to a specific rate, reasons as follows:

For the past 25 or 30 years leather gloves have always been assessed on a specific basis. The present Fordney-McCumber bill changed the schedule from a specific basis to ad valorem valuation. This method has been given a fair trial and has proven a dismal failure, for the reason, leather is a produce of nature, and no two succeeding shipments are of a uniform quality, texture, or value. These fluctuations cause delay, annoyance, and loss both to the Government, also the importer. Many years ago our Government changed ad valorem valuation to specific rates receiving the benefit by collecting a full duty rate from one and all. It is the unanimous opinion of both importer and retailer that a specific rate should be enacted. I quote from a Government report as follows, *Tariff Information Surveys* (p. 53):

Ad valorem rates proved so unsatisfactory that both manufacturer and importer favor the retention of specific rates; some persons in the trade doubt the advisability of retaining ad valorem rates even to the extent of specifying a minimum ad valorem duty.

Senator KEYES. Does not the present bill carry a number of specific rates in paragraph 1532?

Mr. LEWIS. The present bill calls for \$4 a dozen up to the value of \$8 and above \$8 a 50 per cent duty, and in the present bill there are

a number of cumulative rates. To boil the present bill down, values up to \$4 pay \$8 and above \$8 pay 50 per cent.

Senator KEYES. Are you referring to leather gloves?

Mr. LEWIS. Leather gloves. Our specific rate should be divided into two classifications as follows: (a) Gloves made of leather, goat, or kid origin; (b) gloves made of leather, sheep, or lamb origin. This separates the lower priced glove from the higher priced article, each paying their proper proportion of custom tax. The popular priced glove is made of lambskin, whereas the glove for the ultra class is made of kid skin.

We especially call your attention to the fact, the type of kind of women's imported gloves are not made in this country. The imported glove is made of a light-weight leather generally brushed dye, whereas the domestic glove is made of a heavier leather. The imported article is made of a light-weight kidskin or lambskin, whereas the domestic production is a heavy leather, Cape, Mocha, Chamois, and leathers of similar type.

The domestic maker was specially favored in the Fordney-McCumber bill, receiving 100 per cent increase in duty rates over the previous bill, claiming if given the present schedule—the type of women's imported light weight brushed dye glove could be made here successfully. After repeated attempts they admit failure and now have given up further experiments.

Women's gloves of light-weight leather, brushed dye, either kid or lamb, are not made in this country in marketable quantities. This fact was clearly proven at the hearing before the Ways and Means Committee. Ralph Moses, representing the domestic maker, was publicly defied and challenged to bring forward any records, samples, or evidence that any light-weight women's gloves, brushed dye, were being made in this country; he failed to do so and admitted this type of glove was not manufactured here. Notwithstanding, the House bill proposes a further increase of 32/33 per cent.

This unjust and unwarranted increase as proposed by the House bill falls entirely on the popular-priced article worn by the woman of moderate means, whereas the high-priced glove worn by the ultra class carry the same rate of duty as the present schedule. The glove schedule, as proposed by the House, is most unfair. If enacted these rates would increase the cost of the popular-priced glove, whereas the extremely high priced article is favored without any advance. The women of our country will resent this increase in cost of the popular-priced glove, especially so, when it becomes known this kind of glove can not be made in this country.

Permit me to call your attention to these unwarranted advances. These are the new riders.

The \$4 basic rate is advanced to \$5.50. Cumulative rates have all been advanced; also new cumulative rates have been added, as follows:

Gloves to be measured, cuffs unfolded, which means an additional 50 cents to \$1.50 per dozen.

Who ever heard of a cuff on a glove being unfolded to determine the length, no more so than a tailor, measuring your coat turning up the collar, trying to make you believe he was giving you a longer

garment than you ordered. In addition there are the following: Hand-sewn gloves, \$5 per dozen; P. K. sewn gloves, \$1 per dozen; P. X. M. sewn gloves, \$1 per dozen; trimmed with fur, \$4 per dozen.

The present bill provides for an additional 50 cents for each full inch over 12 inches. The House bill calls for 50 cents per inch or fraction thereof over 12 inches. This is absurd. Any glove man knows each size varies in length; for example, size 5½, which is a small size, will have shorter fingers and wrist than size 8, which is a larger size.

Should this cumulative rate become a law, large sizes would pay a higher rate of duty than small sizes, even though the value and quality is the same.

The rates proposed by the House can not be justified, the domestic maker is now overprotected. Ralph Moses testified before the Ways and Means Committee, American labor was three to four times higher than European production cost. This is contrary to the facts; he also laid great stress when calling the attention of the Ways and Means Committee to the Brussels exports to the United States, claiming "this was the cheapest market now."

The difference in labor cost on a Biarritz 12-inch, pique spear point, is between \$2.50 to \$3 per dozen. This difference in labor cost not only applies to Brussels, but generally throughout the entire European market. The minimum protection demanded by the domestic maker on this article is \$6.50. This minimum rate would give the domestic manufacturer an overprotection \$3.50 per dozen.

We suggest the following specific rates, separating gloves made of lambskin from those made of kidskin. It is not just to assess gloves made of lambskin, worn by the woman of moderate means on the same basis as gloves made of kidskin used exclusively by the woman who is not forced to economize.

SUGGESTED SPECIFIC RATES

Gloves made wholly or in chief value of leather, whether wholly or partly manufactured, shall pay duty at the following rates, the length stated in each case being the extreme length when stretched to their fullest extent, but not to include unfolded length of cuff or other appendages. Men's gloves not over 12 inches in length, \$6 per dozen pairs. Women's and children's gloves made of leather, goat, or kid origin, up to 14 inches, \$5 per dozen pairs. For each inch in excess thereof, 25 cents per dozen pairs. Women's and children's gloves made of leather of sheep or lamb origin, up to 14 inches, \$4 per dozen pairs. For each inch in excess thereof, 25 cents per dozen pairs: *Provided*, That in addition thereto, on all of the foregoing there shall be paid the following cumulative duties:

When lined with wool, cotton, or silk, or any other fabric of whatever name or kind, \$2 per dozen pairs.

When lined with leather or fur, \$4 per dozen pairs.

The foregoing suggested specific rates are the highest in the history of our country.

We compare the above suggested specific rates with the following:

| | Kid gloves | Lamb gloves | Schma-schen gloves |
|------------------------------|------------|-------------|--------------------|
| 1897 Dingley bill..... | \$3.00 | \$2.50 | \$1.75 |
| 1909 Payne-Aldrich bill..... | 3.00 | 2.50 | 1.25 |
| 1913 Underwood..... | 2.00 | 2.00 | 1.00 |

Senator THOMAS. You omitted the other bill, the 1922 tariff act, the Fordney-McCumber Act. Have you the figures on that?

Mr. LEWIS. Yes. In the 1922 Fordney-McCumber Act for value up to \$8, it was \$4 per dozen, and for value above \$8, 50 per cent ad valorem. We suggest \$5 for kid and \$4 for lamb.

We respectfully petition this honorable committee to weigh the facts and arrive at a solution which will meet with the wishes of the great majority, viz, the women of our country and not for the benefit of a small group of domestic manufacturers, who are now overprotected.

In comparing, with the 1928 importations as a basis, our Government collected \$5,511,150. If the House rates are adopted, the duties will be \$7,305,559.

Senator COUZENS. That is on the assumption that there is no curtailment of importation?

Mr. LEWIS. Using that as a basis, there will be an increased duty of \$1,794,409, on an article that it is admitted can not be made here.

Senator WALSH. Can you take the different kinds of gloves, with the different prices, and demonstrate to this committee what the duty is upon those certain priced gloves now and what it will be under this proposed bill?

Mr. LEWIS. Yes, sir.

Senator WALSH. Will you describe that glove you have in your hand?

Mr. LEWIS. That is a lamb glove that can be bought in Europe for various prices, from \$8 to \$9 a dozen.

Senator KEYES. Is that marked in any way?

Mr. LEWIS. That is a lambskin glove. I will mark it.

Senator WALSH. Is that a glove that sells retail in this country for \$1.

Mr. LEWIS. No; it sells for \$1.95. The average price of that glove in Europe is \$9. We now pay \$4.50 duty on that. If it did not have these ornamentations on it we might buy that article for \$8, and it would pay a duty of \$4 under the present rate. Under the new rate of duty we would pay \$5.50 on that article.

Senator WALSH. In other words, that article which is imported into this country at \$8 and \$9 now pays a duty of about 50 per cent?

Mr. LEWIS. Correct.

Senator WALSH. That duty will be increased to about 70 per cent?

Mr. LEWIS. Correct. I will show you another article here.

Senator THOMAS. Will you identify that so we can refer to it as Exhibit A, say?

Senator KEYES. If you will mark them so that when we come to consider them we will know what they are, it will help us.

Senator WALSH. Does that mean that the glove that retails for \$2 here will probably be sold for \$2.50?

Mr. LEWIS. Correct; that is the exact figure. There will be an advance of 50 cents per pair.

We will take the same leather and put a different sewing on it, called P. K. sewing. The House bill provides a rider of another dollar a dozen which is not in the present rate, so that would increase it a further dollar a dozen. The riders mount up very considerably, as proposed by the House bill.

For example, that sewing there [indicating gloves] would pay a duty under the present rate of four to four and a half, with this machine stitch here. If you put this machine stitch on it, according to that rider, that is a dollar a dozen extra.

Senator WALSH. What is the difference in the stitching on these two gloves?

Mr. LEWIS. In cost?

Senator WALSH. Yes; or in work.

Mr. LEWIS. About 15 or 20 cents.

Senator THOMAS. You referred to a stitch; you meant the stitching on the fingers of the glove?

Mr. LEWIS. Correct. I have called your attention, gentlemen—

Senator COUZENS. What is the margin made by the importer when he sells them to the stores?

Mr. LEWIS. On gloves that are imported at \$9.50 we pay a duty of 50 per cent, with 50 cents per dozen landing charge, and we sell those at \$16.50, less one or two per cent.

Senator COUZENS. You do not mean to say it costs you 50 cents landing charge for a dozen gloves?

Mr. LEWIS. Yes; per dozen gloves. That is the rate per dozen.

Senator WALSH. What does the landing charge include?

Mr. LEWIS. Freight and insurance.

Senator WALSH. Overheads of various kinds?

Mr. LEWIS. Yes, sir.

Senator COUZENS. Is not that a pretty high rate?

Mr. LEWIS. No, because you can not get as many dozen kid gloves in a case as you can of hosiery or cotton gloves. In cotton gloves we can pack two or three hundred dozen in a case, whereas in kid gloves some cases will only contain 75 or 100 dozen, or in some cases 150 dozen. So the landing charges on a dozen of kid gloves will amount to a great deal more than on a dozen of cotton gloves.

Senator WALSH. Does that specially stitched glove sell for a higher price than the other glove that you exhibited to us?

Mr. LEWIS. Yes, sir; there is a difference in a dozen in the selling price of about 50 cents a dozen.

Senator WALSH. That is about 4 cents apiece?

Mr. LEWIS. Four cents a pair.

Senator WALSH. And yet you say the duties levied in this bill are \$1 a dozen more upon that glove that has that special stitching on it?

Mr. LEWIS. Correct.

Senator COUZENS. Do those differences come in the difference in the cost of production at home and abroad?

Mr. LEWIS. Yes, sir.

Senator COUZENS. You say the rates proposed in the House bill simply cover the difference in the cost at home and abroad?

Mr. LEWIS. No, I do not say that. I say that that is the rate suggested by the House bill and it is unfair and can not be justified.

Senator COUZENS. Have you submitted the cost of production of those gloves at home and abroad?

Mr. LEWIS. I have given you under oath here, after a thorough investigation, and I will swear to it, that in my judgment as a glove man, there is a difference, taking everything in a broad way, there

is a difference of about \$2.50 to \$3 per dozen in production cost abroad and here. That is an average. Talking about the labor costs—

Senator WALSH. To the advantage of the foreign producer?

Mr. LEWIS. Yes, sir.

Senator WALSH. Will you go ahead with some more of these demonstrations?

Senator COUZENS. We have heard about the labor scales, and I do not think that you need to refer to them.

Senator WALSH. I should like to have some more of these demonstrations.

Mr. LEWIS. I will show you a type of glove manufactured in America.

Senator THOMAS. Are the American products as good, from every standpoint, as the imported products?

Mr. LEWIS. I would say yes. Let us be fair. It is a different type of glove. They make a good glove up there.

Senator THOMAS. Up where?

Mr. LEWIS. In Fulton County, Gloversville.

Senator THOMAS. What State is that in?

Mr. LEWIS. New York State.

There is a type of glove produced in America [exhibiting glove].

Senator WALSH. Gloversville has been famous in tariff history.

Mr. LEWIS. Gentlemen, may I say that the domestic industry, which you gentlemen all know has been specially favored—specially favored—I am not going to go into details; you know about it.

There is a type of glove produced in Europe [exhibiting glove].

Senator WALSH. What are you showing us these for?

Mr. LEWIS. You asked for any exhibits to show you the difference in the type of glove we are importing and the class of gloves made here, and my contention is that they are asking for a rate of duty on an article that is not made here, and it is not fair and just to the people of the United States, especially to the women whom we are representing.

Senator COUZENS. In other words, you believe the women prefer the imported product?

Mr. LEWIS. No; I do not. I say this, that there are certain types of women who will wear this domestic glove, and then there are other types of women who will wear a lighter-weight glove, and they will not wear that [indicating glove].

Senator COUZENS. Just why is that? You are talking about types of women. What kind of types?

Mr. LEWIS. I do not mean any particular type of women; I am talking about these gloves.

Senator WALSH. Widows or flappers?

Mr. LEWIS. If a woman prefers a light-weight glove you can not force her to wear a heavy glove. I am a married man, and I can not force my wife to do anything she does not want to do.

Senator WALSH. Your contention is that these imported gloves are of such a finer texture and of such a different style that they do not compete with the domestic gloves; is that true?

Mr. LEWIS. Correct. I called your attention in the present bill to riders.

Senator WALSH. What is the duty on these various kid gloves that you have just exhibited to us?

Mr. LEWIS. They vary from 50 per cent up. Some of them come under a rate of \$4. They will vary according to the value, and each one of them will have a different rate.

The present bill is a very complicated and unworkable bill.

Let us get down to brass tacks and call a spade a spade. For 35 years our Government has had gloves on a specific basis. The present Fordney tariff schedule kicked this thing over the traces and put on an ad valorem rate. That had the very strong backing of the domestic industry.

Gloves can not be assessed correctly on an ad valorem basis. I defy any glove experts you may call. Call 10 glove experts in here in reference to an ad valorem basis, and bring out 10 or 15 samples, and you will get a variation of from 10 to 20 per cent between these glove experts.

Leather is a product of nature, and these light weight kid lamb gloves—they are never alike—no two according to shipments that will run alike, either in measure or quality. So, Senator, if we can not get down to a correct cost valuation on this basis, then let us have a specific duty.

Our Government has never changed it, and it has been working very satisfactorily under the present bill. The only thing that an ad valorem basis, and that is the worst feature in the present schedule is the ad valorem basis.

I have made comparisons of previous tariff bills.

Senator COUZENS. Would it not simplify the matter if we had either the American or the United States system of valuation?

Mr. LEWIS. Yes, it would.

Senator COUZENS. We would know in our country, what these respective gloves were selling for, would we not?

Mr. LEWIS. But they are not a comparable article.

Senator COUZENS. But if we had the United States valuation we would not have to have a comparable article, because you would only be basing it on the selling price of these goods in America.

Mr. LEWIS. I do not think the United States valuation is practical, as a business man.

I called your attention to the rider providing for fifty cents per inch or fraction of an inch. There are two glove forms [exhibiting forms]. That is how gloves are made, stamped out of those. That is the medium size and this is the large size [exhibiting glove forms].

Senator COUZENS. Do they both sell for the same price?

Mr. LEWIS. All the same price. When we receive a shipment of gloves, from a small size up to a large size, we sell them at a uniform price, but under the present rate the importer would pay one duty on a large size and on a small size he would pay another duty. In other words, a large woman would be taxed a higher rate of duty than a small woman.

Senator COUZENS. Do you pay the same for them when you buy them abroad?

Mr. LEWIS. Correct. This is just a subterfuge to get another 70 cents or 50 cents or a dollar a dozen on an article not produced here.

In presenting this brief I should like to call attention to a very few of the most important and vital features, bearing in mind that the time of the committee is limited, because of the many schedules you have under consideration. My remarks will be brief.

Senator COUZENS. I thought that you just gave us that.

Mr. LEWIS. No; I am calling attention, Senator, to what I call the very essential parts.

Take, for instance, the labor costs. I take the year 1925, which is the latest year we can get official statistics for from our Government.

The total wages paid in 1925 by the domestic manufacturers amounted to \$7,814,000, and the total dozens produced were 2,364,000 dozens, at an average labor cost of \$3.30.

During the same year, when the labor production cost for the entire American industry was \$7,814,110, our Government collected in duties \$7,334,196. In other words, our Government collected as a protection, the entire amount, practically, of what the domestic industry paid in wages.

Furthermore, during that year the domestic industry produced 28,000,000 pairs of gloves, and we imported 8,000,000 pairs. So that the Government collected on 8,000,000 pairs the entire wage labor cost of the domestic industry for 28,000,000 pairs.

We claim that the domestic maker is over-protected, and there are the figures that will prove it.

I have called your attention to the ad valorem basis of valuation in the present bill. Gentlemen, it is unworkable; it is not fair, and it can not be assessed properly.

The only proper and correct duty and tax is a specific rate, and I earnestly beg you, gentlemen, to give consideration to our plea for a specific rate.

There are many reasons I could bring forth, but I know you are limited as to time.

I also advocate very strongly that kids and lamb should have separate duties, and thereby the woman of moderate means is not assessed on the same basis as a woman of the upper class, because cheap gloves are all made of lambskin, whereas the high price gloves are made of kidskin, and to put both of those leathers on the same basis is not fair. There should be a differential rate between the lamb and the kid.

The domestic maker is organized to make gloves of cape, mocha, and chamois, and similar leathers; he is not organized to make gloves of this lightweight linen.

It is not the importer's desire or purpose to advocate a rate of duty that will interfere in any way with the American production.

Senator THOMAS. Of what leathers are those gloves made that you have just shown us?

Mr. LEWIS. The domestic gloves are made of cape, mocha, and chamois, whereas the imported gloves, of which I have submitted some samples, are made of lambskin and kid.

Senator THOMAS. The domestic gloves are made of domestic leather, or imported leathers, or both?

Mr. LEWIS. Some are made of domestic and some are made of imported leathers.

Senator THOMAS. The imported gloves are made altogether, are they not, of foreign leathers?

Mr. LEWIS. Of foreign leathers. Referring to the riders, gentlemen, which the House bill has proposed, in measuring the length of this glove—

Senator THOMAS. Identify that glove.

Mr. LEWIS. Domestic cape; I have it identified. It is proposed that this cuff be extended or unfolded in determining the length.

I have been in the glove business for 43 years, and I have never determined the length of a glove by turning the cuff back, no more so than I would go to my tailor and have him to make me a coat 72 inches long, and then he turned my collar up and said, "There you have it." It is not fair.

They also inserted appendages, which means attachments. That glove under that rate could be classified with that stretched up [indicating].

Senator THOMAS. Identify the glove so that when we come to it we can pick it out.

Mr. LEWIS. I will.

Senator WALSH. You claim that those appendages would be levied upon with a duty in excess of the 12 inches limit upon the glove?

Mr. LEWIS. Correct, according to that bill.

Senator WALSH. That duty is 50 cents per inch per dozen.

Mr. LEWIS. Or fraction. In this case they will measure, we will say, $1\frac{1}{8}$ or $1\frac{1}{4}$ inches, and then we will have to pay for the full inch, which is not in the present bill. Do you not suppose that this was put in the law originally to cover those long-armed gloves that the women used to wear and do now sometimes?

Mr. LEWIS. The 50 cents per inch was put in to cover those long-armed gloves, but the 50 cents per inch, as proposed by the House bill, or fraction of an inch, is put in for the purpose of getting an extra 50 cents a dozen cost against gloves which measure $1\frac{1}{4}$, or $1\frac{1}{2}$ or 2 inches, so therefore it will be an extra measurement.

Senator WALSH. May I have your attention along another line? I want to see if I understand this paragraph correctly.

Take ladies' gloves, ladies' leather gloves, basically assessed here with a duty of \$5.50 per dozen. The rate under the present law is \$4.

Mr. LEWIS. That is correct.

Senator WALSH. If that ladies' leather glove passes through a machine and is seamed there is a dollar more added to that \$5.

Mr. LEWIS. Correct.

Senator WALSH. Making it \$6?

Mr. LEWIS. Correct.

Senator WALSH. Instead of \$4.

Mr. LEWIS. Instead of \$4.

Senator WALSH. There being no additional tax in the present law for a seamed glove?

Mr. LEWIS. No, sir.

Senator WALSH. Now, then, a glove that is seamed by hand has an additional tax upon the basic tax of \$5.50 per dozen of \$5.

Mr. LEWIS. Correct.

Senator WALSH. So that a ladies' glove seamed by hand will have, under this bill, if and when it becomes operative, a tax of \$10.50, whereas to-day it is taxed only \$4.

Mr. LEWIS. I would not say that it is taxed \$4, because as a rule a hand-sewn glove would come under the 50 per cent, so it would not come under the \$8 rate. But basically speaking you are correct.

Senator WALSH. Now then, if a ladies' glove made of leather is seamed by hand and is lined with silk or other fabric, there are three taxes imposed, the basic tax of \$5.50, the \$5, if seamed by hand, and the \$3.50 compensatory duty for silk or wool, whatever the fabric may be.

Mr. LEWIS. Correct.

Senator WALSH. Is that true?

Mr. LEWIS. Correct.

Senator WALSH. Now, that compensatory duty, if the glove is lined with wool or with some other fabric, is increased in this bill from \$2.40, the rate under the present law, to \$3.50.

Mr. LEWIS. Correct.

Senator WALSH. And if the glove is lined with leather or fur there is an extra duty levied here of \$5 per dozen paid, instead of \$4, under the present law.

Mr. LEWIS. Correct.

Senator WALSH. Now then, the very last proviso, or line in this glove section reads as follows:

Provided further, That all the foregoing shall be dutiable at not less than 50 per cent ad valorem—

But the present law added to the same language the words—
not more than 70 per cent.

Mr. LEWIS. Correct, Senator.

Senator WALSH. So then the total duty which may be levied by that accumulation of additional duties provided under certain circumstances, in the present law had a limit of 70 per cent on what could be imposed.

Mr. LEWIS. Correct.

Senator WALSH. Under this paragraph the limit is taken off, and the minimum of 50 per cent is provided for, and you can go to the sky as an upper limit; is that true?

Mr. LEWIS. That is correct.

Gentlemen, I would like to stress the point—I do not want to bring it up again—but this ad valorem rate is not what we must have or what we should have, and we beg you to examine that very carefully and give us a specific rate of duty instead of an ad valorem rate. It is unworkable, and it was put in the present Fordney bill by influences from Fulton County.

Senator COUZENS. Why is it unworkable?

Mr. LEWIS. As I have explained to you—

Senator COUZENS. You explained it on the ground of quality, did you not?

Mr. LEWIS. There are no two shipments of uniform value.

Senator COUZENS. Do they not appraise it, or base it on the invoice of the importer?

Mr. LEWIS. Yes; they appraise it on the invoice of the importer after they have examined the goods, but as there are no two succeeding shipments that will run with a uniform quality, there may be a discussion which often happens.

And there is a further matter that I want to bring out regarding the specific rates. The importers' business is constituted, and may be we are organized on a little different basis than a great many imported articles. There are a great many foreign manufacturers that are invoicing their goods to agents here. These manufacturers knowing that no one living can put an exact valuation on every glove correct to a penny, will invoice their gloves as cheaply as they can; in other words, get away with as much as they can.

Now, an American merchant, an honest American merchant, going over there buys his goods outright, and the foreign manufacturer who has an agent here has an advantage over the American importer. We can not, if they pay 50 cents or a dollar a dozen less in duty, we can not compete with them.

So, therefore, our plea is not only that of the importers, but of all the retailers, as a unit, that there should be a specific duty or rate on leather gloves. It has always been so, and the present tariff bill is the only one that changed it.

Senator COUZENS. That could be obviated with the United States valuation.

Mr. LEWIS. I do not see how.

Senator COUZENS. Certainly it could be obviated by the United States valuation, and the man who has his agent would be no better off than the man who imports it.

(Mr. Lewis submitted the following statement:)

EFFECTS OF NEW RATES WOMEN'S AND CHILDREN'S LEATHER GLOVES BASED ON IMPORTS OF 1928

| | |
|---|-------------|
| 1928, quantity imported.....pairs..... | 11,400.423 |
| 1928, quantity imported.....dozens..... | 950,035 |
| 1928, total duty collected..... | \$5,511.150 |

INCREASE DUTY

| | |
|--|------------------|
| Increase basic rate \$1.50 per dozen on 950,035 dozens..... | \$1,425.052 |
| Increase basic rate \$1 per dozen on 1,178 dozens, fur lined..... | 1,178 |
| Increase basic rate \$1.10 per dozen on 1,107 dozen, silk, wool, cotton lined..... | 1,218 |
| Increase basic rate \$1 per dozen on 570,104 dozen (estimated quantity) gloves sewn P. K. (otherwise than overstitch)..... | 570,104 |
| Increase basic rate \$5 per dozen on 20,000 dozen (estimated quantity) gloves sewn by hand..... | 100,000 |
| | <u>2,097,552</u> |

Less 40 cents per dozen on 757,858 dozen embroidered gloves (the custom court has ruled certain kind of points on the back of the glove is not embroidery).....

303,148

Total increase.....

1,794,409

1928, duty collected.....

5,511,150

House increase.....

1,794,409

Total.....

7,305,559

Increase, thirty-two thirty-thirds per cent.

STATEMENT OF WILLARD M. SMITH, REPRESENTING P. CENTEMERI & CO., NEW YORK CITY

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

Senator KEYES. Will you state whom you represent?

Mr. SMITH. I represent P. Centemeri & Co.

Senator KEYES. Are you importers?

Mr. SMITH. Yes, sir.

Senator COUZENS. Have you anything different to say than was said by the previous witness?

Mr. SMITH. Somewhat; yes, sir.

I respectfully refer to the brief of the National Association of Leather Glove and Mitten Manufacturers, which was submitted to the Committee on Ways and Means of the House of Representatives, found at page 7728 of the hearings of that committee, and as a member of the firm of P. Centemeri & Co. (Inc.), engaged in the manufacture in France and the sale in the United States of America of women's French kid gloves, earnestly request your honorable committee's most serious consideration of my protest against the passage of the tariff as proposed, and I submit in substantiation of my request the following facts.

Herein I would like to state clearly, anticipating somewhat your questions, sir, that we manufacture in France because we can not manufacture in the United States; our kind of glove is not made in the United States, and your law does not permit me to import contract labor and cheap mechanics to make our kind of gloves into the United States of America.

I have been with the firm of P. Centemeri & Co. from the time I was a boy, serving 43 years, and I now own almost one-half of the business. And I assure you, sir, if we could make that glove here we would be happy to avail ourselves of that opportunity.

Senator COUZENS. Do the other concerns have their factories here?

Mr. SMITH. They had their factories in this country. In the old days one of the firms established a factory in Jersey City. It was a famous factory of its kind. There was another factory established, a small plant established, in Spring Street, New York City, which was closed on the 31st day of December, because it was too expensive.

Senator WALSH. Are there any other American concerns that have factories abroad other than yours?

Mr. SMITH. I know of none. I know that American concerns go abroad and take the products of factories.

Senator WALSH. Where is the Kaiser glove made?

Mr. SMITH. They buy their goods principally in Saxony; but they do not carry leather gloves. They carry the fabric.

Senator WALSH. They used to carry them.

Mr. SMITH. I can not correct you on that.

Senator COUZENS. You admit, as a premise, that these gloves are competitive?

Mr. SMITH. Simply because they are a hand covering.

Senator COUZENS. Certainly. I say these gloves are competitive.

Mr. SMITH. Rubbers are competitive, and shoes, too.

Senator COUZENS. So are automobiles.

Mr. SMITH. A man could wear rubbers all his life, and he would not have to wear shoes. But as to the gloves under review, when you talk of American value, you must take into consideration that there are no two skins alike; there are no more two skins alike than there are human beings; and there are certain skins that must be made into certain kinds of gloves, and they can not go into anything else.

Senator WALSH. What are the names of those gloves you referred to?

Mr. SMITH. Fownes, Reynier, Trefouse, Vaillier, and Perrin.

Senator WALSH. Where are they produced?

Mr. SMITH. The Trefouse glove is produced in Chaumont, France. Fownes have an American plant in Saxony.

Senator WALSH. Have they all got foreign plants, all the companies that you named?

Mr. SMITH. Every one that I mentioned has foreign plants.

Senator WALSH. Has the kid glove business become largely an import business?

Mr. SMITH. Entirely, I should say.

Senator WALSH. The number of gloves made here of this character is very small?

Mr. SMITH. They are of a different character. You make three or four times as many gloves in the United States of America, that is, leather gloves, as are imported.

Senator WALSH. Leather gloves?

Mr. SMITH. Yes, sir. I think that is where the error came in Mr. Moses' statement, that he paid in wages four times what we pay. I think that the gentleman meant the volume of his wages.

Senator WALSH. Is that a higher class of gloves that come from abroad?

Mr. SMITH. As to my particular product, yes.

The American factories make a glove that sells for \$16.50. or lower, and they make one that sells for \$33 or \$48 a dozen, according to the finish of the glove.

Senator WALSH. What are the foreign prices?

Mr. SMITH. The foreign gloves, you can get foreign gloves as low as \$7.50 a dozen.

Senator WALSH. How high?

Mr. SMITH. It is according to the length and according to the character of the article. A fair basis would be \$12 and \$14, for a standard glove, of a particular type.

Senator WALSH. Men's or ladies'?

Mr. SMITH. Only women's—I am talking entirely of women's gloves.

Senator WALSH. That is the average price?

Mr. SMITH. I would say so.

Senator WALSH. \$12 or \$14 per dozen?

Mr. SMITH. Yes, sir.

Senator COUZENS. Are there any importations of men's gloves?

Mr. SMITH. It is very limited; they come principally from Great Britain.

Senator COUZENS. Has the importation of ladies' gloves increased in the last four or five years?

Mr. SMITH. Slightly.

Senator COUZENS. To what extent?

Mr. SMITH. I do not know, sir.

Senator WALSH. Kid gloves are not worn by ladies nearly as much as they used to be, are they?

Mr. SMITH. For daytime wear, yes, sir; but not so much for evening wear.

Senator WALSH. I had an idea that the sales in the average retail store had dropped off greatly and that silk and cotton gloves had taken their place.

Mr. SMITH. I think that cotton gloves have to some extent.

Senator WALSH. I am surprised to learn that the importations have kept up.

Mr. SMITH. Paragraph 1532 embraces a proposal for an increase of duty of practically $33\frac{1}{3}$ per cent on the entire realm of leather gloves irrespective of kind and qualities, the most seriously affected being that class of leather used in the manufacture of women's unlined dress gloves and comprises the category of lambskins and kid skins.

These kid and lamb skin gloves are of a kind and character not made in the United States and I refer to the top of page 7720 of your printed review, where is contained the very definite statement made by Ralph Moses, chairman, and which statement I repeat:

Strictly speaking and honestly, we do not make the so-called goat or kid glove with the white back.

Because there are absolutely no gloves of the character we manufacture in France made in the United States of America I protest against any increase and earnestly pray for a decrease in the existing rate.

Senator COUZENS. Why are the increases asked for? I am not clear why this increase was asked for if there is no necessity for it.

Mr. SMITH. They want to keep us out of the market. I think that is a crude way of answering it.

Senator COUZENS. That goes to prove my conclusion that these are competitive gloves.

Mr. SMITH. Yes, sir.

Senator COUZENS. And they want to keep you out of the market so they can sell more gloves?

Mr. SMITH. If women elected to go barehanded they would not sell more.

Senator COUZENS. That would be economy for the husbands, would it not?

Mr. SMITH. The husbands sometimes get a great deal of pleasure from adorning their wives.

Senator WALSH. The distinction is between direct and indirect competition?

Mr. SMITH. Yes, sir.

Senator WALSH. Senator Couzens asserts properly that there is indirect competition with the glove manufacturers at home.

Mr. SMITH. That is what makes trade. That is why we have so many department stores. When I was burned out in San Francisco, in the earthquake and fire, the next day we could get almost anything for what was offered for sale.

Senator COUZENS. I am not objecting to the competition, but I am just trying to point out the fact that you are overemphasizing the fact,

that there is no competition, because every witness has testified that there is competition, and as a matter of fact we have sense enough to know that there is competition.

Mr. SMITH. I was not making any reference to that; I was saying that they do not make a comparable article. They may make an article that may be used as a substitute, but it is not a comparable article.

Senator COUZENS. It is comparable in the fact that it is a leather glove.

Mr. SMITH. Canvas gloves or cotton gloves have put leather gloves out of business.

Senator COUZENS. Oh, no; we are talking about leather gloves.

Mr. SMITH. I am talking about kid and lambskin gloves.

Senator COUZENS. They are leather gloves, are they not?

Mr. SMITH. Yes, sir.

Senator COUZENS. Certainly.

Mr. SMITH. I furthermore protest against cumulative duties on lengths less than 14 inches.

I still furthermore protest against any discrimination as to the kind of sewing employed.

In substantiation of the foregoing protests, I desire to emphasize the following very pertinent facts:

The act of 1922 provided a minimum rate of \$4 per dozen pairs, and provided further that said minimum of \$4 per dozen pairs shall not be less than 50 per cent nor more than 70 per cent ad valorem.

The act of 1913, in paragraph 363, provided for a specific rate of \$2 per dozen pairs on all women's kid and lambskin gloves under 14 inches in length. From the best sources obtainable, I gathered a number of further figures, showing that \$5.76 per dozen pairs, embracing all cumulative duties, has been the average duty paid to our United States Government during the year 1928.

Senator WALSH. Will you state that again?

Mr. SMITH. From the best sources obtainable, I gathered figures showing that \$5.76 per dozen pairs, embracing all cumulative duties, has been the average duty paid to our United States Government during the year 1928, and notwithstanding the increase over the act of 1913, when the \$2 rate was considered a just tariff, to the act of 1922, when \$5.76 has been the average paid, I can find no figure that will show that American labor in the glove field has profited to any greater extent than 10 per cent. Some figures show less.

At this point, permit me to refer to the United States Government report for the year 1925, which states that the dozen leather gloves made in the United States of America totaled 2,364,000 dozen pairs and the wages paid were \$7,814,000, or practically \$3.30 per dozen pairs, and personally, I believe there must be some error made in this report, because, as a glove manufacturer, I can not reconcile the statement as to wages of \$3.30 per dozen pairs.

Previous tariff measures have established 14 inches as the accepted length for women's ordinary gloves, and over 14 inches in length a graduation because of the mousquetaire style feature.

The act of 1909 established a rate of \$1 extra for lengths between 14 and 17 inches, and any length over 17 inches, whether it be 20, 24, or 30 button mousquetaire length only an additional dollar per dozen

pairs, or, in other words, a 30-button mosquetaire was dutiable at \$4.50 per dozen.

The act of 1913 provided 25 cents per inch on lengths longer than 14 inches.

The act of 1922 was the first act that limited the length to 12 inches and established a 15 cents per inch rate; but since there was included in this act of 1922 the 15 per cent minimum ad valorem basis, the matter of inches and inch rates became entirely irrelevant.

The hard proposal in H. R. 2667, as passed by the House, endeavors to provide for lengths on the fractions of an inch in the point of assessment and collection, but gives absolutely no consideration to the fact that a little kiddy's glove, sized 000-00-0-1, must pay the same rate of duty as her mother's gloves pay, whereas there is a wide disparagement in the leather employed.

The employment of such terms as "lengths stated being the extreme length, including the unfolded cuffs or other appendages when stretched to the fullest extent," and the provision for 50 cents extra for a fraction of an inch is a sad reflection upon American manhood and a most unwholesome reference to labor.

I have learned at the Census Bureau that in 1927—the last year for which statistics were taken—the average number of wage earners engaged in the manufacture of all kinds of leather gloves and leather mittens in the town of Gloversville was 3,625 and in Johnstown 1,226.

The total average number of such wage earners engaged in the production of leather gloves and mittens throughout the United States of America during 1927 was 9,106, such statistics being gathered from town and cities of population as low as 10,000. I assume that the figure is nearly correct because it provides for about one dozen per day production for each worker on full-time work.

It has been impossible for me to learn how many of these wage earners referred to are foreigners, how many are native born, and how many are naturalized citizens.

Senator COUZENS. What difference does that make?

Mr. SMITH. It makes a big difference. We are an American corporation business and they are referring to foreign labor. They employ foreign labor in this country.

Senator COUZENS. Would you have them discriminate between the wages paid to Americans and foreigners?

Mr. SMITH. There are a lot of Italians in Fulton County who do not exercise the franchise, and they want our protection.

Senator COUZENS. I did not know that there were any advocates of the principle advocating a difference in wages paid as between Americans and foreigners.

Mr. SMITH. But the duty is assessed because we are a foreign manufacturer, and the man working on the product happens to live on the other side.

Senator COUZENS. That is an entirely different situation from that of the man on this side. The whole standard of wages and of living costs is different here from that on the other side. I think you are going far afield when you bring that question up.

However, proceed. I wanted to get the point. I do not set it. But go ahead.

Mr. SMITH. We are protecting American labor. These men are not Americans. They happen to live here.

Senator COUZENS. It is not American labor, because they have not taken out their citizenship papers; is that your point of view?

Mr. SMITH. Yes, sir.

Senator COUZENS. Of course, they perform their labor in America.

Mr. SMITH. Yes, sir.

Senator COUZENS. And they consume here in America, do they not?

Mr. SMITH. I suppose so.

Senator COUZENS. Certainly. That is the most absurd statement that has been made before the committee.

Mr. SMITH. Suppose that I withdraw it. I ask your permission to withdraw it if you consider it an irrelevant statement.

Senator COUZENS. I am glad to get your viewpoint, after you have gone into this matter.

Mr. SMITH. Adequate protection is a grand American policy, irrespective of the size of any American industry, and since we are still a young country we must look with a keen eye to our future.

It appears reasonable, however, to lay particular stress upon the facts, and it is difficult for me to find any justification for penalizing the American working element of our 120,000,000 population to support so small an industry by imposing increases of 33 $\frac{1}{3}$ per cent on our existing high-tariff rates and such proposals to cover a kind and character of glove that can not be made in our United States of America.

In closing, I most earnestly ask for the adoption of a moderate specific rate of duty because a specific rate does provide a more equitable and practical basis for computation of customs duty.

A specific duty affords better protection to honorable American firms importing and selling leather gloves who for many years have maintained an important staff of employees in the various branches of sales and distribution of such imported gloves throughout the United States. A specific duty will afford proper, complete, and thoroughly adequate protection to the American leather-manufacturing interests.

Senator WALSH. I want to ask you a few questions. Are there any ladies' kid gloves imported into this country where the import cost is from \$15 to \$20 per dozen?

Mr. SMITH. Yes, sir.

Senator WALSH. Are they imported in large numbers?

Mr. SMITH. We import quite a few.

Senator WALSH. Let us take the case of an imported kid glove that costs \$20.

Mr. SMITH. Yes, sir.

Senator WALSH. In reading the first part of this paragraph, the duty on those kid gloves would appear to be \$5.50 per dozen.

Mr. SMITH. Yes, sir.

Senator WALSH. In other words, that dozen pair of gloves, costing, at the foreign price, \$20, would appear to bear a duty of \$5.50.

Mr. SMITH. Yes, sir.

Senator WALSH. And when you get down to the last part of this paragraph, in the proviso, you find that is wiped out completely, and that there is a duty levied of 50 per cent, namely, \$10; is that correct?

Mr. SMITH. Correct, sir.

Senator WALSH. So that on ladies' gloves costing \$20 per dozen the duty provided for in this bill on a plain glove is \$10 per dozen, without lining or stitching?

Mr. SMITH. Yes, sir. That duty is assessed on the 8 per cent profit we are obliged to add when we bill those goods on our consular invoices.

Senator WALSH. In other words, on a \$2 imported glove the duty is about \$1?

Mr. SMITH. Yes, sir.

Senator THOMAS. You are an American citizen, are you not?

Mr. SMITH. Yes, sir.

Senator THOMAS. You do not believe it is any crime for an American citizen to provide an article needed by American women and wanted by American women at a reasonable price?

Mr. SMITH. No, sir.

Senator THOMAS. Has it gotten to the stage where it is a crime to try to provide the necessities of the American people at reasonable prices?

Mr. SMITH. No, sir.

Senator THOMAS. It is not, in your opinion, is it?

Mr. SMITH. Not in my opinion.

Senator THOMAS. If you listen in at these hearings you would think it was. You disagree with that theory?

Mr. SMITH. Yes, sir. I happen to be fortunately married and have four daughters, and it is a great joy for me to decorate them so that they are a credit to me.

Senator THOMAS. The hearings disclose that it has gotten to be almost a crime for a man to suggest decreasing prices to American consumers, and it is only proper to suggest increases and devise ways to secure those increased by laws, provisos, and even hidden legislation.

Senator WALSH. I am sure that the committee will not feel that you transgressed in your statement; I do not think you have that in your mind at all, but that it was simply due to your zeal.

BRIEF OF RALPH A. MOSES, REPRESENTING THE NATIONAL ASSOCIATION OF LEATHER GLOVE AND MITTEN MANUFACTURERS OF THE UNITED STATES

In addition to the brief submitted to the Ways and Means Committee, we respectfully call your attention to the following facts: (Exhibit A, attached, importations of gloves to the United States from 1922 to 1927.) It is apparent at a glance that the countries where low labor costs prevail are increasing alarmingly in the total number of dozens of gloves exported to this country.

The increases in importation of leather gloves during the first three months of 1929 from Italy were 191 per cent; from Belgium, 71 per cent; and from Germany, 44½ per cent. (See Exhibit B, Report of Government of the United States.)

May we also call your attention to the fact that in 1927 Italy's foreign value per dozen gloves was \$7.62; Belgium, \$9.14; and Czechoslovakia, \$9.34, while the labor costs alone on a dozen pairs made in the United States was \$9.04, or more than the foreign value of the gloves themselves. Labor costs in this country as compared to Italy is four times greater.

The recommendation made by the American manufacturers for 50 per cent ad valorem in no way changes the rate of the bill of 1922 on gloves of foreign

value from \$13 per dozen up. We do ask, however, for \$1.10 per dozen additional, making the total duty \$5.50 per dozen for overseamed gloves. (Present rate, \$2.40.) This slight difference is to take care of the cost of labor, and then \$1 more when seamed otherwise than overseamed, which is an extra labor cost in production. For example, the labor cost in France for sewing a dozen pique gloves is 50 cents compared to \$2.14 per dozen in the United States for the same work.

This condition if allowed to continue would play havoc with the American glove industry because of the wide spread between labor costs here and abroad.

The importers' smoke screen regarding white-brushed-back gloves has been exploded for all times by the following facts: Formerly all lamb and kid gloves manufactured in Europe were of this type, but since the American tanner and glove manufacturer dressed his leathers in chrome (thus making them washable and perspiration proof), the manufacturers of gloves, the world over, have followed suit, and now 65 per cent of all the imported gloves are washable, which no doubt shortly will reach 100 per cent. This type of glove is practicable, economical, and sturdy, and is an original American production.

(Exhibit C.) Samples of this type of glove manufactured in France and America are herewith submitted.

NATIONAL ASSOCIATION OF LEATHER GLOVE AND MITTEN MANUFACTURERS

FINANCE COMMITTEE,

Senate of the United States, Washington, D. C.:

The brief submitted by me (Ralph A. Moses) as chairman of the National Association of Leather Glove and Mitten Manufacturers is hereby true to the best of my knowledge and belief.

RALPH A. MOSES.

Said Ralph A. Moses known to me appeared this day the 28th of June, 1929.

[SEAL.]

CLARENCE A. POTTER,
Notary Public.

GUT STRINGS

[Pars. 1533 and 1541 (a)]

STATEMENT OF CARL G. BJORKMAN, WASHINGTON, D. C., REPRESENTING THE UNITED STATES GUT STRING MANUFACTURERS' ASSOCIATION

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

Senator DENEEN. Which is your paragraph?

Mr. BJORKMAN. Paragraph 1533 of the House bill, and also 1541.

I represent the United States Gut String Manufacturers' Association, the members of which make 90 per cent of the music, tennis, and surgical gut strings produced in this country. The industry is widely scattered throughout the United States and represents in its production the States of Illinois, Michigan, Massachusetts, New York, New Jersey, California, and Indiana.

Senator KEYES. You are speaking of paragraph 1533?

Mr. BJORKMAN. Yes.

Senator KEYES. Are you dissatisfied with that paragraph?

Mr. BJORKMAN. Yes. The association asks for an increase in the rate of duty given in the present law and which, with a slight exception, is the rate written in the House bill.

In the present law, catgut, whip gut, oriental gut, worm gut, and their manufactures are given a duty of 40 per cent ad valorem. The change made in the House bill is that music strings are given a duty of 60 per cent ad valorem. Neither of these rates is protective.

We ask that music strings, now in paragraph 1541, be put back in paragraph 1533, and that the rate of duty in this paragraph for all gut and its manufactures be made a compound one and put at one-half of 1 per cent per foot and 40 per cent ad valorem.

Senator WALSH. What does that represent?

Mr. BJORKMAN. It represents an average rate of about 70 per cent. The great competition of the American makers of gut strings is from Germany. Due to low production cost in that country, these strings can be manufactured in Germany, enter the United States, and pay the present rate of duty and be sold at a price with which the domestic manufacturer can not compete. In the current importations, one-third are music strings. The average selling price in Germany of the different standard types of these strings in bundles of 30 strings each is \$2 per bundle. The average American cost of producing such strings is \$3.50 per bundle.

A very small percentage of the imports to-day are surgical strings used by surgeons in hospitals. The price of such strings is \$7 per thousand feet abroad. The average American production cost of this same amount of such strings is \$14.05.

The rest of the imports make about two-thirds of the total and are made up almost entirely of tennis strings. The standard tennis string of Germany is sold at \$9 per dozen of 21-foot lengths. The average American cost of production of the same quantity of this same article is \$15.39.

In the matter of violin strings, the duty for which we ask would add 60 cents to the 80 cents ad valorem duty in the present law. This would make a total duty of \$1.40, or a combined total duty of 70 per cent ad valorem. On the basis that the usual cost of shipping articles from abroad to the United States, including transportation, insurance, and brokerage, is 5 per cent, the total cost of getting violin strings from Germany to the United States, duty paid, would be \$3.50 per bundle, as against the American production cost of \$3.50. This American cost is, of course, without manufacturer's profit or selling expense, while the German figure includes both of these items.

As to tennis strings, the specific duty would be \$1.26, the ad valorem duty \$3.60, or a total of \$4.86. That \$4.86 makes a total duty of 54 per cent ad valorem. With this duty of \$4.86 added to the German home price of \$9, and adding 5 per cent for shipping costs, etc., the tennis strings could be landed in this country, duty paid, for \$14.31 per dozen. This would include the German manufacturer's profit and his selling expense. The American factory cost, without either profit or selling expense items, for this same product, is \$15.39, as compared with the \$14.31 over there.

As a matter of mathematics, it might appear that the surgical strings would bear a high and an unfair duty, as it would amount to a little over 100 per cent. As I have stated before, this item, however, in the imports is only 2 per cent of the total. The reason why the rate of duty for which we ask must be maintained on surgical gut is that if there was a lower rate on this article there would be a great temptation to ship in other strings as surgical gut, and after being landed in the United States the same strings could be used for

music strings. All that would be necessary would be to cut this surgical gut into the proper lengths and recoil and repack in other cartons and envelopes.

Therefore, a lower duty on surgical gut would be to open the door to opportunity to fraud and would constitute an easy way of evading the duty placed on other types of gut strings. As a matter of fact, the same rate of duty should be applied to all types of gut strings. In many respects they are interchangeable in their uses, and a differing rate on different types which, after arrival in the United States, could be used for other purposes, would put in constant jeopardy the rate intended to be given to the American industry.

The specific rate for which we ask, in addition to the duty in the present law, does not fully equalize the difference between the German landed cost and the American production cost. It certainly is in no way a prohibitive duty.

According to the imports of 1929, 98 per cent of the imports would pay an average duty of less than 60 per cent, as two-thirds would come in at 54 per cent and one-third at 70 per cent.

In the brief which we will file details will be given as to the industry.

Of our manufacturing expenses, about one-half is paid for raw materials, the intestines of sheep and hogs, and eventually accrues to the benefit of the farmers all over the country. I only wish now to emphasize the facts that in the manufacture of gut strings there are several dozen different operations which must be performed before the raw material becomes the finished and manufactured product.

The labor cost of making these strings is 40 per cent of the total production cost, and it is because of the difference in the wage scales of the United States and Germany that we ask for a higher duty. We also have to face an ever-increasing competition from Japan, India, and China, with the very much lower oriental labor cost, lower than in Germany, and, of course, very much lower than in this country.

Senator WALSH. What is the extent of the industry?

Mr. BJORKMAN. Our total production runs a scant \$2,000,000.

Senator WALSH. I suppose gut strings are manufactured in connection with other articles. It is not an industry alone and by itself?

Mr. BJORKMAN. Generally speaking, it is.

Senator WALSH. So that all that you manufacture are these gut strings?

Mr. BJORKMAN. Yes; music, surgical, etc.

Senator WALSH. How many are employed in that industry?

Mr. BJORKMAN. Seven or eight hundred people.

Senator WALSH. Consisting of small plants scattered throughout the country?

Mr. BJORKMAN. Yes.

Senator WALSH. There is one in Chelsea, Mass.?

Mr. BJORKMAN. There is one there and one in Jamaica Plains.

(Mr. Bjorkman submitted the following brief:)

BRIEF OF THE UNITED STATES GUT STRING MANUFACTURERS ASSOCIATION

FINANCE COMMITTEE,

United States Senate, Washington, D. C.

GENTLEMEN: The domestic manufacturers of gut strings ask for a change in the rate of duty on their products. They do this through an association called the United States Gut String Manufacturers' Association, the members of which make 90 per cent of the music, tennis, and surgical gut strings produced in this country.

The interest of this association is in paragraph 1533 of H. R. 2667, which reads as follows:

"PAR. 1533. Catgut, whip gut, oriental gut, and manufactures thereof, and manufactures of worm gut, not specially provided for, 40 per centum ad valorem."

We ask that this committee make such changes as will put that paragraph in the following form:

"PAR. 1533. Catgut, whip gut, oriental gut, and manufactures thereof, and manufactures of worm gut, one-half of 1 per cent per foot and 40 per centum ad valorem."

In making this request, we ask for two changes in the House bill. One is the rate of duty in paragraph 1533, and the other a change in paragraph 1541. In paragraph 1541 are the following words:

"Strings for musical instruments, composed wholly or in part of catgut, other gut, oriental gut, or metal, 60 per centum ad valorem."

We ask that there be removed from this clause the words: "composed wholly or in part of catgut, other gut, oriental gut."

This rate of duty that we ask is absolutely necessary for both the success and safety of the industry. The 60 per cent duty given to music strings of gut is absolutely nonprotective, and the 40 per cent duty on the other strings much more so. We desire gut strings of all character to be placed in the same paragraph and a protective rate of duty given to all of the different types of products.

The American makers of gut strings have to face the competition of Germany with its low labor cost. There is also increasing competition from Japan, China, and India, with the very much lower oriental labor cost.

The strings that are manufactured in Germany—at present our chief competitor—can be made there, enter the United States, pay the present rate of duty and be sold at a price with which the American manufacturer can not compete.

A standard and representative unit of music strings, both in this country and abroad, is the 4-foot violin A string. The price in Germany of such German string is \$2 per bundle of 30 strings each. The average American production cost of that same string in that same quantity is \$3.50.

A typical tennis string measures from 0.050 to 0.060 inch in diameter and is 21 feet in length. The German home price of these strings averages \$9 per dozen. The average American cost of production of tennis strings of the same size and length and quantity is \$15.39.

The surgical gut the representative type is the No. 2 standard in 10-foot lengths. Germany makes and sells at home such gut at \$7 per thousand feet. The American production cost of this same article is \$14.05 per thousand feet in the same lengths.

In the American production cost of these three types of gut strings, the cost of material is 50 per cent, the labor cost 40 per cent and the overhead 10 per cent.

In the matter of violin strings, the duty for which we ask would add 60 cents to the 80 cents ad valorem duty in the present law. This would make a total duty of \$1.40, or a combined total duty of 70 per cent ad valorem. On the basis that the usual cost of shipping articles from abroad to the United States—including transportation, insurance and brokerage—is 5 per cent, the total cost of getting violin strings from Germany to the United States, duty paid, would be \$3.50 as against the American production cost of \$3.50. This American cost is, of course, without manufacturer's profit or selling expense, while the German figure includes both of these items.

As to tennis strings, the specific duty would be \$1.20, the ad valorem duty \$3.60, or a total of \$4.80. This is a total duty of 54 per cent ad valorem. With this duty of \$4.80 added to the German home price of \$9, and adding 5 per cent

for shipping costs, the foreign tennis strings could be landed in this country, duty paid, for \$14.31 per dozen. This would include the German manufacturer's profit and his selling expense. The American factory cost, without either of the items of selling expense or profit, for this same product is \$15.39.

As a matter of mathematics, it might appear that the surgical strings would bear a high and an unfair duty as it would amount to a little over 100 per cent. The fact is, however, that in the imports of gut strings, surgical catgut represents but 2 per cent of the shipments to this country. About one-third of the imports are music strings, and the other two-thirds are made up almost entirely of tennis strings.

The reason why the rate of duty for which we ask must be maintained on surgical gut is that if there should be a lower rate on this article there would be a great temptation to ship in other strings as surgical gut, and, after being landed in the United States, these same strings could be used for music strings. All that would be necessary would be to cut this surgical gut into the proper lengths and repack.

A lower duty on surgical gut, therefore, would be to open the door to opportunity for fraud, and would constitute any easy way of evading the duty placed on other types of gut strings. As a matter of fact, the same rate of duty should be applied to all types of gut strings. In many respects they are interchangeable in their uses, and a differing rate on different types which, after arrival in the United States, could be used for other purposes, would put in constant jeopardy the rate intended to be given to the American industry. This is a very important element in the case, and we ask for it the earnest consideration of the committee in deciding upon the rate to be given.

The specific rate for which we ask, in addition to the duty in the present law, does not fully equalize the difference between the German landed cost and the American production cost. It certainly is in no way a prohibitive duty.

According to the imports of 1928, 98 per cent of the imports would pay on the proposition which we make an average duty under 60 per cent ad valorem. Two-thirds of the imports would come in at 54 per cent and one-third at 70 per cent, making the average duty paid less than 60 per cent.

The raw material for the manufacture of gut strings is the intestines of sheep and hogs. This industry is comparatively new, and it has been developed mainly since 1912. It has grown rapidly since the beginning of the war, and has developed a line of product that can compete against the product of the experienced manufacturers of foreign countries if proper tariff protection is given. Before this industry made its real start foreign string-makers purchased in this country narrow sheep casings and had them sent abroad, where they were manufactured and returned to this country as tennis, violin, and surgical gut.

The American gut-string industry has now developed into an annual production of some \$2,000,000 in value, with the consequent employment of American labor. A very large number of skilled workmen in this line have been developed whose employment would be lost if, by reason of insufficient tariff protection, this industry must go backward and out of existence.

The term "catgut" is derived from kit gut, an old term for violin gut. Its title is a misnomer as it is made almost entirely from the intestines of sheep and hogs, never from those of cats.

The process of making gut strings is by no means a simple one. The intestines are first thoroughly cleansed and freed from fatty substances and then steeped in water for several days, after which the external membrane is scraped off with a blunt knife. The scraped intestines are steeped and scraped again and again until nothing but the true texture of the intestines remains. They are next subjected to the antiseptic action of the fumes of burning sulphur. Finally, they are sorted and made into strings or split into strands which are made into strings. The number of strands used depends upon the size of the string desired.

There are several dozen different operations which must be performed before the raw or unmanufactured material becomes the finished and manufactured product. Some of the important ones are: Stripping, cleaning, splitting, scratching, slimming, scraping, cutting, looping, hanging, bleaching, sulphuring, finishing, polishing, coiling, and gaging.

This industry is widely scattered throughout the United States and represents in its production the States of Illinois, Michigan, Massachusetts, New York, New Jersey, Connecticut, California, and Indiana. It is an industry that not alone employs labor but which directly benefits the farmer. One-half of the factory value of its products are the intestines that are used as the raw material for

the strings. The making use of this material is a direct financial benefit to the farmer. It benefits him in the increased price that he can obtain for his sheep and hogs because of the use of the intestines.

Respectfully,

UNITED STATES GUT STRING MANUFACTURERS' ASSOCIATION,

By CARL G. BJORKMAN.

Subscribed and sworn to before me, this 28th day of June, 1929.

[SEAL]

JESSIE G. LANE, *Notary Public.*

LETTER FROM C. SALADINO & SONS, CHELSEA, MASS.

JUNE 29 1929.

HON. DAVID I. WALSH,

United States Senate, Washington, D. C.

DEAR SENATOR: In the preparation of new tariff schedules, effort is being made to protect the musical gut and tennis string industry in this country against foreign competition, which has for years prevented the growth of this industry domestically.

While we have obviously an immense field in this country for the output of such strings, we have comparatively few manufacturers owing to the competing lesser cost of production available to the foreign market. I am inclosing copies of letters dealing with the contrasting costs of production, but for your ready observance set the contrast out as follows:

Foreign market selling quotations: Violin strings, A and D, 24 cents to \$1.80 per bundle; other strings, 50 cents to 84 cents per bundle; best grade catgut, 38 cents per coil; tennis strings, \$36 gross up.

Local manufacturing cost of production: Violin strings, A and D, \$1.88 to \$2.81 per bundle; tennis strings, \$131.25 to \$262.50 per gross.

For your further information in this regard let us explain that the raw gut from which strings are made comes in long and short lengths. We are obliged to buy it as is—long and short. The long lengths are used for tennis strings; the short lengths can only be used for musical strings.

The American manufacturer being unable to compete with foreign competition on musical strings is obliged to throw away the short lengths, resulting in a waste of hundreds of thousands of dollars' worth of short raw material.

One reason for the difference in cost, if not the principal reason, is that foreign wage earners in this industry receive from \$3 to \$4 per week at 12 hours per day. The American wage earner in this same industry receives \$35 to \$40 per week of 8 hours per day. It is obvious why we can not afford to manufacture these short length music strings and thus it becomes a needless waste.

It is our suggestion that your honorable committee recommend a 60 per cent ad valorem duty plus ¾ cent per foot on musical gut strings; and 60 per cent ad valorem duty plus ½ cent per foot on tennis and surgical gut strings. It is generally estimated by our industry that this would give substantial relief.

Gut string manufacture was for many years solely a foreign industry, but became a domestic industry gradually. The increased cost of collateral material and labor has always kept it in check. With the biggest market for its product in our own country, the industry naturally has great possibilities of growth if protected, and the means of providing a great source of employment. There is a 40 per cent duty now, but this, as you can readily see, is far from sufficient.

Such interest as you can take and assistance render in the matter, we feel will be of national importance.

Very truly yours,

C. SALADINO & SONS.
FRANK SALADINO.

COST OF MANUFACTURING IN THE UNITED STATES

Cost of manufacturing one gross of split tennis gut, 21 feet

| | |
|--------------------------------|---------------|
| Cost of raw material..... | \$140.00 |
| Cost of labor..... | 70.00 |
| Cost of overhead expenses..... | 52.50 |
| Total..... | 262.50 |

Cost of manufacturing one gross of whole tennis gut, 21 feet

| | |
|-------------------|---------------|
| Raw material..... | \$70.00 |
| Labor..... | 35.00 |
| Overhead..... | 26.25 |
| Total..... | 131.25 |

Cost of manufacturing medium grade double-length violin strings, one bundle, 30 strings to the bundle

| | |
|-------------------|-------------|
| Raw material..... | \$1.00 |
| Labor..... | .50 |
| Overhead..... | .38 |
| Total..... | 1.88 |

Cost of manufacturing best grade violin strings, one bundle, 30 strings to the bundle

| | |
|-------------------|-------------|
| Raw material..... | \$1.50 |
| Labor..... | .75 |
| Overhead..... | .56 |
| Total..... | 2.81 |

The above figures do not include any profit or selling expense.

FISHING TACKLE

[Par. 1535]

STATEMENT OF ARTHUR C. MILLS, REPRESENTING WILLIAM MILLS & SON, NEW YORK CITY, AND OTHER FISHING-TACKLE IMPORTERS

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

Senator KEYES. Will you state whom you represent?

Mr. MILLS. I represent William Mills & Son and 14 other fishing tackle importers.

I wish to present a brief in connection with the advance in duties on fishing tackle provided in paragraph 1535.

Senator KEYES. You are an importer?

Mr. MILLS. We are importers and also domestic manufacturers.

Senator WALSH. What is the present duty?

Mr. MILLS. The present duty on fishing tackle is 45 per cent. It has been increased in paragraph 1535 to 55 per cent on general fishing tackle, and on flies, snelled hooks, and leaders, it is 65 per cent.

Senator WALSH. Who urged those increases?

Mr. MILLS. There was an association of middle western manufacturers of those goods that presented a brief, and that probably resulted in this increase in duty, particularly on their special tackles.

Senator WALSH. Are you in favor of the law as it now stands?

Mr. MILLS. The 1922 law, the present law; yes.

Senator THOMAS. Where is your factory located?

Mr. MILLS. We have a factory in Brooklyn, N. Y.

Senator THOMAS. What is the name of it?

Mr. MILLS. The William Mills & Son Co.

Senator THOMAS. What do you make?

Mr. MILLS. We make snell hooks and leaders and general articles of that kind.

Senator KEYES. Do you make rods?

Mr. MILLS. We make a few fishing rods in Orange County in New York State. They are made by the H. L. Leonard Rod Co., which is a subsidiary company of our concern.

Senator KEYES. Do you make lines?

Mr. MILLS. We make no fishing lines.

Senator KEYES. Or reels?

Mr. MILLS. We make a few reels, but the number we make is very negligible.

Senator KEYES. Do you represent other factories than your own?

Mr. MILLS. Well, one other factory.

Senator KEYES. Do you represent the mid-West factories in Michigan and Ohio?

Mr. MILLS. No; I am not representing any other factories at all at the present time. I am making a protest against the claims of those factories.

I believe also that there have been some protests filed and other briefs have been filed by some of the Middle West factories, one in Detroit, one in Kalamazoo, and in South Bend, Ind.

Senator KEYES. Are you making a protest against the increase?

Mr. MILLS. Yes; we are making a protest against the increase. One of those factories at the time the increase was asked for was supposed to have been represented by a gentleman who filed a brief.

Senator COUZENS. Do they not use some of these importations as their raw material?

Mr. MILLS. Many of them.

Senator COUZENS. That is the reason that they do not want the duty raised?

Mr. MILLS. The only thing is that there have been several of these manufacturers who, since they have finally realized what this means, are afraid there will have to be advances in the selling price when the duties are raised on fish hooks of the higher grade coming from abroad. There are very few made here of these higher grades of hooks.

Senator COUZENS. So your recommendation is to let this law stand the way it is?

Mr. MILLS. Yes, sir.

Senator COUZENS. Is that all?

Mr. MILLS. That is all.

Senator KEYES. You may file your brief.

(Mr. Mills submitted the following brief:)

BRIEF OF FISHING TACKLE IMPORTERS

Flyes—Leaders—Snelled hooks.—High grade flyes (particularly dry flyes and salmon flyes), as made in Great Britain, are not made in any quantity in the United States. The making of these goods is a matter of heredity and tradition and the British workman's pride in his work. Fly making in England is a trade handed down from generation to generation in the same families, as stated in the brief submitted by Mr. O. L. Weber, and we submit in this connection:

A statement made in a conversation between Mr. Weber in the summer of 1928 with the buyer of one of the signatories of our brief to the effect that "We can not make this kind of goods (double-wing dry flies) in the United States at all."

A statement in a letter of March, 1929, from Mr. Weber's firm to the same firm "regarding trout flies, we do not believe we can give you the kind of delivery you would want as we are swamped with fly work, particularly in the better grades."

We give you a few comparisons between British and American goods.

DOUBLE WING DRY TROUT FLIES

| | Foreign cost, sizes 10 and 12 | Laid down cost at 45 per cent | Duty at 65 per cent |
|---------------------------|-------------------------------|-------------------------------|---------------------|
| Allcocks, England..... | 33 shillings gross..... | \$12.21 | \$13.90 |
| Hardy Bros., England..... | 43 shillings gross..... | 15.91 | 18.03 |
| Weber, United States..... | Gross..... | 13.50 | 13.50 |

BEST WET TROUT FLIES

| | Foreign prices, sizes 10 and 12 | Laid down cost at 45 per cent | Duty at 65 per cent |
|---------------------------|---------------------------------|-------------------------------|---------------------|
| Allcocks, England..... | 24 shillings..... | \$8.88 | \$10.07 |
| Playfair, Scotland..... | 28½ shillings..... | 10.54 | 11.94 |
| Weber, United States..... | | 9.72 | 9.72 |

WET TROUT FLIES

| | | | |
|---------------------------|--------------------------|--------|--------|
| Woodfields, England..... | 13¼ shillings gross..... | \$4.99 | \$5.66 |
| Weber, United States..... | | 5.62 | 5.62 |

The average approximate wages per week to fly makers on the above goods in England runs from 30 shillings (\$7.30) to 50 shillings (\$12.15)—65 to 40 per cent of that paid by Mr. Weber as per his statement (not 25 per cent as stated by him). So, with the old 45 per cent duty, and taking into consideration the fact that most of the raw materials used in flies come in at no, or a lower rate of, duty—the difference between foreign and domestic labor costs in negligible.

Salmon flies.—We contend that the duty should not be raised from the present 45 per cent rate. Salmon flies can not be made in the United States because of lack of skilled labor.

On page 45 of Catalog No. 9 (1929 edition) of Weber Lifelike Fly Co., Stevens Point, Wis., they state "To satisfy the demand, we have secured the services of an imported skilled Scotch salmon fly tyer" which shows that our contention as to this inability to procure proper labor in the United States.

Salmon flies sold in the United States are practically all used in Canada. It is hard enough to sell them in the United States with the 45 per cent duty when the duty from Scotland into Canada is only 30 per cent (less the colonial preferential duty). At a higher rate the flies will be bought by American anglers, in Canada en route to their clubs (or be sent direct there by the makers abroad), and, so, the present revenue at the 45 per cent duty lost altogether.

Leader and snelled hooks.—There need be no advance from the present 45 per cent rate. The American manufacturers are amply protected by it (except on the very cheapest goods which might need a little advance) as the following tables will show:

LEADERS—BEST TAPERED 2 YARD

| | Foreign prices | Laid down cost at 45 per cent | Duty at 65 per cent |
|---------------------------|--------------------------------------|-------------------------------|---------------------|
| McLeod, Scotland..... | 6 $\frac{1}{2}$ shillings dozen..... | \$2.38 | \$2.54 |
| Hardy, England..... | 7 $\frac{1}{2}$ shillings dozen..... | 2.90 | 3.17 |
| Weber, United States..... | | 2.16 | 2.16 |
| Meyer, United States..... | | 1.60 | 1.80 |

LEADERS—CHEAP LEVEL YARD

| | English prices | Laid down price of 45 per cent | Duty at 65 per cent |
|---------------------------|-------------------------|--------------------------------|---------------------|
| Allcock, England..... | 20 shillings gross..... | \$7.29 | \$8.26 |
| Meyer, United States..... | | 7.00 | 7.00 |
| Weber, United States..... | | 7.20 | 7.20 |

SNELLED HOOKS—BEST QUALITY HOLLOW POINT PENNEL SELECTED—SELECTO GUT

| | Foreign prices | Laid down cost at 45 per cent | Duty at 65 per cent |
|---------------------------|---------------------------------------|-------------------------------|---------------------|
| Woodfield, England..... | 10 $\frac{3}{4}$ shillings gross..... | \$3.76 | \$4.24 |
| Allcock, England..... | 12 shillings gross..... | 4.44 | 5.01 |
| Weber, United States..... | | 3.24 | 3.24 |

MEDIUM QUALITY SPEAR POINT HOOKS—SUPERIOR GUT

| | | | |
|---------------------------|--------------------------------------|--------|--------|
| Woodfield, England..... | 4 $\frac{1}{2}$ shillings gross..... | \$1.82 | \$2.06 |
| Allcock, England..... | 6 $\frac{1}{2}$ shillings gross..... | 2.41 | 2.72 |
| Weber, United States..... | | 1.80 | 1.80 |

CHEAP SNELLED HOOKS—ESTRIADA GUT

| | | | |
|---------------------------|-------------------|--------|--------|
| Ponce, Spain..... | \$0.83 gross..... | \$1.24 | \$1.43 |
| Weber, United States..... | | 1.50 | 1.50 |

It appears as though the very cheapest goods may need some further protection than the present 45 per cent rate.

Fishing rods.—Except on cheap Japanese jointed poles the 45 per cent duty is sufficient protection (see the statement to this effect in the brief of the Montague Rod & Reel Co.—American manufacturers).

Fishing reels.—There are very few reels imported that are competitive with American goods. The principal pattern that is as follows:

Hardy English "Unique":

2 $\frac{7}{8}$ inch—

English price each.....shillings.. 13

Landed cost at 45 per cent duty.....dollars.. 4.81

American "Rainbow":

3 $\frac{1}{8}$ inch—

2 $\frac{3}{4}$ inch, American price.....dollars.. 2.50

English price each.....shillings.. 13 $\frac{1}{2}$

Landed cost at 45 per cent duty.....dollars.. 5.00

3 $\frac{1}{4}$ inch, American price.....dollars.. 2.75

It seems as though this protection at 45 percent duty is more than ample.

Artificial baits.—Any baits that are imported are mostly noncompetitive—the total quantity coming in is practically negligible. So there need be no advance in duty rate.

Fly books.—Any fly books that are imported are mostly noncompetitive—the total quantity coming in is practically negligible. So there need be no advance in duty rate.

Fly boxes.—As the fly boxes that are imported are patterns that are not made in the United States it seems as though any advance in rate is unnecessary. Particularly as even if greater protection is given it would be impossible to manufacture here, as our use of these goods is only a small part of the world market—most of which is either in Great Britain and colonies where the lower British cost and the preferential duties would work against the sale of American-made goods.

Fishing creels or baskets.—No further protection is necessary on these goods as they are not made in the United States at all.

Fish hooks.—High-grade fish hooks are not made in the United States at all. The making of high-grade hooks is a matter of heredity and tradition and the British habit of passing down knowledge from generation to generation in the same families. Acknowledgment is made of this by the fact that the only American fish hooks maker imports high-grade hooks to complete his line.

Cheap fish hooks.—We would refer you to the brief filed last February by Mr. Charles J. Meade as to these.

Silk fishing lines.—These goods are amply protected by the present 60 per cent rate (as manufactures of silk not specially provided for) as you will see by the following comparisons:

| | | | | |
|--------------------------------|----------------|--------|--------|--------|
| Halford lines (English)..... | size..... | HC H30 | HD H30 | HE H30 |
| Foreign price..... | shillings..... | 11/- | 11/- | 11/- |
| Laid down cost..... | each..... | \$4.40 | \$4.40 | \$4.40 |
| Crandall lines (American)..... | do..... | \$4.00 | \$3.75 | \$3.50 |
| Optimo lines (English): | | | | |
| Foreign price..... | do..... | 8/6 | 8/6 | 3/9 |
| Laid down cost..... | do..... | \$3.40 | \$3.40 | \$3.40 |
| Samson lines (American)..... | do..... | \$2.75 | \$2.75 | \$2.75 |

Wading goods.—The present duty of 35 per cent (as clothing, cotton and rubber cotton chief value) is ample, as following comparison will show:

Anderson English:

Foreign price.....shillings..... 31

Laid down cost at 35 per cent duty.....dollars..... 10.85

Hodgnan American.....do..... 9.00

"Other goods," as per paragraph 344 mention, are negligible erroneous statements in brief of "fishing tackle industry."

The 45 per cent duty in the 1922 tariff on flies, leaders, and snelled hooks resulted in increased manufacture in the United States and, with the exception of low-grade goods (principally from Spain—from where the imports are getting less all the time because of their poor quality) has not lessened—in fact, in good snelled hooks and leaders, American makers are underselling the foreign makers (with only 45 per cent duty) as listed earlier in this brief.

The larger British makers do not use the "home-worker" system to any extent—their goods are made under factory conditions much the same as here.

The value of the imports of flies, leaders, and snelled hooks is probably not over (if as much as) 33 1/3 per cent to 40 per cent of the total imports of fishing tackle (other than lines, nets and seines) as listed by the Department of Commerce—instead of the 75 per cent mentioned in the brief submitted by Mr. Weber.

Gut is not now "controlled by the British" as claimed. One of the largest, if not the very largest, Spanish gut makers has a New York City branch and a large part (if not a majority) of the gut crop is sold from there at prices the same as sold to England at. And other Spanish gut makers sell direct to the United States at the same prices they sell to England.

Imports of fishing tackle from Germany and Japan are negligible. And imports from Spain are of the cheapest and poorest grade of goods, and their volume is rapidly decreasing.

Regarding the raw materials used in flies. While there is a duty on the feathers (which is only 20 per cent) and on the hooks, the gut comes to the United States free of duty, while the completed flies from abroad pay the full duty of 45 per cent on the value of the feathers and gut contained in them.

In view of the facts mentioned in this brief we would ask that paragraph 344 of the 1922 tariff be retained exactly as in the 1922 tariff, in the one now pending.

Yours respectfully,

Arthur C. Mills, representing Abbey & Imbrie, New York City; Abercrombie & Fitch Co., New York City; Phil Bekeart Co., San Francisco; Dame Stoddard Co., Boston; B. H. Dyas Co., Los Angeles; Lou J. Eppinger, Detroit; Alfred Field & Co., New York City; H. D. Folsom Arms Co., New York City; Iver Johnson Sporting Goods Co., Boston; Wm. Mills & Son, New York City; Murta, Appleton & Co., Philadelphia; Bob Smith, Boston; Ed. K. Tryon Co., Philadelphia; Ed. Vom Hofe & Co., New York City; and Von Lengerke & Antoule, Chicago.

STATEMENT OF CHARLES J. MEADE, REPRESENTING ED. W. SIMON CO., NEW YORK CITY, AND OTHERS

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

Senator KEYES. Will you state whom you represent and your address?

Mr. MEADE. I am secretary of Ed. W. Simon Co., New York City.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. MEADE. I did not testify, Mr. Chairman. I submitted a brief to the Ways and Means Committee, and I might ask that the brief be incorporated here. I believe we could save some time.

Senator KEYES. We will be glad to save some time.

Mr. MEADE. I have an additional brief that I should like to submit, and I would like to mention a few additional things that have come up since the Ways and Means Committee hearing.

Senator THOMAS. What are you interested in?

Mr. MEADE. Plain fishhooks.

Senator THOMAS. What company do you represent?

Mr. MEADE. I represent the majority of the American manufacturers of fishing tackle, and in addition to that I represent a corporation—a foreign corporation—which is manufacturing all fishhooks, located in Oslo, Norway.

Senator THOMAS. You just represent the metal fishhooks?

Mr. MEADE. Just plain fishhooks.

Senator COUZENS. What is the existing tariff?

Mr. MEADE. The existing tariff is 45 per cent on fishing tackle and plain fishhooks.

Senator COUZENS. You agree with that?

Mr. MEADE. We do. We have been operating under that tariff since 1922; but the proposed tariff carries an increase of 10 per cent on the plain fishhooks and an increase of 20 per cent, I believe, on fishing tackle. We are not opposed to any increase of duty on the fishing tackle. The item consists of flies, snelled hooks, and baits. They are made here in America, and the two factories making those baits, flies, and snelled hooks have only one source for their supply of these hooks, which is the raw material, and that is either Norway or England. In other words, the only manufacturer of

fishhooks in America, the Enterprise Manufacturing Co., does not make a sufficient number of styles of hooks to supply the demand for the raw material for hooks produced here in America.

Senator COUZENS. As I understand it, then, that is the raw material for the manufacturers?

Mr. MEADE. Fishhooks are raw material.

The Enterprise Co., the American manufacturers, make a very limited number. The Enterprise Co. is one of the largest consumers of the products of O. Mustad & Son, of Oslo, Norway, and they import the marked hook, the turned-down eye, and the turned-up eye.

Senator COUZENS. You are opposed to any raise for any of those hooks?

Mr. MEADE. Only on the plain fishhooks.

I have here, Mr. Chairman, about 25 telegrams, but I do not know whether it is worth while to incorporate them all in the record.

Senator KEYES. Are they similar?

Mr. MEADE. If I read one, I think, it will cover them all. Here is one from Ivar Hennings, of the South Bend Bait Co., which reads:

C. J. MEADE,

Care Harrington Hotel, Washington, D. C.:

Please include our company as protesting against the proposed increase in duty on plain fishhooks. We, together with Heddon, Shakespeare, Creek, Chub, Eppiner, and Jamison, recently filed a jointly signed protest with James Couzens, chairman Finance Committee of Senate. Mailing you copy.

IVAR HENNINGS,

South Bend Bait Co.

I, perhaps, should not have mentioned that as a sample of them all. But they have all filed these protests. This top one happened to be from the South Bend Bait Co., but the other members of the fishing-tackle manufacturers of America have made protests.

Senator WALSH. Who is responsible for the duty being increased in the House bill?

Mr. MEADE. According to the testimony before the House Ways and Means Committee, Mr. Weber appeared before the Ways and Means Committee and made an application for an increase of duty on flies, snelled hooks, leaders, and baits.

So far as I can see, plain fishhooks being included in the same paragraph were taken right on along in the increase.

I believe that Mr. Weber asked for a 20 per cent increase on fish hooks and a 20 per cent increase on fishing tackle, which is a specific duty on fishing tackle.

Senator COUZENS. You do not think that he asked for an increase on plain fishhooks?

Mr. MEADE. Yes, sir; he did, absolutely. In his testimony before the Ways and Means Committee, in their hearings, he asked for a 10 per cent increase.

Mr. Weber is one of the members of the fishing tackle manufacturers of America. The fishing tackle manufacturers held a meeting a short while back, and he put his testimony before the meeting and asked them to consent that that testimony be adopted by the Fishing Tackle Manufacturers' Association, and the motion was not seconded, and they refused to adopt it, stating that each individual manufacturer should take the matter up for himself.

As I say, there are about 25 or 26 manufacturers of plain fish-hooks in America who state that their only source of supply is in Europe.

Senator COUZENS. Is this Enterprise Co. that you speak of prosperous?

Mr. MEADE. The Enterprise Co. has been manufacturing hooks for 50 or more years, and they make a very limited number of ring hooks, Cincinnati bass, and so forth.

Senator COUZENS. Do they make these plain hooks, too?

Mr. MEADE. They do not make that kind of hook [indicating]. When I say a plain fishing hook I mean every kind of hook that is made in a snelled hook. This [indicating] is not a plain hook. This is a snelled hook.

Senator KEYES. This is a hook [indicating] without anything on it at all; it is a hook without anything attached to it.

Mr. MEADE. It is a plain hook. These are plain hooks [indicating samples].

Senator COUZENS. Do the Enterprise Co. manufacture those?

Mr. MEADE. No, sir.

Senator COUZENS. Where is the competition that justifies the increase?

Mr. MEADE. Here is the type of hook that they manufacture [indicating hook]. That can not be used in making this [indicating]. They do not make trebles or doubles. They do not make any of those styles.

The only hooks that the Enterprise Co. make, with the exception of one patterns, are not receiving any competition in this country from the foreign manufacturers. The foreign manufacture is not competing with those styles of hooks manufactured by the Enterprise Co.

I believe the record before the Ways and Means Committee, as I have shown in the brief submitted, shows that the imported hook stands the jobber and the manufacturer in this country a few cents more than the domestic hook. But on the other class not made in this country—

Senator THOMAS. The treble hooks are not made in this country?

Mr. MEADE. No.

Senator THOMAS. That is the raw product that the South Bend Co. use for their wooden minnows?

Mr. MEADE. Absolutely. The turned-down hooks are used for flies.

(Mr. Meade submitted the following brief and letter:)

BRIEF OF SUNDRY MANUFACTURERS OF FISHHOOKS.

SENATE FINANCE COMMITTEE,

Washington, D. C.

GENTLEMEN—We wish to submit the following facts in substantiation of request that the present duty of 45 per cent on plain fishhooks be maintained, or that if any revision is made in the tariff on plain fishhooks, that revision be downward.

The Fishing Tackle Manufacturers of America have submitted a brief in support of their application on increased duty on files, snelled hooks and leaders. In the course of the discussion which took place at the time their application was submitted, reference was made to plain fishhooks. We believe that in justice to the actual status existing in the fishhook industry both here and

abroad, a brief outline of the situation should be offered here in order to clarify certain references to plain fishhooks contained in the application of the Fishing Tackle Manufacturers of America.

Plain fishhooks were erroneously included in the application for an increased in duty, as is clearly shown by the protests filed with members of the House and Senate by leading American tackle manufacturers and distributors. Their application is primarily made to apply on flies, snelled hooks, and leaders, as is evidenced by the opening paragraph of their brief, as follows:

"Flies, snelled hooks and leaders requiring 75 to 90 per cent labor and 10 to 25 per cent material should be a separate classification from general fishing tackle, which is more of a material than a labor item. Much of the raw material used in making flies is imported from abroad. We must pay a duty on raw materials which in many cases come to our foreign competition duty free, or is produced there—such articles as feathers, hooks, etc."

We respectfully submit that the majority of the largest American manufacturers of snelled hooks, flies, and baits are opposed to an increase in duty on plain fishhooks, as these hooks are a very essential part of their raw material.

The South Bend Bait Co., of South Bend, Ind., have sent letters of protest to their representatives in the House and Senate, and specifically state in their protests that—

"Mr. Weber, of Stevens Point, testified and recommended that paragraph 344 on fishing tackle, and particularly fishhooks, duty be increased from 45 to 60 per cent. In that brief he stated representing several fishing tackle manufacturers and among them our company. It is true we authorized Mr. Weber to represent us in urging a very substantial increase on the duty of flies, snelled hooks, and gut leaders, but we did not authorize recommending increase on plain fishhooks. They in reality to us, as a manufacturer and many other bait makers, are raw material item. There are none to be had in this country and we must import from either England or Norway. This in particular refers to the treble hooks, of which we use large quantities. If anything, we would like to see the duty decreased or eliminated on plain fishhooks, especially treble and double hooks."

James Heddon's Sons, of Dowagiac, Mich., in their letter of protest to Senator Couzens, state as follows:

"We wish to go on record as not opposing an increase of from 45 to 60 per cent on fishing tackle in general, with the exception of the plain ringed hooks, both double and treble, which are raw material to us, and which to our certain knowledge are not manufactured in the United States. There is only one hook manufacturer in this country; namely, the Enterprise Manufacturing Co., at Akron Ohio, but they do not make satisfactory hooks and as a matter of fact, to our knowledge, are importing these double and treble hooks for their own use in the manufacture of their artificial baits."

Shakespeare Co., of Kalamazoo, Mich., have protested as follows:

"We use considerable quantities of plain fishhooks as raw material in the manufacture of artificial baits and at the present time it is not possible to obtain fishhooks which are suitable for our purpose anywhere in this country.

"We are importing these hooks from Germany and Norway and are using them as raw material in the manufacture of artificial baits, and if the duty on these fishhooks is increased it will work a hardship on our company and its customers, many of whom are not in position to afford any great increase in the price which they pay for their fishing equipment."

T. S. Skilton, of Winsted, Conn., have addressed a protest to the Tariff Committee, which protest is attached hereto.

Protest against an increase in duty on fishhooks have also been entered by a number of American manufacturers and distributors, among whom are the following: Creek Chub Bait Co., Garrett, Ind.; Lou J. Eppinger, Detroit, Mich.; Knight & Wall Co., Tampa, Fla.; W. J. Jamison Co., Chicago, Ill.

In order to compete with foreign fishing products it is absolutely necessary for the American manufacturers to be able to purchase the plain fishhooks at the lowest possible prices.

Practically all of the fishhooks used by the American manufacturers are imported because the particular styles of hooks used by them in this business are not manufactured by any American factory.

There is only one manufacturer of fishhooks in this country, and their production is, comparatively speaking, small. This American manufacturer pur-

chases large quantities of foreign fishhooks. A large portion of these hooks, and in particular the marked hooks, that is, hooks without eyes, and the ringed hook with the turned up or turned down eye, as well as the treble hook, are all used chiefly by this domestic manufacturer and other manufacturers of fishing tackle in America for the manufacture of baits, flies and snelled hooks.

Flies, snelled hooks, and leaders, however, are manufactured articles entering into direct competition with the products of domestic factories. Fishhooks, on the other hand, are largely in the nature of raw materials.

The intent of the Fishing Tackle Manufacturers of America in presenting the application for an increased tariff is to equalize the prices of American products with the foreign manufactured product imported into this country. They specifically state in their application that "The reason for this recommendation is to bring the cost of the foreign product landed in this country to conform to the wholesale American cost."

The present duty of 45 per cent on plain fishhooks is more than sufficient to afford that protection.

If the proposed 10 per cent increase in duty should be placed on plain fishhooks, it would mean that the domestic manufacturer who is seeking to protect his product, would be forced to pay more for the fishhooks he imports as part of his raw material in the manufacture of flies, snelled hooks, etc., and in that case any benefit which might be derived from the increase in duty on snelled hooks, flies, etc., would be offset by the increase in duty on plain fishhooks.

We respectfully recommend therefore, that if any amendment or alteration be made in paragraph 344, that that amendment or alteration shall not affect plain fishhooks; that the present duty of 45 per cent on plain fishhooks be maintained, or that if any revision is made in the tariff on plain fishhooks,

Respectfully submitted.

CHARLES J. MEADE,

258 Broadway, New York City.

Representing: Ed. W. Simon Co. (Inc.), New York City; South Bend Bait Co., South Bend, Ind.; W. H. Meyer & Son (Inc.), Brooklyn, N. Y.; James Heddens Sons, Dowagiac, Mich.; Creek Chub Bait Co., Garrett, Ind.; Hibbard, Spencer, Bartlett Co., Chicago, Ill.; Shakespeare Co., Kalamazoo, Mich.; Peden Iron & Steel Co., Houston, Tex.; H. & D. Folsom Arms Co., New York City; Knight & W. I. Co., Tampa, Fla.; Wilfred Deegan, Kearny, N. J.; C. J. Hendry Co., San Pedro, Calif.; Tufts Lyon Arms Co., Los Angeles, Calif.; Southwest Import & Export Co., Los Angeles, Calif.; O. Mustad & Son, Oslo, Norway; T. S. Skilton, Winsted, Conn.; H. L. Bowlds, Los Angeles, Calif.; Al. Wilson Co., San Francisco, Calif.; Boehme Cummings Co., Missoula, Mont.; Aeroplane Spinner Manufacturing Co., Denver, Colo.; Northwestern Tackle Co., Tacoma, Wash.; Oregon Fishing Spoon Co., Portland, Ore.; Whitney Sporting Goods Co., Denver, Colo.; M. C. Lind & Sons, Butte, Mont.; Proudfit Sporting Goods Co., Ogden, Utah; Honeyman Hardware Co., Portland, Ore.; Salt Lake Hardware Co., Salt Lake City, Utah; Chowin Hardware Co., Portland, Ore.; Takeuchi Bros., San Francisco, Calif.

WINSTED, CONN., June 22, 1929.

TARIFF COMMITTEE.

Washington, D. C.

DEAR SIRS: We desire to enter an objection to the raising of tariff on fishhooks for the following reason:

In the 50 years of our experience manufacturing gut hooks, i. e., attaching gut to fishhooks, we have been unable to purchase hooks manufactured in the United States, excepting the very cheapest ringed hook grade, which is not suitable for our trade. We have known of several manufacturers trying to manufacture the high grade hook, but they have failed.

We consider that it is almost an impossibility for a manufacturer in the United States to make fishhooks of a suitable high grade such as are demanded. Consequently, we regard them as a raw product and we contend should be entered with only a minimum duty.

We believe that if we were forced to raise our selling price of the completed article very much more than our present price, we would have difficulty in marketing our product, and we might add that we are now manufacturing the very highest grade of snelled hooks.

Very truly yours,

T. S. SKELTON.

LETTER FROM THE FISHING TACKLE MANUFACTURERS OF AMERICA

Senator COUZENS. On behalf of the fishing tackle manufacturers of America, who testified this morning, I desire to tender their brief, or, rather, a communication addressed to me.

(The letter referred to is as follows:)

Hon. JAMES B. COUZENS,
Finance Committee, United States Senate, Washington, D. C.

DEAR SIR: In the hearing on fishing tackle tariff changes before the Committee on Ways and Means of the House of Representatives, the statement was made by Mr. O. L. Weber, and published in the 1929 tariff readjustment hearing, Schedule 3, volume III, page 2120, that he was representing the entire fishing-tackle industry in asking for a 60 per cent duty on fish hooks. It is our intention in this communication to correct any erroneous impression which may have resulted from the aforesaid statement.

The annual meeting of the manufacturers' association known as the Fishing Tackle Manufacturers' of America was held at Chicago, Ill., April 10, 1929.

The membership of this association consists of 17 separate companies manufacturing fishing tackle, with a combined total capital investment of several millions of dollars.

At the aforesaid annual meeting a resolution was offered by Mr. Weber to the effect that his so-called brief of the fishing-tackle industry, as printed on pages 2125 and 2126 of the tariff readjustment hearings, schedule 3, volume III, be approved and supported by the Fishing Tackle Manufacturers' of America. There was no second for this resolution, and it was therefore not even put to a vote. Action was then taken unanimously by the members present to the effect that the Fishing Tackle Manufacturers of America, as an organization, take no action in regard to the tariff on fishing tackle. It was left to individual manufacturers to take what action they deemed expedient as individuals.

We, the undersigned six members of the Fishing Tackle Manufacturers' of America, are manufacturers of fishing tackle, including large quantities of artificial baits equipped with treble hooks. It is estimated that together we use as raw material in the manufacture of our artificial baits no less than 75 per cent of all treble hooks imported into the United States of America. Our entire supply of these treble hooks has to be imported for the reason that no treble hooks are manufactured in this country.

We therefore earnestly request that the duty on treble hooks be either reduced to the lowest possible amount or else removed altogether.

Respectfully submitted.

Creek Chub Bait Co., Garrett, Ind., by F. Davenport, June 7, 1929; James Heddon's Sons, Dowagiac, Mich., by L. J. Wooster, vice president, June 10, 1929; Lou J. Eppinger, Detroit, Mich., by Lou J. Eppinger, June 11, 1929; South Bend Bait Co., South Bend, Ind., by Neal Krumings, president, June 12, 1929; W. J. Jamison Co., Chicago, Ill., by Theo. M. Nordholm, June 17, 1929; Shakespeare Co., Kalamazoo, Mich., by Arthur L. Bundt, vice president, June 18, 1929.

CANDLES

[Par. 1536]

STATEMENT OF NORBERT J. BAUMER, REPRESENTING A. GROSS & CO., BALTIMORE, MD.

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

Mr. BAUMER. I am general manager of A. Gross & Co., Baltimore, Md.

Senator COUZENS. Do you represent the domestic manufacturers?

Mr. BAUMER. I do.

Senator COUZENS. How many are there?

Mr. BAUMER. About 14.

Senator COUZENS. Where are they located?

Mr. BAUMER. At Syracuse, N. Y.—

Senator WALSH. Almost completely in Syracuse, are they not?

Mr. BAUMER. About four or five. Then there are some located in Cincinnati, Ohio; Geneva, Ill.; Baltimore; and Brooklyn.

Senator COUZENS. They make wax candles?

Mr. BAUMER. All kinds of candles.

Senator THOMAS. Where does the competition come from?

Mr. BAUMER. From Europe—from Germany.

Senator WALSH. What is the present duty?

Mr. BAUMER. The present duty is 20 per cent.

Senator WALSH. What is the provision in the House bill?

Mr. BAUMER. Thirty-five per cent.

Senator WALSH. Do you favor it or oppose it?

Mr. BAUMER. We are asking for an increase.

Senator WALSH. Over 35 per cent?

Mr. BAUMER. We have set that out in our brief.

Senator WALSH. How much?

Mr. BAUMER. We ask for 50 per cent.

Senator COUZENS. Have the importations increased?

Mr. BAUMER. Yes, sir; the importations have increased.

Senator COUZENS. Do you show that in your brief?

Mr. BAUMER. Yes, sir.

Senator KEYES. Did you testify before the Ways and Means Committee?

Mr. BAUMER. I did.

Senator KEYES. Is this the same brief that you submitted there?

Mr. BAUMER. No; I am referring only to certain things in the brief to clarify the situation in relation to certain statements that were disputed.

For our own companies, and in behalf of other manufacturers of candles in the United States, we have the honor to request an increase of the duty on imported candles to 50 per cent ad valorem, as requested in our brief filed with the Committee on Ways and Means of the House of Representatives.

Candles are now assessed for duty at 20 per cent ad valorem either as manufactures of wax under paragraph 1438 of the act of 1922 or as manufactured articles not specially provided for under paragraph 1459 of that act.

Under H. R. 2667 as passed by the House, candles are now specifically provided for in paragraph 1536 at 35 per cent ad valorem. This is not a sufficient increase in the duty on candles to afford the candle industry in this country the necessary protection which it must have against foreign imports which are increasing in quantity each year.

In our brief filed with the Committee on Ways and Means, which appears at page 7751, volume 14, of the hearings before that committee, we quoted statistics published by the Bureau of Foreign and Domestic Commerce showing that importations of candles had increased from 181,201 pounds in 1923 to 1,186,732 pounds in 1928, or 555 per cent. It was also stated in that brief that the importations represent about 50 per cent of the domestic production of ornamental candles, and that the American wage scale runs from \$25 to \$50 per week, as compared with a foreign wage scale of approximately \$10 per week.

In support of our statement regarding foreign labor costs, we attach hereto a letter addressed to the Will & Baumer Candle Co. (Inc.), of Syracuse, N. Y., by Mr. E. L. Bacher, manager Foreign Commerce Department of the United States Chamber of Commerce, dated March 2, 1929, showing the labor costs in Germany, the country offering the keenest competition, to be substantially as stated in our previous brief.

Senator KEYES. That just gives the rates, does it not?

Mr. BAUMER. Yes, sir.

With the standard of living maintained in this country, we can not hope to compete successfully with such low labor costs abroad unless we be given the protection requested against the product of that cheap labor.

In our brief filed with the House Committee on Ways and Means attention is also invited to the almost prohibitive rates of duty on dyes used in coloring our high grade domestic candles, and to the further fact that manufacturers of stearic acid, which is used largely as a base for our candles, were requesting an increase in the rate of duty on stearic acid of about three times the present rate thereon, which if granted would necessitate a compensatory duty on candles in addition to the 50 per cent ad valorem requested.

H. R. 2667 as finally passed by the House increases the rate of duty on such imported stearic acid from 1½ cents per pound to 25 per cent ad valorem, as shown by the note following paragraph 1 in the committee comparative print of the bill, which amounts to an increase of about 66⅔ per cent over the present rate, based on the present market value of that commodity.

This means a great increase in the cost to the domestic manufacturers of the material used as a base for their candles.

In this connection we find it necessary to invite your attention to the brief of the National Council of American Importers & Traders (Inc.), printed at pages 7754 and 7755, volume 14, hearings before the Committee on Ways and Means, wherein it is stated that under the present duty of 20 per cent there are few, if any, imports of ordinary wax candles, and that imports are limited to certain types of fancy candles decorated by hand.

As stated above, it was represented in our previous brief that the importations represent about 50 per cent of the domestic production of ornamental or decorated candles. In this group should be included ornamental and decorative candles as well. If, however, the statement in the brief of the National Council of American Importers and Traders (Inc.), to the effect that imports are limited to decorated candles, is correct, then our case is all the stronger, as it would then be shown that the importations of 1,186,732 pounds in 1928 are almost double the amount of 600,000 pounds of ornamented and ornamental candles produced in this country during that year.

Senator WALSH. Decorative candles have very recently been placed on the market?

Mr. BAUMER. No, sir, Senator; they have been on the market for many years.

Senator WALSH. Have they not grown in use greatly in recent years?

Mr. BAUMER. They have grown in use greatly, I would say, for the past 8 or 10 years.

As I say, if the statement in the brief of the National Council of American Importers and Traders to the effect that imports are limited to decorated candles is correct, then our case is all the stronger, as it would then be shown that the importations of 1,186,732 pounds in 1928 are almost double the amount of 600,000 pounds of ornamented and ornamental candles produced in this country during that year.

In other words, the importations were more than double, or approximately double the amount produced in this country.

Senator WALSH. Has not the American production grown very rapidly also?

Mr. BAUMER. The American production is decreasing in drawing-room candles. When I say drawing-room candles, I mean the candles for ornamental purposes, and not the common or household candles.

In other words, it would then appear that the foreign manufacturers have taken unto themselves about two-thirds of our domestic market for these candles, notwithstanding the ability of the domestic manufacturers to supply the entire domestic trade at a fair price.

The statement in the brief of the National Council of American Importers and Traders (Inc.) showing that during the years 1927 and 1928 a certain chain-store syndicate of the United States purchased approximately 4,000,000 dozen candles each year from American factories, is worthless for comparative purposes, in view of the fact that statistics of manufacture, imports, and exports are always in pounds, and candles vary greatly in size from the little candle about 2 inches in length used extensively at children's birthday parties, to the large type of ornamented and ornamental candle running in many instances 30 inches or more in length.

The brief of the National Council of American Importers and Traders (Inc.) also stresses the fact that during the years 1926, 1927, and 1928 our exports exceeded or were about equal to our imports.

Standing alone, this statement is misleading in its effect. The fact is that only plain, ordinary candles are exported from the United States, and they go almost entirely to our Island possessions,

principally Porto Rico, for utility purposes in the homes. Candles from the United States are not subject to duties on being imported into those island possessions, and, therefore, have the benefit of a differential in the duties imposed on candles from foreign countries. Notwithstanding this advantage enjoyed by our domestic candles imported into our island possessions, the export statistics published by the Department of Commerce show our exports to have decreased annually from 1,253,256 pounds in 1926 to 1,031,943 pounds in 1928.

In other words, these export statistics show that we are losing ground in our island possessions to the foreign manufacturer of plain, ordinary candles, notwithstanding the fact that we enjoy the privilege of free entry for our candles as against the dutiable status of the foreign candles.

If the foreign manufacturers of candles thus can take the market from us in our island possessions, as it appears they are doing, it certainly will not be long before we must expect an aggressive move on their part to extend their markets in this country to include the plain, ordinary candles as well as the ornamented and ornamental candles, which, according to the brief of the National Council of American Importers and Traders already are coming into the United States in quantities double the amount of the domestic production.

We, therefore, urge that the increased rate of 35 per cent given in the House be further increased to 50 per cent, as requested in our brief filed with the Committee on Ways and Means, else we may expect a further decrease in the candle manufacturing establishments in this country and a further loss of business to the foreign producer than as shown in our previous brief.

Senator WALSH. Do comparable imported decorative candles sell for less than the domestic?

Mr. BAUMER. Yes; I have some examples of those here.

Senator WALSH. Of course, some of these imports can be attributed to the fact that they are of a style and decoration that is not produced in America; is that not true?

Mr. BAUMER. They can be produced in America.

Senator WALSH. Yes; after you see them. Is there not a great deal of competition to-day in the decorative character of these candles?

Mr. BAUMER. Senator, the candle manufacturers in this country had all the decorative candle business until approximately five years ago, until cheaper candles came in from Germany.

Senator WALSH. Give us some example.

Mr. BAUMER. Here is an example of a candle produced in this country for 27 cents. I bought these in one of the chain stores in Baltimore for 10 cents [exhibiting candle].

Senator THOMAS. Ten cents per candle?

Mr. BAUMER. Yes, sir.

Senator WALSH. Let us see your candle which costs 27 cents.

Mr. BAUMER. I have not a sample of ours here. It is a big buy, and we can not do that with our \$25 labor rate in this country—and you have to pay that for hand-painted candles.

Senator WALSH. Are these hand-painted candles?

Mr. BAUMER. Yes, sir.

Senator KEYES. Are all these imported?

Mr. BAUMER. Yes, sir.

Senator WALSH. Is the substance of that candle the same as that of the American candle?

Mr. BAUMER. It is paraffine, with 20 per cent of stearic acid. We can not produce it here. The labor rate is about \$9 a week in Germany.

Senator COUZENS. What is the extent of the industry in this country?

Mr. BAUMER. The total is about—the amount of capital, all told, is about six or seven million dollars.

Senator COUZENS. How many men, in total, do you employ?

Mr. BAUMER. In our employ—the employees of the company I represent—

Senator COUZENS. In the industry in this country; do you know?

Mr. BAUMER. About a thousand or fifteen hundred people.

Senator WALSH. In the whole industry throughout the country?

Mr. BAUMER. Yes; just making candles. Here is your export candle [exhibiting candle].

Senator WALSH. The competition is very sharp between the candle-makers in America?

Mr. BAUMER. Yes, sir.

Senator WALSH. Have you not had trouble before the Federal Trade Commission about your advertisements?

Mr. BAUMER. One candle manufacturer—the question came up in reference to misbranding. It seems that there is a law providing or calling for the stamping of the percentage of beeswax on church candles.

Senator WALSH. Did not some stores advertise a candle as a wax candle when it was not a wax candle?

Mr. BAUMER. The wax candle is made of paraffine wax, and a candle that is called a beeswax candle can not be termed beeswax unless the greater percentage of the mixture is beeswax.

Senator WALSH. The competition is sharp?

Mr. BAUMER. It is very, very sharp.

Senator WALSH. Are the church candles used in America largely imported or produced in America?

Mr. BAUMER. Largely produced in this country.

Senator THOMAS. Do the candle manufacturers export a number of their candles?

Mr. BAUMER. We do not export any church candles.

Senator THOMAS. Do you export any kind of candles?

Mr. BAUMER. The common or household candle only, and most of those go to Porto Rico.

Senator THOMAS. Will you show us a sample of those you export?

Mr. BAUMER. They are right here [exhibiting candles].

Senator WALSH. I suppose the churches are a large element in the consumption?

Mr. BAUMER. In this country; yes, sir. The candles are used a lot in the country—that is, the common or the ordinary household candles are used a good deal in Porto Rico [exhibiting candle].

Senator WALSH. I notice in the churches they are using substitutes for candles a good deal—using a good deal of oil cups. I suppose that that has somewhat affected your business.

Mr. BAUMER. That is known as votif candle. That is not oil in there; that is paraffine. When it melts, it looks like oil.

Senator WALSH. Do your concerns make and sell those?

Mr. BAUMER. We make those; yes. We supply candles to the plumbing trade, to the department stores and to chain stores, and to the Episcopal Church and the Catholic Church. That is the outlet.

Senator WALSH. And to the Hebrew Church?

Mr. BAUMER. To the Jewish Church; yes, sir; to the Jewish synagogues.

Senator THOMAS. How can you afford to export those candles? Is it because the competition is not so acute that you can still export them and make a profit?

Mr. BAUMER. We do not pay a duty in the island possessions.

Senator THOMAS. But the island possessions have the right to import to the islands. Can not the foreign manufacturers make a better grade of candle cheaper than you can here?

Mr. BAUMER. But the duty into Porto Rico is 20 per cent from other countries. We have no duty in Porto Rico. We have a freight rate from Baltimore to Porto Rico of 35 cents a hundred, which is an advantage.

Senator THOMAS. There is an illustration of the benefits of the tariff, in the case of candles. You can ship into Porto Rico, duty free, and sell them whereas the German trade, because it has to pay a duty, is unable to meet your competition there. There is a concrete illustration of the benefits of the tariff offered to the person who does not have to pay a duty.

Mr. BAUMER. That would be an illustration; yes, sir.

Senator DENEEN. And with cheap freight rates?

Mr. BAUMER. And with cheap freight rates; yes. Let me say this in relation to exports, Senator. When the question of a tariff comes up—I refer, for instance, to the high tariff, or the possibility of a high tariff on stearic acid. We do not object to a tariff on raw materials, because if I can produce and keep my plants operating and bring my volume where it belongs, as I do bring it on exports, I can take care of myself very nicely, because my cost of production is lowered, due to keeping my plant busy all the time. If I have to constantly curtail, up will go my overhead; and production is lowered and my goods cost more money.

Senator THOMAS. That would be true in foreign countries, the same as here.

Mr. BAUMER. We can not make any money exporting, but it gives me volume, and it reduces the cost per pound of product, and it keeps my plant operating.

Senator THOMAS. You get more in Porto Rico than in America, do you not?

Mr. BAUMER. No.

Senator THOMAS. You mean that you are selling at a loss down there?

Mr. BAUMER. A slight loss. When I say loss, there is a place where you have got to stop on losses. I do not charge my overhead against my cost.

Senator THOMAS. In other words, you sell them at a lower net profit to you in Porto Rico than in the United States because you have to stand the freight?

Mr. BAUMER. Yes; we have to stand the freight. But it keeps my plant busy.

Senator THOMAS. You still make a profit on what you sell in Porto Rico, do you not?

Mr. BAUMER. I would say that at the end of the year we might suffer.

Senator WALSH. Could we not remove a large element of your competition from abroad by providing a special and separate duty upon decorative candles?

Mr. BAUMER. I do not think so, Senator.

Senator WALSH. You do not think that we could work that out?

Mr. BAUMER. I do not think so. I think that the duty ought to be on candles, generally, because we have found there have been some candles shipped into the United States from Czechoslovakia to two or three different churches. The candles were stamped, or they were branded, 51 per cent beeswax, and a chemical analysis showed that they did not contain that. By the time we get through with these things—

Senator WALSH. You ought to complain to the church ordinaries and have that stopped.

Mr. BAUMER. Suppose you do find that out about those candles; the other fellow is too far away to deal with.

Senator THOMAS. Does this bill propose to raise the duty on the class of candles that you now export?

Mr. BAUMER. The bill proposes 35 per cent duty on candles.

Senator THOMAS. And the present rate is 20 per cent?

Mr. BAUMER. The present rate is 20 per cent. We are asking for protection up to 50 per cent.

Senator THOMAS. You will get a substantial benefit from that portion of your goods you sell in Porto Rico, from this duty, and that will offset to a very large extent, will it not, the benefit that comes on the class of imports that come in from Germany.

Mr. BAUMER. I predict that within five years we will not be doing any exporting business in Porto Rico.

Senator THOMAS. Even with a 35 per cent duty?

Mr. BAUMER. Because of the fact that candles in Porto Rico are used to-day because of the fact that people have to use them; they have not any other lights in the country districts. A man who works on a sugar plantation uses candles, but the public utilities are creeping in, and the business is dropping off.

We shipped to Cuba at one time at least 200,000 cases a year, until the 25 per cent duty was put on, and then candle factories started up there, and they are not purchasing so many now.

I handle the export business of this country going into Porto Rico, and our sales have dropped in the last three months about 33 $\frac{1}{3}$ per cent. I find that candles are beginning to go out. We need everything we can get in this country for increasing our sales. We shipped candles by the carload to the mines, before the mines were electrified. That was our big business.

We need all the sales we can get in the candle industry so we can stay in business. There are 6,000,000 pounds coming in from the other side, and we would like to have that. We want to keep our organization together, and if we do not get it, we simply have to cut down our ornamental-candle department.

Senator WALSH. What percentage of the production of candles in this country is of ornamental candles?

Mr. BAUMER. What percentage of those made is ornamental candles?

Senator WALSH. In your ornamental-candle department.

Mr. BAUMER. Six hundred thousand pounds.

Senator WALSH. What percentage of the total candle production is it; it is rather small, is it not?

Mr. BAUMER. In this country we produce about eight to ten million pounds.

Senator WALSH. It is less than 10 per cent. It is that class of candles that you are having the greatest difficulty with in holding the American market, because of the imports?

Mr. BAUMER. Yes; but they are bringing in plain candles, also.

Senator KEYES. Will you explain what the language means in paragraph 1536: "Candles, 35 per cent ad valorem; manufactures of amber, bladders, or wax, or of which the substances or any of them is the component material of chief value, not specially provided for, 20 per cent ad valorem."

What does that mean when it says "manufactures of amber"? what has that to do with candles?

Mr. BAUMER. They put us in that class before we asked for the change. Candles were in the class with amber and bladders. They were all in that particular class.

Senator KEYES. Those have nothing to do with your business?

Mr. BAUMER. No; I do not know why they put us in there.

Senator WALSH. Are these votif lights, we have, called candles?

Mr. BAUMER. They are called votif lights.

Senator WALSH. Does not the customs department classify them as candles?

Mr. BAUMER. No, they are called night lights, ordinarily.

Senator WALSH. You have not any competition in that direction?

Mr. BAUMER. No; they are made of straight paraffin.

(Mr. Baumer submitted the following letter:)

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA,
Washington, March 2, 1926.

WILL & BAUMER CANDLE Co. (INC.),
Syracuse, N. Y.
(Attention of HCW.)

GENTLEMEN: In response to your request February 25 we took up the matter of the cost of German labor in lines similar to yours with the Bureau of Labor Statistics of the United States Department of Labor. In the monthly Labor Review for January, 1929, page 141, wages in various industries in Germany in 1928 are given. In Table 2 which gives the wage rates per hour and per week for skilled and unskilled workers by industry and year, the chemical industry as a whole is the nearest to your line. That industry's rate per hour of skilled workers in 1927 and 1928 averaged 26½ cents for the former and 27½ cents for the latter year. The rate per week for 1927 was \$10.55 and for 1928 was \$11.15. For unskilled workers the rate per hour in 1927 was 22 cents and in 1928 was 23½ cents. The rate per week in 1927 was \$8.88 and in 1928 was \$9.39. These are the only figures available at the United States Department of Labor.

Please let us know if we can be of any further service to you.

Very truly yours,

E. L. BACHER,
Manager, Foreign Commerce Department.

GUTTA-PERCHA TISSUE

[Par. 1537 (b)]

BRIEF OF EDWARD P. STAHEL & CO., NEW YORK CITY

To the Finance Committee of the United States Senate:

In the matter of paragraph 1439 in the bill entitled "An act to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States and for other purposes," now in May, 1929, pending in the United States Congress, memorandum in relation schedule No. 1539B and the honorable finance committee. At page 7756 of the hearings before the Committee on Ways and Means, House of Representatives, volume 14, tariff readjustment, Mr. Henry D. Reed, representing the Bishop Gutta Percha Tissue Co., New York City, argued before the committee in favor of an increased tariff upon gutta-percha tissue for the encouragement of the manufacture of gutta-percha products in the United States and urged that due to the difference in the cost of labor between the foreign factories and the American industries an increased tariff is necessary in order to make it possible for the American factories and American industry to compete with the German manufacturers.

Mr. Reed did not render letters or in the brief submitted by the Bishop Gutta Percha Tissue Co., New York City, explain to the committee the detailed process of the manufacture of gutta-percha tissue and the superiority of the German gutta-percha tissue by reason of a secret compound used by the German manufacturer in the making of the tissue which compound the American manufacturers have not discovered so far.

Both the foreign and the American factories obtain their raw material supply from the same dealers and in the same manner. Appended to this memorandum is the detailed statement of Mr. George L. Peters, president and treasurer of the Peters Bros. Rubber Co., 160 John Street, Brooklyn, N. Y., wherein there is explained in detail: First, the composition and characteristics of gutta-percha and the difference between gutta-percha and rubber; second, the purposes for which the gutta-percha tissue is used by the various trades; third, why gutta-percha tissue is superior to any other article that so far has been discovered for these purposes; fourth, the method of manufacturing the gutta-percha tissue so that it may be used by industry and the inherent difficulties due to the characteristics of gutta-percha and the necessity of mixing with the gutta-percha in process of its manufacture some chemical composition which is absolutely necessary to permit the proper manipulation of the gutta-percha tissue in connection with the various industrial uses for which it is designed.

In the manufacture of the gutta-percha tissue it has been found by experience that a chemical composition which so far has been a carefully guarded secret, is necessary in order to keep the gutta-percha tissue from adhering to itself in the course of handling. The American manufacturers have never learned the secret combination of this compound which is absolutely necessary in the manufacture and manipulation of the gutta-percha as it comes forth from its raw state into gutta-percha tissue. Experience has demonstrated that without the combination hereinbefore mentioned the gutta-percha tissue in a few months oxidizes and loses its adhesive properties. This is because of the nature of the gutta-percha itself and the ignorance of the American manufacturer of the composition, of the compound, which must be used in the manufacture of gutta-percha tissue and which the Germans possess and hitherto have so carefully concealed, that the American manufacturers have never been able to discover the proper materials and other mixtures so as to produce the compound that prevents the oxidation of the gutta-percha after it has been exposed to the air for some time.

See Stedfast Rubber Co.'s letter of May 8, 1929 to Edward P. Stahel & Co. hereto annexed as an exhibit.

Mr. Reed representing the Bishop Gutta Percha Co., of New York City, both in his argument before the Ways and Means Committee of the House and in his brief arguing for increased duty on imported gutta percha tissue was not speaking of the same material as the imported article. Without the application of the compound hereinbefore described, the gutta percha tissue oxidizes, that is, becomes hard and fragile and is easily reduced to a powder, lacking in all of the adhesive qualities which are necessary in the tissue for use in the clothing, shoe, bag and optical instrument trades. The net result of years of experience has

demonstrated without dispute that the gutta percha tissue without the mixture or use of the compound hereinbefore described is of no use in the industries for which it was designed because of the oxidization when exposed to the air and the loss entirely of its adhesive qualities. Without the knowledge of this compound, of its composition, no amount of duty will enable the American manufacturer to produce the article that will be of equal service in the clothing, shoe, optical instrument and artificial flower trades because the American product after a time loses its adhesive qualities and this is the almost exclusive element which makes the gutta percha tissue of use in those trades.

In addition to Mr. Peter's statement there is also appended letter of May 6, 1929 from Peters Bros., Rubber Co. (Inc.), from Alfred Bunge of May 6, 1929, the Manhattan Manufacturing Co. of May 7, 1929, the Stedfast Rubber Co. of May 8, 1929, the Lincoln Manufacturing Co. of May 8, 1929, and the American Optical Co. of May 17, 1929.

The writers of these various letters are practical manufacturers and merchants and the letters plainly and succinctly set forth the experience that the various trades using gutta-percha tissue have had in the use of the American goods. Also appended a letter from A. W. Webber Co. of September 24, 1921, H. Halvorsen Co., November 15, 1921, John L. Bobo & Co., October 5, 1922, A. F. Sauer Co., December 11, 1922, each of which relates the experience that the writers of those letters had in the use of American manufactured gutta-percha tissue when we were selling agents for the Bishop Gutta Percha Tissue Co.

About 1901 the Robert Soltau Co. established a gutta-percha tissue plant at Marmoneck, N. Y. The Robert Soltau Co., had some of the persons from H. Rost & Co. at Hamburg, Germany, who had an interest in their firm, and furnished the Robert Soltau Co. the composition as used in Germany for the manufacture of the various forms of gutta-percha tissue at this plant in Marmoneck. At that time the Robert Soltau produced gutta-percha tissue that was as satisfactory as the imported article. By reason of the German interest in the Robert Soltau Co., the Alien Property Custodian seized that plant and its property and about 1919 sold it to the Bishop Co. at Public auction. The purchaser was unable to obtain the composition hereinbefore described and was never able thereafter to produce the gutta-percha tissue that was satisfactory to the trades, as appears by the various letter, the originals of which are hereto appended, dated in 1921 and 1922.

At page 7761 of the hearings before the Ways and Means Committee of the House, the Bishop Gutta Percha Co., refers to the fact that H. Rost & Co. was able to undersell the American manufacturers of gutta-percha tissue in America because the gutta-percha tissue part of the H. Rost & Co. business is very small, the rubber industry being very much more important and larger and yielding a profit that can carry the concern, even though the gutta percha part may prove a loss.

Appended hereto is a letter of April 11, 1929, from the Hamburg Chamber of Commerce that the H. Rost & Co., manufactures no rubber articles of any kind.

The committee after reading the various appendices hereto annexed will readily understand that the enormous difference between the quality of the imported gutta-percha product and the article manufactured in America are two entirely different and separate articles and that in the trade there is not, and can not be, any competition between foreign and domestic goods and that therefore a duty, no matter if it reaches the prohibitive point can be of service to the American manufacturers. The increase of duty merely places an additional burden upon the American manufacturers of clothing, boots, and shoes, bags, optical instrument cases, and artificial flowers, which handicaps the American manufacturers in all those articles from sales in foreign markets so that instead of being an aid to American industry, the increased duty will handicap a much wider and larger industry than merely the gutta-percha tissue.

EDWARD P. STAHEL & Co.

By EDWARD P. STAHEL.

Sworn to before me this 11th day of July, 1929.

[SEAL.]

PAUL E. STAHEL, *Notary Public.*

**BRIEF OF GEORGE L. PETERS, REPRESENTING PETERS BROS.
RUBBER CO., BROOKLYN, N. Y.**

I am 37 years of age and have been engaged in the business of handling gutta-percha tissue and similar leather findings material in Brooklyn for 18 years and during all that time I have handled and studied gutta-percha tissue and in that manner have become familiar with this article.

About 24 or 25 years ago Bishop & Co. began the manufacturing in America of gutta-percha tissue.

Gutta-percha is entirely separate and distinct, both in appearance and in quality, from rubber, although both are made from a juice or sap which exudes from a tropical tree. The rubber that is made from cultivated trees or plantations comes into the market in the form of sheets, while the rubber from wild trees comes in the form of balls or other nondescript forms. The rubber that comes from the plantations, that is, from cultivated trees, is very clean, free from foreign substances, and ranges in color all the way from a light amber to almost a solid black. The chief constituent of the gutta-percha tissue is gutta siak, a reddish brown gum which is brought into this country in the well-known book form.

Both gutta-percha and the rubber when in sheets are translucent, dependent upon the thickness of the sheets, and when the sheets are very thick then they become opaque. We do not know the chemical composition or combinations of rubber or gutta-percha. The quality of the gutta-percha which makes it so thoroughly adaptable for the clothing, shoe, and leather bag trades and also the optical-instrument cases is its adhesiveness when heated and which makes it stick firmly and permanently to any fabric to which it may be attached and it retains its adhesive qualities after it has cooled.

In the clothing industry it is used at the bottom of men's trousers to hold the seams together and in the shoe industry it is used for the reinforcement on the inside of the uppers and is used to stick cotton cloth to the leather, thus reinforcing the thin leather and its utility consists of its power or quality and adhesiveness to firmly and permanently unite the cloth and leather. Another advantage in the shoe industry, it permits the ventilation of the foot as it is porous, whereas rubber makes an air-tight shoe.

In the bag industry it is used for reinforcing either the thin leather, leatheroid, or other leather substitutes for the outside of the bag. In connection with the shoe trade and the leather goods trade, the gutta-percha tissue is first applied to reinforcing cloth either of cotton or linen or other textiles and by virtue of the gutta-percha tissue's high adhesive qualities makes the fabric to which the gutta-percha tissue is attached adhere to the outer surface, either of the bag or the shoe. On the trousers the gutta-percha tissue is applied directly to the cloth on the inner side of the bottom.

The tensile strength of the gutta-percha itself is not sufficient to make it useful in the shoe or bag industries by itself; therefore it must be attached to a fabric with sufficient tensile strength to hold the leather or cloth firmly together. In the case of the optical and surgical instrument trades, the gutta-percha tissue is used to make the lining and the outside covering, of whatever material made, adhere to the metal composing the case.

When the gutt-percha tissue has been firmly attached to a piece of cloth the combination of cloth plus gutta-percha is known in the trade as "backing cloth."

In the manufacturing of backing cloth the thin sheets of gutta-percha tissue are placed on the cloth and then the two articles are run through a pair of highly compressed rollers so that the gutta-percha becomes firmly embedded into the fiber of the cloth and through its adhesive qualities is firmly attached to the cloth. As it comes out of these rollers it is then commercial backing cloth and in the form of backing cloth is sold to the shoe and leather goods trades for the reinforcing purposes hereinbefore described. The backing cloth is used almost exclusively by the shoe and leather goods manufacturers.

For the clothing trade the gutta-percha tissue is cut into strips 1 inch in width and is wound on to a reel in appearance very much like the reel for motion pictures. These strips are then used in the clothing trade to hold the bottom of the trousers together where the cuff is formed so that instead of basting or sewing the cuff on the inside of the bottom of the trousers, the cloth is held together by this gutta-percha tissue. The gutta-percha tissue is also used in the manufacture of artificial flowers. The wire stem to which the flower is attached is wound with the gutta-percha tissue and then about this gutta-percha

tissue a green paper covering is then wound so as to give it the appearance of a natural stem.

Chemically pure gutta-percha, that is, the sap of the gutta-percha tree, from which all foreign substances, including resins, have been thoroughly removed, will last almost indefinitely. In nature there is no chemically pure gutta-percha. In it is always found foreign substances and some resins. This commercial gutta-percha, not the chemically pure product, when exposed to the air, will in the course of about 6 months harden, become brittle, and with slight attrition is easily reduced to a powder. In order to overcome the effect of the foreign substances and the resins it is necessary to compound it. The compounding is kept secret by the manufacturers who devised the combination by experimentation and the German manufacturers discovered the proper combination to make the compound many years ago.

In America the American manufacturers have been able to produce a gutta-percha tissue which satisfies some of the trade, but the more discriminating users of gutta-percha tissue buy the superior imported quality on account of its longer life and greater tensile strength and adhesiveness. The same argument applies in the manufacture of optical and other instrument cases and artificial flowers. So far no American manufacturer has been able to produce a tissue which compares in quality with the German quality. It lacks adhesiveness and it lacks long life; that is, it hardens, becomes brittle, and is easily reduced to a powder and until the American manufacturer is able to produce a gutta-percha tissue that possesses adhesiveness, tensile strength, and long life, there can be no competition in American market between the American manufacturer of gutta-percha tissue and the German manufacturer of the same article.

It is in the manufacture of gutta-percha tissue, that is, the sheets of gutta-percha which are used in the instrument, artificial flower, and the clothing trades, that the Americans have never been able to produce a gutta-percha tissue that would compare in lasting quality with the German product. Every summer the American factories producing or using the gutta-percha tissue must close down on extremely hot days because the heat then softens and increases the adhesiveness of the tissue and makes it almost impossible to manipulate it in the machinery.

The compound that has been used by the Germans makes the manipulation of the tissue even in the hot weather in the machinery practical. Gutta-percha tissue without the proper compound deteriorates rapidly when exposed to the air and becomes brittle and eventually goes to a powder and so far no process has been devised that will bring the hardened or powdered gutta-percha tissue back to a flexible surface with proper adhesive qualities.

At the present time the controversy is not over the same article, because the American product can not answer, or serve the purposes required by the instrument case makers and the artificial flower makers while the German product does answer these purposes. They are not talking about the same article and until the American manufacturer has been able to produce an article that possesses the adhesiveness to last as long, possess life, and can be manipulated in hot weather as long as the German product, there can be no competition between the American and the German manufacturer.

The foregoing remarks are founded upon the experience and observation in our own factory and in our experience in selling to others and getting reports from our customers who have complained about the American gutta-percha tissue not answering the purpose for which it is purchased, while the German article did answer those purposes.

LITHOGRAPHIC BLANKETS

[Par. 1537 (b)]

BRIEF OF THE VULCAN PROOFING CO., NEW YORK CITY

Vulcan Proofing Co., of Fifty-seventh Street and First Avenue, Brooklyn, New York City, manufactures, out of rubber and cotton cloth as two component parts, an article used as offset blankets on lithographic machinery. The article is known as lithographic blankets and lithographic offset blankets. It is difficult to determine which element comprises the principal portion of the manufactured article, rubber or cotton. The president of the Vulcan Proofing Co. has stated that according to weight rubber may be the chief component element, but by

yardage cotton cloth probably is. He, however, adds that the biggest part of the expense in manufacturing the article is labor.

There is now pending before the United States Customs Court in New York City a case arising out of the importation from England by an American importer of these offset blankets. The article had been coming in under paragraph 1439 of the 1922 tariff act under an ad valorem of 30 per cent. The customs authorities analyzed some of the blankets a few years ago and decided that its chief value was cotton and therefore taxed it at 45 per cent. The importer has brought the action referred to in the Customs Court to establish the right of admission of offset blankets at 30 per cent. According to the United States Attorney General's office and the experts of the Government, a decision either way by the Customs Court on this article will affect only the particular import before the court and will continue to leave open the question whether each particular shipment of offset blankets has a chief component value of either cotton or rubber.

No officer or employee of Vulcan Proofing Co. was called upon by the Government to testify although had the Government's representatives known that Vulcan Proofing Co. was interested the Government would have gladly availed itself of the services of an officer of that company as an expert. If an officer of that company were to testify he would show that the labor employed in reducing the cotton cloth to a point which makes it malleable with the rubber would give the completed product's chief value as cotton. In that event the Government's taxation of the goods under paragraph 908 of the 1922 tariff as cloth in chief in chief value of cotton at 45 per cent would be sustained. The dispute will not be settled by the Customs Court because the importer can very easily arrange with the manufacturer to so manufacture the article as to give it an appearance of the chief value of rubber. The Vulcan Proofing Co.'s officers believe that the best way to settle the question is to list the article as offset lithographic and printers' blankets in the new tariff act now before Congress and to impose upon it an ad valorem import duty of 50 per cent. It is necessary, for the purpose of protecting American labor, as well as the American manufacturer of the article. The differential between English and American labor in turning out the same article is tremendously favorable to the English manufacturer and since the intent of a law of this kind is principally to protect the American labor market, the position of Vulcan Proofing Co. that the tariff be fixed at 50 per cent is unanswerable.

With respect to the two conflicting provisions under which this articles has been imported and taxed, if the article is specifically named in the tariff, then the Government will be saved considerable expense in the future because of the concomitant avoidance of litigation which is necessarily given fruit by the opportunity afforded the importer in paragraphs 908 and 1439. Paragraph 908 under which goods in chief value of cotton are assessed at 45 per cent is as follows:

"PAR. 908. Cloth in chief value of cotton, containing silk or artificial silk, shall be classified for duty as cotton cloth under paragraphs 903, 904, and 906 and in addition thereto shall be paid on all such cloth 5 per centum ad valorem: *Provided*, That none of the foregoing shall pay a rate of duty of more than 45 per centum ad valorem."

And paragraph 1439 of the 1922 act which assesses the offset rubber blanket, if its chief component is India rubber, at 30 per cent ad valorem, is as follows:

"PAR. 1439. Manufactures of bone, chip, grass, horn, quills, India rubber, gutta-percha, palm leaf, straw, weeds or whalebone, or of which these substances or any of them is the component material of chief value, not specially provided for, 25 per centum ad valorem; automobile, motor cycle and bicycle tires composed wholly or in chief value of rubber, 10 per centum ad valorem; molded insulators and insulating materials, wholly or partly manufactured, composed wholly or in chief value of India rubber or gutta-percha, 30 per centum ad valorem; combs composed wholly of horn or of horn and metal, 50 per centum ad valorem."

Under the proposed tariff act which has been passed by the House of Representatives and will probably undergo some revision in conference with the Senate before it is finally enacted into law, or, at least, submitted to the President, the above-quoted provisions are taken in bodily in substance although there are some slight changes in verbiage. The provision concerning manufactures, of which cotton is the component material of chief value, is paragraph 922 (p. 97 of report to accompany H. R. 2667). That paragraph reads as follows:

"922. All articles made from cotton cloth, whether finished or unfinished, and all manufactures of cotton or of which cotton is the component material of chief value, wholly or in chief value of cotton, not specially provided for, 40 per centum ad valorem."

The paragraph concerning rubber is, under the new report above set forth (p. 141), embodied in paragraph 1539b as follows:

"1539b. Manufactures of India rubber or gutta-percha, or of which these substances or either of them is the component material of chief value, not specially provided for, 25 per centum ad valorem; automobile, motorcycle and bicycle tires composed wholly or in chief value of rubber, 10 per centum ad valorem * * * manufactures composed wholly or in chief value of India rubber known as 'hard rubber' not specially provided for, finished or unfinished, 35 per centum ad valorem."

The tax on lithographic or printers blankets could be incorporated in paragraph 1539b by adding an additional sentence as follows:

"Lithographic blankets or printers blankets made of rubber or partly of rubber and partly of cotton or cotton cloth or partly of rubber and cotton and any other material, 50 per centum ad valorem."

RUBBER SPONGES

[Par. 1537 (b)]

STATEMENT OF W. VERNET, REPRESENTING RUBBERSAN PRODUCTS (INC.), NEW YORK CITY

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

Senator KEYES. Will you state whom you represent?

Mr. VERNET. I am secretary of RubberSan Products (Inc.), New York City.

Senator KEYES. Are you an importer and a manufacturer?

Mr. VERNET. We are manufacturers, and we import.

Senator KEYES. Where is your factory?

Mr. VERNET. New York City, 117 East Twenty-fourth Street, New York City.

Senator COUZENS. You say that you manufacture and import, both?

Mr. VERNET. We import the raw material and manufacture the product out of the raw material. This is the kind of block we import [indicating sample], and this is the product we manufacture [indicating sample].

This block appears now under paragraph 1537 (b), under manufactures of rubber. We would like to have it taken out of that paragraph and put on the free list. It appears under this classification:

Rubber sponge material in block form approximately 120 millimeters by 80 millimeters by 35 millimeters (these measurements to vary within commercial limits) for the manufacture of soap dishes in assorted colors other than orange or red.

The reason that we would like to have it on the free list is that the American manufacturers have consistently, during the last two years, refused to manufacture it for us. Ever since we put this on the market two years ago I have taken the question up consistently with them from time to time, with the idea of getting them to make it for us on this side, but they have all refused to make it, mostly on the ground that there was not business enough for them to consider it. I have a few letters here from some of the leading manufacturers.

Senator COUZENS. Did you hear the testimony given by the two Florida Senators asking for an increase in the tariff on sponges? Does that affect this product?

Mr. VERNET. That is a natural sponge. This is a rubber sponge, made artificially. The other sponges are sponges which could not be used for this product. This is a manufactured sponge made out of rubber of a particular grade.

I took this up with a number of the leading manufacturers, and I have a few answers that I would like to refer to, to show you what they say. I have one here from the Oak Hill Rubber Co., dated November 7, in which they say that inasmuch as this is a German-made product they are not interested, but that they do manufacture the red sponge and that they will be glad to quote a price if we are interested.

The red sponge is a quality of sponge that we can not use for this particular item.

Senator THOMAS. They make that in the red sponge, do they not?

Mr. VERNET. Not that quality in a red sponge. This is a sponge particularly adapted to our use. That is the raw material [indicating]. It contains about 85 per cent of rubber, while the red sponge is much coarser in quality and contains only about 20 per cent and does not last as long.

Senator THOMAS. To me it seems to be a better product.

Mr. VERNET. This other one is a better product [indicating sample].

Senator THOMAS. The red sponge seems to me to be a better product, but not being an expert, I could not testify to that.

Mr. VERNET. If you have ever handled a red sponge, you could not stretch it.

Senator THOMAS. I never tried to.

Mr. VERNET. This is a coarser grade.

Senator COUZENS. Is that all it is used for, soap dishes?

Mr. VERNET. This is for soap dish manufacturing [indicating sample]. We do not sell sponges—

Senator COUZENS. What is your volume of business?

Mr. VERNET. Last month we sold \$52,000 worth.

Senator COUZENS. How many men do you employ?

Mr. VERNET. Approximately 30 men. I have here this series of letters. For instance here is a letter from the Miller Co.

Senator COUZENS. If they are all along the same line, you might just give us one.

Mr. VERNET. May I have the privilege of referring to one here from the largest manufacturer of rubber sponges, that is, the Miller Co.?

They say that they are not offering us colored merchandise because of the fact "that our process does not permit their manufacture. We do not know where colored sponges can be had in the American market."

That is dated March 29, 1928, and all of these letters are along the same line.

Senator COUZENS. Is that the Akron concern?

Mr. VERNET. This is the Miller Rubber Co., of Akron, Ohio.

I referred a moment ago to a letter from the Oak Hill Co., and I have letters here from other concerns along the same line.

There are five manufacturers of these rubber sponges in the United States, and I went into the matter to the extent of trying to develop

business with the smaller ones. The larger ones said that there was not enough business in it for them.

I wrote a letter to one of these companies in which I told them that we had for delivery shortly a large shipment of sponges from Europe. I said:

It seems to us that orders of this size would be of interest to you, and therefore we are writing you again to ascertain whether it will not be possible for you to make this material.

That was dated May 2, 1928, to the Faultless Rubber Co.

Senator KEYES. Do you think that the demand for this article will continue?

Mr. VERNET. We have been making it now for about 18 months, and last month was the largest month that we have had. We started it last May, or last April, and shipped last April about 176 gross of them, while in the past month we shipped 1,300 gross.

Senator WALSH. What does this sell for?

Mr. VERNET. It retails between 39 and 50 cents. If we could get the duty reduced that would allow us to reduce our price, and it could be sold cheaper.

Senator WALSH. How much cheaper?

Mr. VERNET. It could be sold for 20 cents, I should say, retail.

Senator WALSH. If the duty were taken off?

Mr. VERNET. If the duty is taken off. It has been impossible for us to obtain it here when we pay a duty of 25 per cent. That is almost three cents apiece, and if we could get that taken off it would retail for around 29 cents, which would increase business all around.

Senator COUZENS. What does that take the place of?

Mr. VERNET. It takes the place of fiber.

There are a number of different types of soap dishes. This is a soap dish that is always clean, because it absorbs the drainings of the soap, and if it happens to get messy all you have to do is to take it out and squeeze it hard.

Senator WALSH. I suppose that it is used for the same purpose as sponges.

Mr. VERNET. No, sir; we never advocate its use as a sponge; it is not used that way, and we sell it as a soap dish. If we should try to sell it as a sponge we could not sell it. The average buyer would not buy it as a sponge, and we can not sell it as a sponge. There is no market for 39-cent sponges, but when we call it a soap dish the average American housewife will buy it.

Senator THOMAS. Is that article made in America?

Mr. VERNET. Yes, sir; we import this block and cut it out in our factory.

Senator THOMAS. Do you have any competition?

Mr. VERNET. No; it is a patented item; I happen to be the inventor of it.

Senator THOMAS. Who makes the red-colored similar article?

Mr. VERNET. There is no similar article. There are five manufacturers who make red sponges which are being sold as sponges.

Senator THOMAS. There is a red article looking like this; it is a sort of pale pink article.

Mr. VERNET. There is no other soap dish cut out of sponges.

Senator THOMAS. I will say that I have one and I have used it for some time.

Mr. VERNET. A red one?

Senator THOMAS. It is not red, but it is a sort of pale pink or yellowish color.

Mr. VERNET. Made out of a rubber sponge?

Senator THOMAS. I do not know what it is made of. It is very elastic.

Mr. VERNET. There are lots of them made out of solid rubber.

Senator THOMAS. It is the same thing that you have there except that it is a finer quality.

Mr. VERNET. This is a patented article and it is different from the others.

When we first started to import them, they were made in Europe, and they were hard to sell because the customer associated them with the cheap red sponge, which is sold at from 15 to 25 cents. This is a patented item.

Senator THOMAS. That is patented?

Mr. VERNET. Yes; and the patent is No. 165954. If you have one like that which is not a RubberSan dish it is an infringement on this dish. If it is made out of red sponge it is probably our dish.

Senator THOMAS. It is an article which will last, unless something is brought out that is better.

Mr. VERNET. There are lots of soap dishes sold, which always have been sold, but I think that I can say we have sold more soap dishes since we have been in business than all the American manufacturers of the various types have for the past 10 years.

I was in Chicago about a month ago and saw one of the largest shippers in America, and when I talked with him about the amount of soap dishes he had sold, it seemed he had sold last year about 25 gross. We sold over 1,500 gross in the last six months to the Liggett Co.

Senator WALSH. Have you submitted an amendment showing where you want this to go into the bill?

Mr. VERNET. I have a brief here.

Senator WALSH. That contains your suggestions made here?

Mr. VERNET. This contains the entire story on the whole item, as I have outlined it.

Senator KEYES. What do you do with the waste, after you cut that out of the block? There seems to be a lot of waste material.

Mr. VERNET. It is about one-third of the material in there. I should say that there are about two and a half million of these pieces we are trying to develop a market for. We paste two of them together and sell it as a sponge, but there does not seem to be any market for that size of sponge.

Senator KEYES. I thought that you did not try to sell that material as a sponge.

Mr. VERNET. We do not sell this, but it is scrap material.

Senator KEYES. I thought you just stated you pasted two of those together as a sponge.

Mr. VERNET. We do, but there is no market for an item of this type. We have about two and a half million of those that we tried to get rid of. If we can use it as a massage proposition, we can do

something with it. We have tried to sell it as a powder puff, but there was no market for that, and we do not know what to do with it. (Mr. Vernet submitted the following brief:)

BRIEF OF THE RUBBERSAN PRODUCTS (INC.)

RubberSan Products (Inc.), respectfully requests the honorable Finance Committee of the Senate, in its classification of the pending tariff bill, to make a separate classification of "Rubber sponge material in block form, approximately 120 millimeters by 80 millimeters by 35 millimeters (these measurements to vary within commercial limits) for the manufacture of soap dishes in assorted colors other than orange or red," and to place said classification in the free list. The rubber-sponge material covered by the proposed classification is not made in this country. Efforts of the RubberSan Products (Inc.), in cooperation with the rubber division of the Department of Commerce to have said material produced in this country, have been unsuccessful. This sponge material is assessed for duty at present and in the House bill under manufactures of rubber at 25 per cent ad valorem. This duty is unfair and unjust because it acts as a handicap in the building up of a growing American industry. The rubber-sponge material covered by the proposed classification is used as raw material in the manufacture of soap dishes. If the present rate of duty is eliminated, RubberSan Products (Inc.) will be able to reduce the price of its soap dish to the consumer, thus creating a larger demand for the product, with a resultant increase in employment for American workmen.

RubberSan Products (Inc.) was organized in 1927 to produce and market the "RubberSan" soap dish made of sponge rubber. This is a patented product. Every effort was made to obtain satisfactory material for the manufacture of this soap dish in the United States, but none was found available. As a result, the material had to be obtained from abroad. RubberSan Products (Inc.) have used every possible effort since its organization to induce American rubber manufacturers to produce this rubber sponge material used in the making of its soap dishes, preferring to use an American product. The American manufacturers have refused to produce the material on the ground that the business involved was not large enough. Appeal was made to Mr. Holt, chief of the rubber division of the Department of Commerce, to interest American rubber manufacturers in the production of this material. His efforts were unsuccessful.

RubberSan Products (Inc.) employs 30 persons. This number could easily be doubled or tripled if the company were enabled to reduce the price of its soap dish to the consumer in response to the overwhelming requests from stores retailing the product. A considerable sum of money is being spent in advertising the "RubberSan" soap dish. Much more would be available for this purpose if the duty were eliminated. The "RubberSan" soap dish eliminates the old style messy soap dish—it is the only soap dish always clean.

To sum up: RubberSan Products (Inc.) is now compelled to pay a duty of 25 per cent ad valorem on a raw material which American manufacturers refuse to produce. It is an American industry giving employment to many persons. Its imports are valued at between \$125,000 and \$150,000 a year. The elimination of the rate of 25 per cent ad valorem would mean a reduction in the retail price of the soap dish, resulting in an increased consumption, and the subsequent employment of many more Americans. There is no remedy for the manufacturers of the "RubberSan" soap dish. They can not apply for a reduction of duty because there is no comparable product produced in this country.

In view of the above, RubberSan Products (Inc.) respectfully urges the honorable Finance Committee of the Senate to grant its request to place on the free list the rubber sponge material used in the manufacture of its soap dishes.

WALDEMAR VERNET,
General Manager, New York, N. Y.

SOFT-RUBBER GOODS

[Par. 1537 (b)]

**LETTER FROM THE I. B. KLEINERT RUBBER COMPANY,
NEW YORK CITY.**

JULY, 31, 1929.

Hon. EMANUEL CELLER,
House Office Building, Washington, D. C.:

We beg to call attention to the fact that the imports into the United States of soft rubber goods is increasing at an alarming rate to the detriment of American manufacturers and their employees.

Soft rubber goods consists of dress shields, sanitary goods, household and tea aprons, rubber baby pants, rubber crib sheets and rubber bibs.

This statement is being made by an American manufacturer who fabricates from the crude rubber into the finished product and there is involved in this process, the use of elaborate machinery consisting of rolling mills, vulcanizers, calenders and spreaders, operated by skilled labor where wages are as high as \$65 or \$70 per week for calender and mill men.

The I. B. Kleinert Rubber Co. employ about 2,000 people in their factories and their factories are located in College Point, Long Island, and other points in New York.

The duty at the present time is 25 per cent ad valorem, under classification No. 1439. Since the war, this duty has been insufficient to compensate for the vast difference in the price of labor between the American manufactured merchandise and that manufactured abroad.

For an example, an unskilled girl in America earns \$15 per week or more. In Germany, this same girl does the same work for \$3 a week. We learn on good authority that calender men in Germany receive \$15 per week whereas the same calender men in America, receive \$65 per week. Vulcanizing men in Germany, we learn, receive \$15 to \$16 per week, whereas in America, they receive \$35 to \$40.

The cost of rubber both here and abroad is the same, so that the American manufacturer has no compensating advantage in the cost of raw material and at the present time, we are informed that Germany and other European factories are equipped with machines quite as modern as anything in America.

The entire difference in cost therefore, lies in the compensation paid to factory employees and as we understand that it is the object of the tariff to protect American workmen, we feel that relief should be granted to this industry in the form of increased tariff protection.

I. B. KLEINERT RUBBER CO.,
R. K. GUINYBURG, *President.*

Sworn to before me this 31st of July, 1929.

[SEAL.]

ALBERT J. COLEMAN, *Notary Public.***LETTER FROM THE RAND RUBBER CO. (INC.), BROOKLYN, N. Y.**

JULY 31, 1929.

Hon. EMANUEL CELLER,
House Office Building, Washington, D. C.:

Soft rubber goods are being imported in the United States in increasing volume to the detriment of legitimate American manufacturers of said goods.

Soft rubber goods consist of rubber bibs, rubber crib sheets, rubber baby pants or diaper covers, household aprons, tea aprons, sanitary goods, dress shield linings, etc. The authors of this statement buy the crude rubber, which is fabricated into the finished product. There is involved in this process, the use of elaborate machinery consisting of rolling mills, vulcanizing machines, and printing machines, and there is also involved the use of skilled labor, where wages as high as \$65 and \$70 a week are paid, such as calender men, mill men, and printers, etc.

In the Rand Rubber Co. factory, there are employed throughout the year, an average of 250 people. There are some six more other similar plants where there are at least 4,500 hands more employed.

The duty at the present time is 25 per cent ad valorem, under classification No. 1439. Although this duty has heretofore been sufficient, and has in a fair degree kept out foreign competition that competed unfairly with American goods, nevertheless, this rate of duty has now been deemed insufficient.

During the last year, rubber aprons of all sorts and rubber baby bibs and other articles under the classification of "Soft rubber goods" have been coming in, particularly for the chain notion stores like Woolworth, Kresge, Kress, McCrory, National Stores, J. C. Penney, and others doing a similar business.

For example: The American manufacturers have been selling a child's coverall bib at \$10.25 per gross, of medium weight, printed with one and two colors, German manufacturers are now offering a much heavier weight bib, larger in size, printed in four colors, for \$10 per gross. They are also offering to deliver these goods from stock in New York City.

Information is received that the Germans are able to submit these prices, thus underselling the American manufacturers, because of cheaper labor costs and low duty. For example, an unskilled girl in America earns \$15 per week; in Germany, we are informed, this same girl does the same work for \$3 a week. A calender man in Germany receives \$15 a week, whereas the same calender man in American factories receives \$65 a week. A vulcanizing man in Germany receives from \$15 to \$16 a week, whereas in America, he receives from \$35 to \$40.

There is herewith submitted a statement from the Department of Commerce, Bureau of Foreign and Domestic Commerce, of Washington, D. C., rubber division, prepared by Mr. E. G. Holt, on page 4c of the 1927 edition "Facts affecting the importation of rubber sundries and specialties throughout the world":

"Baby Pants and Bibs: Large orders for American baby pants have been placed, and this trade undoubtedly will increase in the future. The same is true of bibs, although a cheaper German product is sold in large quantities."

RAND RUBBER Co.,
I. H. RAND, *President.*

Witness:

PETER A. SCHUDT, JR.

Sworn and subscribed before me, a Notary of Kings County, this 31st day of July, 1929.

VINCENT B. LEE.

HARD-RUBBER COMBS

[Par. 1597 (c)]

STATEMENT OF JOHN T. O'CONNOR, NEW YORK CITY, REPRESENTING THE HARD RUBBER GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS

(The witness was duly sworn by the chairman of the subcommittee.)
Senator WALSH of Massachusetts. I thought you only wanted to file a brief.

Mr. O'CONNOR. I do want to file this brief and take a few exceptions to a few comments made by the American manufacturers.

The tariff as it exists now is 35 per cent. The American manufacturers requested 69 per cent on these combs. In the bill as it came to the House it is raised to about 85 per cent.

Senator WALSH of Massachusetts. Your brief deals with that?

Mr. O'CONNOR. Yes, sir.

Senator WALSH of Massachusetts. We will take that into consideration.

Mr. O'CONNOR. Then I will submit these samples also to show comparable combs.

Senator KEYES. Are they all marked?

Mr. O'CONNOR. Yes, sir; they are.

Senator KEYES. Very well.

(The brief referred to is as follows:)

BRIEF OF THE HARD RUBBER GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.:

This brief is submitted by importers of hard rubber articles, constituting the hard rubber group of the National Council of American Importers and Traders (Inc.), in opposition to any increase in the rate of duty now assessed on combs under paragraph 1440, tariff act of 1922, and particularly the drastic increase proposed in paragraph 1537 (c) of H. R. 2667.

For convenience in comparison paragraph 1440, tariff act of 1922, and the proposed paragraph 1537 (c) of H. R. 2667 are quoted:

PARAGRAPH 1440, TARIFF ACT 1922

Manufactures of ivory or vegetable ivory, or of which either of these substances is the component material of chief value, not specially provided for; manufacturers of mother-of-pearl, shell, plaster of Paris, and India rubber known as "hard rubber," or of which these substances or any of them is the component material of chief value, not specially provided for, and shells and pieces of shells engraved, cut, ornamented, or otherwise manufactured, 35 per centum ad valorem.

PARAGRAPH 1537 (c), H. R. 2667

Combs of whatever material composed except combs wholly of metal, not specially provided for; if valued at \$4.50 or less per gross, 1 cent each and 25 per centum ad valorem; if valued at more than \$4.50 per gross 2 cents each and 35 per centum ad valorem.

In paragraph 1537 (c), H. R. 2667, combs whether of celluloid or hard rubber are grouped together although they are not similar, except in their use, the result being the rate of duty on hard rubber combs is increased from 35 per cent ad valorem to from 60 to 95 per cent. There are no hard rubber combs imported at a value of \$4.50 per gross or less. The proposed rates may be proper for celluloid combs, but they are exorbitant when applied to hard rubber combs, and are not necessary to protect the domestic manufacturers.

There appeared before the Ways and Means Committee of the House of Representatives Mr. E. S. Boyer, representing domestic manufacturers of hard rubber articles, and his statement was directed mainly to hard rubber combs. He represented that the domestic industry was being threatened by the imports of hard rubber articles, and requested an increase in the rate of duty of 35 per cent ad valorem now assessed under paragraph 1440, tariff act of 1922, to 60 per cent ad valorem.

The statistics show the following imports of combs and other hard rubber articles, now classifiable under paragraph 1440, during the years 1927 and 1928:

| | |
|--|-----------------|
| 1927—Combs..... | \$316, 152 |
| All other hard rubber articles, except combs | 188, 556 |
| Druggist sundries..... | 140, 963 |
| Total..... | <u>645, 671</u> |
| 1928—Combs..... | 532, 089 |
| All other hard rubber articles, except combs..... | 121, 700 |
| Druggist sundries..... | 151, 676 |
| Total..... | <u>805, 465</u> |

The census for the year 1927 shows that there were produced in the United States hard rubber articles as follows:

| | |
|---------------------------------------|---------------------|
| Druggist and Stationery Sundries..... | \$15, 703, 913 |
| All other hard rubber goods..... | 18, 590, 686 |
| Total..... | 34, 294, 599 |

There were exported from the United States in 1927 and 1928, the following hard rubber articles:

| | |
|-----------------------------------|--------------------|
| 1927—Druggist sundries..... | \$447, 102 |
| Electrical hard rubber goods..... | 314, 357 |
| Other hard rubber goods..... | 383, 792 |
| Total..... | 1, 144, 251 |
| 1928—Druggist sundries..... | 430, 330 |
| Electrical hard rubber goods..... | 328, 468 |
| Other hard rubber goods..... | 352, 686 |
| Total..... | 1, 111, 484 |

While the domestic production of hard rubber combs and the exports of such articles are not segregated, but are undoubtedly included in the caption "All other hard goods," nevertheless, a comparison of the total imports of all hard rubber goods and druggist sundries with the production of similar merchandise in the United States, discloses a total value of imports in 1927 of \$645,671 as against a domestic production of \$47,573,174 and an export of \$1,144,251. The exports of "other hard rubber goods" alone in 1927, which undoubtedly included the combs exported, amounted to \$382,792 as against the imports for that year of combs and other hard rubber articles of \$501,708, so that the exports were 75 per cent of the imports.

These statistics of domestic production, exports, and imports do not support the contention that the domestic industry is threatened by the imports of hard rubber articles.

The American Hard Rubber Co. appears to be in a very prosperous condition. In an advertisement printed in the New York Evening Sun under date of June 3, 1929, there appears this statement:

"This organization has paid dividends without interruption on its common stock since 1905. The stock at current levels yields over 7 per cent."

Mr. Boyer presented in his brief submitted to the Ways and Means Committee a comparison which he made between certain imported combs and combs sold by the American Hard Rubber Co. It is submitted that this comparison does not present a fair disclosure of the actual conditions, as will be seen from the figures which we submit herewith showing the selling prices and other data which we will refer to in detail.

Further, the domestic combs made by the American Hard Rubber Co., which were selected as comparable with the imported combs set forth in the comparative tables in Mr. Boyer's brief, are the "Ace brand." These combs are nationally advertised.

Imported combs are not so advertised, and consequently, there is not the good will built up in connection therewith as that which attaches to the nationally advertised Ace combs. It is well known that a trade-mark or trade name when extensively advertised constitutes a large factor in the selling of that article. Such widely advertised products have an added selling value by reason of the familiarity of the consumer with the trade-mark of trade name, as against an article that may be of just as good material and workmanship, but which is sold under a name not well known to the public.

In the following table we give the cost of five imported combs manufactured in Germany, the laid-down price in the United States with the present duty of 35 per cent, landed cost with duty of 60 per cent per gross, the landed cost on a basis of duty assessed in H. R. 2667, and also the American selling price per gross of comparable combs manufactured by the American Hard Rubber Co. By "comparison" we mean other than with respect to the value of the American Hard Rubber Co's. trade-mark "Ace."

| Foreign sample No. | Foreign cost per gross | Landed cost with 35 per cent duty, per gross | Landed cost with 60 per cent duty, per gross | Landed cost on basis of present bill | Domestic sample No. | American selling price per gross ¹ |
|--------------------|------------------------|--|--|--------------------------------------|------------------------------|---|
| 107-7" | \$15.00 | \$20.25 | \$24.00 | \$23.88 | 1207..... | \$22.50 |
| 73-8" | 13.20 | 17.82 | 21.12 | 21.38 | 1024..... | 21.38 |
| 17-7" | 12.00 | 16.20 | 19.20 | 19.68 | 1027..... | 20.25 |
| 12-7" | 12.60 | 17.01 | 20.16 | 20.52 | 1028..... | 20.25 |
| 23-7 1/2" | 12.00 | 16.20 | 19.20 | 19.68 | 1017 1/2 | 19.12 |
| 517-7..... | 6.25 | 8.74 | 10.30 | 11.62 | 284.7..... | 10.80 |
| 521-7..... | 6.75 | 9.41 | 11.09 | 12.29 | "Banner" ² | 9.60 |
| 541-7 1/2..... | 11.40 | 15.96 | 18.81 | 18.84 | 256-7 1/2..... | 20.25 |
| 673-7 1/2..... | 10.20 | 14.28 | 16.83 | 17.16 | 666-7 1/2 ³ | 17.44 |
| 782-4..... | 8.35 | 11.68 | 13.76 | 14.56 | 70 ⁴ | 15.75 |
| 782-4..... | 9.60 | 13.44 | 15.84 | 16.32 | 70..... | 15.75 |
| 585-7..... | 10.85 | 15.18 | 17.82 | 18.06 | 1028-7..... | 20.25 |
| 585-7..... | 10.85 | 15.18 | 17.82 | 18.06 | 2611-7..... | 16.20 |
| 185-8..... | 11.40 | 15.96 | 18.81 | 18.84 | 1024-8..... | 21.37 1/2 |

¹ Seamless Rubber Co.

² Net.

³ Less 20 per cent.

⁴ The "Banner" comb is sold in chain stores at 10 cents each.

⁵ Made by American Hard Rubber Co. under costomer's special brand.

⁶ The paper case of the domestic comb is heavy and of good quality, and also gold stamped. The imported comb is much lighter and the paper case is lighter and cheaper. If made as heavy as the domestic comb and with a case equal to the American goods, the landed cost would be increased to \$13.44 at 35 per cent duty and \$15.84 at 60 per cent duty.

It should be noted that as stated, the comparisons made by Mr. Boyer are between high-grade combs sold by the American Hard Rubber Co. under their nationally known trade-mark "Ace" and certain imported German combs. There are no comparative figures given of the combs sold in the United States by the Vulcanized Rubber Co., one of the signers of the brief submitted by Mr. Boyer, although these combs are comparable with the imported combs and are sold in the United States at prices not much greater than the landed cost of the imported combs with the present duty of 35 per cent.

With a duty of 60 per cent these comparable foreign combs could not be imported into the United States except at a laid-down cost exceeding the selling price of the combs produced in this country by the Vulcanized Rubber Co., and with the rate of duty proposed in H. R. 2667 the landed cost would be increased very materially, as shown by the figures given above. We also give below for the information of your committee the landed cost with the present rate of duty of 35 per cent, the landed cost with the duty proposed in H. R. 2667 of 12 other numbers of imported combs, and the selling price of comparable combs manufactured by the Vulcanized Rubber Co.

| Foreign sample No. | Foreign cost per gross | Landed cost with 35 per cent duty, per gross | Landed cost with 60 per cent duty, per gross | Landed cost on basis of present bill | Domestic sample No. | American selling price per gross |
|--------------------|------------------------|--|--|--------------------------------------|---------------------|----------------------------------|
| 451..... | \$5.20 | \$7.28 | \$8.58 | \$11.28 | 13..... | \$8.40 |
| 4451..... | 5.70 | 8.01 | 9.44 | 12.00 | 18..... | 8.70 |
| 590..... | 5.75 | 8.05 | 9.49 | 10.93 | 14..... | 9.60 |
| 591..... | 5.75 | 8.05 | 9.49 | 10.93 | 15..... | 9.60 |
| 593..... | 6.47 | 9.06 | 10.68 | 11.94 | 22..... | 9.60 |
| 594..... | 6.47 | 9.06 | 10.68 | 11.94 | 23..... | 9.60 |
| 4590..... | 6.23 | 8.72 | 10.28 | 11.60 | 23..... | 9.60 |
| 4591..... | 6.23 | 8.72 | 10.28 | 11.60 | 25..... | 9.60 |
| 143..... | 6.56 | 9.18 | 10.82 | 12.09 | 32..... | 9.60 |
| 144..... | 5.70 | 7.98 | 9.41 | 10.86 | 30..... | 9.60 |
| 360..... | 5.70 | 7.98 | 9.41 | 10.86 | 31..... | 9.60 |
| 362..... | 6.56 | 9.18 | 10.82 | 12.09 | 34..... | 9.60 |

By referring to the above figures, it will appear that with the present duty of 35 per cent there is not a very large margin between the landed cost of the imported comb and the selling price of the domestic comb, and to this landed cost must be added overhead in the United States and a profit. If the duty is increased to 60 per cent, it will be seen that in almost every case the landed cost,

with the profit and overhead will either be in excess or almost the same as the selling price of the comparable domestic comb. If the duty is increased to that proposed in H. R. 2667, it will be seen that the landed cost without profit and overhead would be in every case greatly in excess of the selling price of the domestic comb.

There are also submitted, marked "Exhibit 1," three combs which are comparable. Two of these are made by the American Hard Rubber Co., one being their comb No. 202 sold under the trade-mark "Ace," and the other their comb sold under the name "Banner." The third comb is an imported comb under the trade-name "Harva," No. 144. A comparison between the two combs made by the American Hard Rubber Co. will show no difference in quality. One of these combs, however, that sold under the "Ace" trade-mark, sells for \$12.38 a gross. The other sold under the "Banner" trade-mark sells for \$9.60 a gross. The imported comb costs landed with 35 per cent duty \$7.98, to which must be added overhead and profit in the United States. At 60 per cent duty, this imported comb would be cost, without overhead and profit, \$9.41, and with the proposed increased rate of duty will cost, without overhead and profit, \$10.86 a gross.

These samples are submitted and the comparison is made for the purpose of showing to your committee how, by making a comparison between the "Ace" comb and the imported comb, the American Hard Rubber Co. is enabled to show a difference between the landed cost and the selling price of the domestic comb of \$4.40 a gross, while if a comparison were made between the "Banner" comb and the imported one, there would be a difference between the selling price of the domestic comb and the landed cost of the imported comb of only \$1.62 a gross, and out of this \$1.26 would have to be taken overhead and profit in the United States.

The same statement may be made with respect to No. 1050 of the American Hard Rubber Co., which is sold under the "Ace" trade-mark at \$10.35 a gross, while an identical comb is sold by them under the "Banner" mark at \$8.40 a gross.

The Vulcanized Rubber Co. has also a line of combs which they are selling under the trade-mark "Ajax" and this brand is advertised extensively. Our statement with respect to the selling value of the trade-mark "Ace" applies also to this trade-mark "Ajax," and it is evident that this is realized by the domestic manufacturers, for the reason that the two lines of combs put out by the Vulcanized Rubber Co. under a the trade-mark "Ajax" and the name "Vulco," while being only slightly different, not noticeable by a layman, are, nevertheless, sold at widely different prices, as shown by the following table:

| Ajax No. | Ajax price (per gross) | Vulco No. | Vulco price (per gross) |
|----------|------------------------|-----------|-------------------------|
| 864..... | \$12.40 | 30..... | \$9.60 |
| 869..... | 12.40 | 31..... | 9.60 |
| 512..... | 14.60 | 32..... | 9.60 |
| 710..... | 13.50 | 14..... | 9.60 |
| 540..... | 15.75 | 22..... | 9.60 |

With respect to Exhibit C, forming part of the brief filed by Mr. Boyer, we wish to call attention to the imported combs, Nos. 503, 504, 506, and 507, and to state that these combs were of an inferior finish and were sold and invoiced as such, and that the regular prices for combs of these numbers of the first grade are \$18 a gross for Nos. 503 and 504 and \$16.80 a gross for Nos. 506 and 507.

We wish also to state that the greater number of imported combs listed under Exhibit C are barbers' combs; that the customer to whom they were sold is a distributor for the barbers' supply trade, who solicits jobbers; and that there was received from this customer under date of July 17, 1928, a letter, which we will willingly furnish your committee, of which the following is an extract:

"Now, you know yourself that the American Hard Rubber Co. do a whole lot of advertising and that they also have special term deals twice a year where a customer gets 90 days to pay less 2 per cent, and besides their combs are made better than your firm's combs. Now, what chance do we have to sell the dealer your combs if we ask as much as the American Hard Rubber Co. does?"

We dispute the estimate made by Mr. Boyer in the brief on page 6895 in the record of the hearing of February 18, before the Ways and Means Committee, of

the value of imports of combs in 1925. The importers signing this brief, by figuring the value of their own imports of 1925, can state to your committee that the value of such imports was about \$300,000; that is, the foreign value, and the landed value about \$420,000. Although taking the true figures of imports in 1925 and 1928, there is an increase; it is not 501 per cent, and even with such increase the total imports were only \$744,997 (landed value) for 1928, as against an admitted production in the United States of the domestic article of over \$2,500,000.

We also dispute the statement made on pages 6893 and 6894 of the said brief that the foreign value of \$328,000, stated to be the value of imports in 1927, should be multiplied by $2\frac{1}{2}$ or 3 to obtain the domestic value. No importer sells his merchandise in the United States at an advance of 250 per cent over the foreign cost. The foreign cost of imports of combs for 1927, as shown by the statistics of the Department of Commerce, was \$316,152. Forty per cent should be added to this to cover duty at 35 per cent and freight, insurance, and other expenses in getting the goods to this country, making a landed value, duty paid, of \$442,612. To this should be added not 250 per cent but $33\frac{1}{4}$ per cent, which produces a value in the United States of \$590,149 and not \$1,000,000.

The importers of combs have no nationally advertised brand like the "Ace" and "Ajax" and are, therefore, competing with the nationally advertised brands of the American Hard Rubber Co. and the Vulcanized Rubber Co., who are the sponsors of the "Ace" and "Ajax" brands, and from the information and samples which have been submitted it will be seen that the imported combs are only fairly competitive with these nationally advertised brands, and with a duty of 60 per cent could not compete at all, as they would be imported at a cost exceeding the selling price in the United States of the domestic articles.

We submit that the celluloid combs should not be included with combs of hard rubber, as they are entirely different, not only in material but in range of selling prices, and while we do not know whether the celluloid industry requires protection to the extent given in H. R. 2867, we do feel that the hard rubber manufacturers of this country are not entitled to the increase provided in paragraph 1537 (c). It is therefore recommended that hard rubber combs be provided for separately and at the present rate of 35 per cent ad valorem. We submit, also, that the present rate of duty on other hard rubber articles should be reduced to 25 per cent.

One of the importers of the hard rubber group in 1923 imported hard rubber articles other than combs to the value of \$17,521.71; in 1926 the value of these imports decreased to \$17,152.10; in 1927, to \$13,011.40, and in 1928, to \$12,460.12. The reason for this decrease is that it is impossible to compete with American manufacturers of these various hard rubber articles with the present duty of 35 per cent.

As an example, reference is made to certain hard rubber filters which are used in this country in the Rayon industry, which is a very large industry. The B. F. Goodrich Rubber Co. is selling this filter, of domestic manufacture, at 60 cents each. It can not be bought in Germany for less than 50 cents each f. o. b. Hamburg, and adding to this 5 per cent for freight, insurance, and packing, and the present duty of 35 per cent, the cost of the imported filter landed in New York, duty paid, would be 70 cents or 10 cents more than the selling price of the domestic article.

In view of the foregoing, it is suggested that combs known as hard rubber combs, or of which hard rubber is the component material of chief value, be provided for specially in the new tariff act at not more than 35 per cent, and that as to all other hard rubber articles the present duty of 35 per cent be reduced to 25 per cent.

Respectfully,

THE HARD RUBBER GROUP OF THE NATIONAL COUNCIL OF
AMERICAN IMPORTERS AND TRADERS (INC.).

BRIEF OF THE AMERICAN HARD RUBBER CO.

The brief submitted to the Ways and Means Committee by the hard-rubber group of the National Council of American Importers and Traders (Inc.) is chiefly an attack on our brief. Their brief shows a detailed study of the brief which I filed on February 18 on behalf of the hard-rubber manufacturers, and it contains many inaccurate and misleading statements, and it is particularly unfortunate that until now I have had no opportunity to answer them.

It is very misleading for the importers to make any reference to druggists' sundries or to druggists' and stationery sundries, as these are nearly all soft rubber, covered under paragraph 1439, and they have nothing whatever to do with the matter under consideration.

Druggists' sundries include blood-pressure bags, water, ice, throat, and face bottles, etc.; bandages and bandage gum, plaster bowls, brushes; bulbs and bulb outfits; cement (when sold to sundries trade); abdominal belts; dental goods; invalid and operating cushions; molded surgical goods; baby pants; bedpans; surgeons' gloves; surgical pillows; sanitary goods; syringes; sponges; crutch tips; surgical tubing; other tubing (when sold to sundries trade); urinals, etc. With the possible exception of syringes, everything else under this heading is made of soft rubber, or if any hard rubber is incorporated in the assemblies its value is negligible. Even the syringes may have glass barrels with only hard-rubber caps and tips, and it is possible also that hypodermic syringes, in which no hard rubber is used, are included in this list. Stationers' supplies include rubber bands, erasers, etc., also made of soft rubber.

The statistics of importations given by them differ slightly from those used in my brief, and I believe the reason is that they used figures of withdrawals from warehouses, whereas we used Department of Commerce figures, showing actual physical imports.

We seriously question the accuracy of the export figures used by the importers, as we believe that many articles competitive with hard rubber, but made of composition, are included among the exports of electrical and other hard rubber goods.

The importers' statement of domestic production of \$17,573,174 is ridiculous in the extreme and is not supported by any evidence whatever. The actual figures are close to the \$18,500,686, which the Census Bureau gives as Domestic Manufactures of Hard Rubber in 1927, which is the figure the importers themselves show in another place.

One would gather from the importers' brief that they did no advertising and that therefore they were under a serious handicap in competing with domestic combs. However, we attach herewith copies of a few, out of many, advertisements of foreign combs which are appearing in magazines every month.

On page 7775 (9915) of their brief the importers list a few combs manufactured by Traun, of Harburg, Germany, under the "Sawing Man" brand. These are not representative of imported combs, as the bulk of the business is done by cheaper brands. The Traun Co. makes the highest priced imported line. The Harburg-Vienna Rubber Co. (Harva brand) floods this country with a much cheaper line of combs, and to only a slightly lesser extent the same is true of the Bolta Co., of Nuremberg; the German Rubber Comb Works, Berlin (Ariston brand); Hanover Rubber Works (Excelsior and Certifyd brands); and the New York-Hamburg Rubber Works (Reliance, N. Y. H., and Master Barber brands). The exhibits given at the end of our brief submitted on February 18 are fairly representative of the bulk of the combs coming into this country.

The importers are inaccurate in stating that there are no comparative figures given in our brief for the Vulcanized Rubber Co., as will be evident on examination of Exhibit A attached to our brief, and also on reference to the exhibits of combs.

The importers list a number of combs produced by the Vulcanized Rubber Co. under their Vulco brand in an effort to show that with 60 per cent duty the landed cost of comparable foreign combs would be equal to or in excess of the selling price of these domestic Vulco combs.

We have no way of checking the importers' figures of "landed costs, but we view them with great suspicion. In any event, the Vulco line is made with a much cheaper finish than the imported combs with which it is compared. This line was adopted about a year ago for the express purpose of meeting the extremely serious foreign competition. Numerous labor operations were omitted, thus giving less employment in this country, and the differences in the finish on the ends and between the teeth are apparent to anyone.

It should also be noted that this list given by the importers, on page 7776 (9916), omits Vulco Nos. 10, 11, 12, all three of which are sold by The Vulcanized Rubber Co. at \$13.50 per gross, whereas the importers are now selling comparable combs with a much better finish for \$10.50. The second list they give, on page 7776 (9917), compares Vulco Nos. 32 and 22 with

the high grade Ajax finish of Nos. 512 and 540, respectively. In addition to the greatly inferior finish, which applies to the whole Vulco line, these two Vulco numbers are made from a brownish compound, which is a cheap by-product made in connection with other goods, whereas the regular Ajax combs obtain their reddish color from vermilion, which costs about \$1.90 per pound.

The importers claim that the American Hard Rubber Co. has a banner line which is sold at a much lower price than its regular ace line, although they claim there is "no difference in quality." As a matter of fact, the banner line of combs is much less expensive to make, as it is less highly polished, takes only one bronze stamp instead of two gold stamps, is not inclosed in individual glassine envelopes, and has much cheaper packing and labels.

At the top of page 7777 (9917) the importers refer to our Exhibit C (Exhibit F on our original brief). They are inaccurate in their statement that the imported combs have an inferior finish, as compared to ours, as the committee can see for themselves by looking at the samples submitted. However, it should be noted that even if their statements in this particular were entirely correct, they constitute an admission on their part that they sell two of these combs for \$18 per gross and the other two for \$16.80 per gross, whereas the American Hard Rubber Co. price for the combs, which the importers admit are comparable, is \$20.25 where they charge \$18 and \$18 where they charge \$16.80. (See first four items on our Exhibit C, Exhibit F on our original brief.)

The importers make a point of their statement that most of the imported combs listed under Exhibit C (Exhibit F of our original brief) are barbers' combs. This is misleading to any one not familiar with the trade, because for many years all men's combs were regularly sold and listed as barber combs. That such combs are primarily for men's use and not exclusively for hair cutting, etc., is shown by the attached sheet from the American Hard Rubber Co.'s catalogue.

The importers dispute our estimate of \$100,000 of comb imports for 1925. They claim the imports for 1925 were about \$300,000. The official import figures on all hard-rubber goods for that year were \$330,838. It is not reasonable to suppose that the value of imports other than combs was only about \$30,000. Our estimate of \$100,000 is much more reasonable and compares very well with the actual figures for the following year, 1926, of \$114,817.

The importers attack my oral statement to the committee on page 7706 (6894), to the effect that the official figures of imports should be multiplied about two and one-half or three times to get the value of the domestic product displaced by these importations. I submit that my statement was correct and is borne out by the exhibits submitted with our brief, as I will proceed to show.

Referring to our Exhibit A and assuming that a jobber bought 1 gross of each of the imported combs, and also 1 gross each of the domestic combs therein listed, he would pay \$109.30 for the foreign combs and \$181.34 for the American combs.

| | |
|--|----------|
| Taking the importers' selling price of..... | \$109.30 |
| Allowing 10 per cent profit..... | 9.94 |
| <hr/> | |
| Gives..... | 99.36 |
| Allowing 12½ per cent selling and administration expense (which is low)..... | 11.04 |
| <hr/> | |
| Gives..... | 88.32 |
| Deducting further the duty and freight..... | 25.23 |
| <hr/> | |
| Gives..... | 63.09 |

as the approximate foreign value which would be shown by official import statistics. If this \$63.09 foreign value is multiplied by approximately 287½ per cent, there will be obtained the American selling price of \$181.34 as shown. In other words, taking the combs on Exhibit A, it is necessary to multiply the foreign value by nearly three times in order to arrive at the selling price of the domestic product displaced.

Or, referring to our Exhibit B (Exhibit E in our original brief), and making the same assumption that one gross is bought of each of the foreign price is domestic combs listed, it will be found that the American selling price is approximately two and one-tenth times the foreign valuation given in the German price list No. 2 (which list gives unduly high values), and two and

one-half times the foreign valuation given in the German price lists Nos. 1 and 3. Therefore, it is clear that I was correct in saying that the official import figures should be multiplied about two and one-half or three times to obtain the value of the domestic combs displaced by the importations.

The importers make a great deal of their contention that with a 60 per cent duty they would be unable to compete in this country. In this connection it is interesting to note that our Exhibit C (Exhibit F in our original brief) proves the contrary. The imported selling prices shown are with duty paid and delivered in Detroit. If the duty were increased as provided by the House bill by adding 2 cents per piece to the 35 per cent ad valorem rate (for combs valued at over \$1.50 per gross), this would presumably increase the importers' prices by \$2.88 per gross. As there are 20 different kinds of combs listed in this exhibit, the total increase in price on the German combs in question would be \$57.60, bringing the total selling price to \$365.10, which is still \$42.23 less than the American Hard Rubber Co.'s selling price. In other words, under the tariff proposed by the House, the selling prices of the imported combs would still be approximately 10½ per cent less than that of the comparable domestic combs.

The plain fact of the matter is that the American manufacturers are being continually undersold by the importers, as the latter unintentionally admit on page 7777 (9917), as shown above. They have not challenged, and can not seriously challenge, the accuracy of the figures given in Exhibits A and F, inclusive, in our brief, which show that foreign combs are regularly sold in this country at much lower prices than the domestic articles.

1928 was a record year for comb importations, but the first four months of 1929 ran at twice the rate of the 1928 imports (617,673 dozen imported in January to May, 1929, against 1,007,591 dozen, having a landed value of \$855,978, imported during the entire year 1928). The imports for the first four months of 1929 indicate an annual rate of 1,853,019 dozen at an estimated landed value of \$1,391,931. Naturally, the sales of domestic combs are steadily decreasing and the employment of domestic labor is steadily growing less. No business can stand such a state of affairs for more than a limited time, and the effects of this condition is shown in the following tabulation for domestic production of total pieces sold and wages paid:

| | 1924 | 1925 | 1926 | 1927 | 1928 |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| SALES IN PIECES | | | | | |
| A. H. R..... | 18,805,824 | 20,445,264 | 19,468,512 | 18,022,896 | 17,862,912 |
| V. R..... | 3,997,211 | 4,103,020 | 4,512,299 | 3,891,687 | 4,073,102 |
| Seamless..... | 2,686,000 | 2,882,000 | 3,097,000 | 3,472,000 | 3,008,000 |
| Total..... | 25,489,035 | 27,430,284 | 27,077,811 | 25,376,583 | 24,944,014 |
| COMB WAGES PAID | | | | | |
| A. H. R..... | \$652,158 | \$598,486 | \$618,117 | \$551,300 | \$511,753 |
| V. R..... | 144,574 | 128,011 | 144,314 | 112,423 | 104,338 |
| Seamless..... | 72,407 | 76,654 | 83,398 | 102,395 | 78,225 |
| Total..... | 869,139 | 803,151 | 845,829 | 766,118 | 694,316 |

Respectfully submitted.

AMERICAN HARD RUBBER CO.,
E. S. BOYER, *President.*

DISTRICT OF COLUMBIA, ss:

Subscribed and sworn to before me this 1st day of July, 1929, by E. S. Boyer.
[SEAL.]

JOHN J. MCGRAIN, *Notary Public.*

LAMINATED PRODUCTS

[Par. 1539 (b)]

STATEMENT OF WILLIAM NAUMBURG, REPRESENTING WILLIAM BRAND & CO., NEW YORK CITY

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

Senator KEYES. Whom do you represent?

Mr. NAUMBURG. William Brand & Co.; that is my firm.

Senator KEYES. Are they importers or manufacturers?

Mr. NAUMBURG. We are importers, in the sense that we handle electric installation material. We import some of the material and manufacture some in this country.

Senator WALSH. You are interested in paragraph (a) of paragraph 1539?

Mr. NAUMBURG. In paragraph (b).

We desire to protest against the rates of duty contained in paragraph 1539 (b) of the House bill on laminated products known as bakelite. Under the 1922 act this came in at a duty of 30 per cent ad valorem, and the new schedule fixes the duty at 25 cents per pound and 30 per cent ad valorem, which is about equivalent to 100 per cent.

Senator WALSH. Ad valorem?

Mr. NAUMBURG. Ad valorem; yes, sir. This bakelite corporation has had a monopoly on this material for a long time.

Senator WALSH. In this country?

Mr. NAUMBURG. In this country; yes, sir.

Senator WALSH. Where is their factory?

Mr. NAUMBURG. They have a factory in New Jersey where they make this product.

Senator WALSH. They have only one factory producing this product?

Mr. NAUMBURG. I believe so.

Senator WALSH. How large a factory is it?

Mr. NAUMBURG. I can not say. They are capitalized at several million dollars.

Senator WALSH. How many employees have they?

Mr. NAUMBURG. At least 1,500, I believe.

Senator WALSH. Perhaps the other members of the committee know what this product is, but I do not know what it is.

Mr. NAUMBURG. I have a sample of it. That is laminated bakelite [exhibiting sample].

Senator WALSH. What is it used for?

Mr. NAUMBURG. Practically entirely for electrical installation.

Senator WALSH. Do they make it in different sizes?

Mr. NAUMBURG. It comes in sheets as large as this table and it is cut up.

Senator WALSH. What is the basic material?

Mr. NAUMBURG. The basic material is paper or cotton. It is fastened together with this synthetic rosin, in which the Bakelite Company have had a patent. It is not anything but a laminated sheet

fastened together after having been subjected to this treatment by this synthetic rosin.

Senator WALSH. Is it a patent, secret process in this country?

Mr. NAUMBURG. Yes, sir; it was developed 17 years ago, and the patent is running out now.

Senator WALSH. Are the imports of the same character used for the same purpose.

Mr. NAUMBURG. There has not been any material imported in the last year and a half because there was an embargo, and I will explain that in detail. However, in connection with the quality of that material, there were some small imports in 1924, 1925, and 1926. These imports were mostly of a different character rather inferior to this. The imports amounted to about one per cent of the material turned out in this country.

Senator THOMAS. To what extent is that a nonconductor?

Mr. NAUMBURG. It is considered as a perfect nonconductor for its particular field, in that it can be worked very readily, and it resists the action of water and oil and high voltage. There is nothing really to take its place; in designing machinery for this bakelite there is nothing to take its place.

Senator THOMAS. Is the bill that is now before us satisfactory?

Mr. NAUMBURG. They have increased the duty to practically 100 per cent, which would absolutely prohibit the importations.

Senator THOMAS. Are you for that practical embargo?

Mr. NAUMBURG. No, sir; I am against an embargo.

Senator COUZENS. You said it would prohibit importations?

Mr. NAUMBURG. Yes, sir.

Senator COUZENS. How much is imported now?

Mr. NAUMBURG. There has not been any imported for the last year and a half, but prior to that the importations were not more than 200,000 pounds a year, whereas, they manufacture over 10,000,000 pounds a year.

Senator COUZENS. You say you are a manufacturer too?

Mr. NAUMBURG. I do not manufacture bakelite.

Senator COUZENS. What do you manufacture?

Mr. NAUMBURG. I manufacture mica and various other insulation products, but prior to this embargo I used to import bakelite.

Senator COUZENS. What was the embargo put on for?

Mr. NAUMBURG. It was put on by the Tariff Commission.

Senator WALSH. At the request of this domestic company?

Mr. NAUMBURG. Yes, sir.

Senator WALSH. Because of the claim made that the imports that were coming into this country were a violation of their patent rights?

Mr. NAUMBURG. Yes, sir, and the Tariff Commission made a very unusual ruling which prohibited the importations, under paragraph 316, basing it on patent infringement, where this is a matter that is usually taken before the civil courts.

The Bakelite Corporation brought this matter to the Tariff Commission's attention and alleged unfair competition.

The President, under the law, has a right to do one of two things, under paragraph 316. He has the right to either increase the duty up to 50 per cent or prohibit importations, based on unfair practices, which would injure a manufacturing concern in this country.

Senator WALSH. Is that presidential authority or Tariff Commission authority, in paragraph 316?

Mr. NAUMBURG. The Tariff Commission makes the recommendation, and it is passed on by the President.

In this particular case they prohibited the importation of sheet bakelite during the life of the patent, which was quite an unusual procedure, and they went out of their own field to do it. The last patent runs out in September of this year.

Senator COUZENS. Has that patent ever been adjudicated?

Mr. NAUMBURG. There has been some attempt to bring it out. I think that you can find that in the hearings of the Tariff Commission.

Senator COUZENS. You do not know whether that has been tested in court?

Mr. NAUMBURG. I think that it has been. I think it stood. Now, however, if that is allowed to continue, or if they get this 100 per cent duty, it practically continues the monopoly of the product that they have enjoyed for the last 17 years. In my opinion, it is not the field of the Tariff Commission to continue a monopoly such as this, particularly where it affects the electrical industry. The electrical industry is a good industry, it is prospering, and there is a certain amount of material imported for the electrical industry, but in no case is the duty higher than 40 per cent.

Here we have a product going entirely into the electrical field, on which there is supposed to be a duty of 100 per cent, under which it would be absolutely kept out.

Senator WALSH. Do you know how financially successful the Bakelite Corporation has been?

Mr. NAUMBURG. They are tremendously successful. They have an absolute monopoly, and they make the raw materials known as the rosin powder. They sell to six or eight laminators who build up this material. These laminators are all successful; they are busy, and they are making considerable money.

Senator COUZENS. As I understand it, the importations are exactly like that material [indicating]?

Mr. NAUMBURG. Yes, sir.

Senator COUZENS. The same material that they have manufactured in foreign countries, under a patent issued in those countries?

Mr. NAUMBURG. The situation, recently, is as follows: Bakelite was invented 17 years ago.

Senator COUZENS. Invented in this country?

Mr. NAUMBURG. Invented by Mr. Baker.

Senator COUZENS. Were patents taken out in various countries?

Mr. NAUMBURG. Patents were taken out in various countries.

Senator COUZENS. Did those patentees in foreign countries export into this country this same product?

Mr. NAUMBURG. Mr. Baker was not sure of his ground over here, and so he licensed a company in Germany. Under this arrangement the Bakelite Co. was allowed to export anywhere in the world.

Then Mr. Baker developed a company here called the American Bakelite Co., and he started making the material over here.

In the meantime, there was an amount of German bakelite coming into this country. We imported a hundred thousand dollars worth of it; we knew that material could be brought over into this country.

Then they went to the Tariff Commission and had his embargo put on.

Senator COUZENS. I understand that part of it. Up to that time it was identically the same material?

Mr. NAUMBURG. I can not say it was identically the same.

Senator COUZENS. That is what I want to get at.

Mr. NAUMBURG. They have imported the material up to a certain extent. There was a lot of material brought in of very poor quality used in the radio trade. That was brought in by some unreliable manufacturers who are bankrupt now.

Before the Tariff Commission they brought out the fact that those manufacturers were bringing into the country this material and were selling it under the name of bakelite, and were not mixing. I do not know anything about that.

Senator COUZENS. When the patent expires in September, this will come in under what rate?

Mr. NAUMBURG. When the patent expires in September, this will come in under the rate of 30 per cent plus 25 per cent.

Senator COUZENS. Under existing law?

Mr. NAUMBURG. Under existing law it is 30 per cent.

Senator COUZENS. You want it left at 30 per cent?

Mr. NAUMBURG. We want it left at 30 per cent.

Senator COUZENS. Do you know anything about the difference between cost of production here and abroad?

Mr. NAUMBURG. It costs less abroad.

Senator COUZENS. How much?

Mr. NAUMBURG. I can not say offhand. One of the reasons why it costs more here is that the basic material, the chemical from which it is made is subject to a rather high duty.

Senator WALSH. What is that basic material?

Mr. NAUMBURG. That is phenol, or one of that group. We pay 30 per cent duty when we bring in this material.

Senator WALSH. At what price?

Mr. NAUMBURG. It costs us 50 cents a pound.

Senator WALSH. What was the price for the domestic product, the domestic price?

Mr. NAUMBURG. It would sell at about 78 cents a pound.

Senator WALSH. So you are able to undersell them about 28 cents a pound?

Mr. NAUMBURG. No; that was the actual cost landed.

Senator WALSH. Do you mean to say the retail price was 78 cents a pound?

Mr. NAUMBURG. Yes, sir.

Senator WALSH. What would your retail price be, with the landing cost?

Mr. NAUMBURG. We used to sell that material around 75 or 76 cents a pound.

Senator WALSH. So you were competing with them at their own figure on an equal basis?

Mr. NAUMBURG. Yes, sir. With a duty of 25 cents a pound, it really amounts to a hundred per cent, and that material would cost me about 75 cents a pound, 30 per cent, plus 5 per cent for transportation.

Senator WALSH. That is, if it becomes effective?

Mr. NAUMBURG. Yes, sir.

Senator KEYES. Where is the provision for 25 cents now?

Mr. NAUMBURG. That is in section 1539, paragraph (b).

Senator WALSH. (b) reads:

Laminated products (whether or not provided for elsewhere in this act) of which synthetic resin or resin-like substance provided for in paragraph 28 is the chief binding agent, in sheets or plates, 25 cents per pound and 30 per centum ad valorem; in rods, tubes, blocks, or other forms, 50 cents per pound, and 40 per centum ad valorem; manufactures wholly or in chief value of any of the foregoing, 50 cents per pound and 40 per centum ad valorem.

That is simply coordinating the first part.

Mr. NAUMBURG. Yes, sir.

Senator WALSH. And that becomes effective if the first rates stand?

Mr. NAUMBURG. Yes, sir. This question affects makers of electrical machinery. They are now dependent upon the five or six fabricators. They know, and they see, that this patent is running out, and they see all this material. It is a question whether this patent should be continued and the Bakelite Corporation and their licensees should have a cast-iron monopoly in the future.

Senator WALSH. You mean that there is no other way that that can be continued?

Mr. NAUMBURG. No.

Senator WALSH. You mean that they will be subject to domestic competition after the patent expires, as well as foreign competition?

Mr. NAUMBURG. Yes. In other words, as matters generally exist, it is free after the patent runs out, and the people who are best equipped to take care of the business will get it.

Senator WALSH. I understand that the matter of that patent is very intricate, and that there may be some extensions that would allow them to continue.

Mr. NAUMBURG. I do not think so. The patent runs out in September. If there should be some extension, we can not see any justification for writing that into the tariff bill. That should be a matter for the civil courts.

Senator KEYES. Are you going to file a brief?

Mr. NAUMBURG. Yes, sir; I have a brief here that I should like to file.

(Mr. Naumburg submitted the following brief:)

BRIEF OF WM. BRAND & Co., NEW YORK CITY

Hon. REED SMOOT,

Chairman Committee on Finance, United States Senate,

Washington, D. C.:

We desire to protest to your committee against the rates of duty imposed in paragraph 1539 (b) of H. R. 2067 on laminated products of which synthetic resin or resinlike substances are the chief binding agent, and to submit hereinafter in detail the reasons upon which this objection is based.

The imported articles which are the subject matter of this new paragraph (b) are Bakelite products and are now provided for under paragraph 1441 of the tariff act of 1922 at 30 per cent ad valorem as articles wholly or partly manufactured, composed wholly or in chief value of synthetic phenolic resin.

The Bakelite Corporation of this country has enjoyed a monopoly in the manufacture and sale of these products under certain Letters Patent Nos. 1018385, 1019406, and 1037719. United States patents are granted for a period of 17 years, and therefore that company has had an absolute monopoly, protected to them by said patents, for that period of time.

The said company filed a complaint with the United States Tariff Commission under section 316 of the tariff act of 1922, which authorizes the President to increase the duty or to prohibit the importation of articles in connection with which there are practiced any unfair methods of competition or unfair acts in the sale thereof which tend to destroy or injure an industry efficiently and economically operated in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in this country.

Notwithstanding the fact that the complaint was based solely on an alleged infringement of a United States patent, the remedy for which is a suit for infringement, and jurisdiction for such suits being by law conferred upon United States courts, the Tariff Commission took jurisdiction and issued its findings to the President, who, on June 1, 1928, ordered the exclusion from entry into the United States of all products infringing the patents hereinbefore named.

This order excluding the foreign merchandise was limited to the unexpired terms of the patents, and this for the reason that inasmuch as the unfair competition complained of consisted in an alleged infringement of certain United States patents, there could be no such unfair competition after the expiration of such patents, as at that time the monopolies terminated and anyone would have the right to freely manufacture and sell such articles.

While we believe that the Tariff Commission has no jurisdiction under section 316 over complaints which are based solely on alleged infringement of patents, and that likewise under that section the President has no authority to place an embargo, nevertheless it is unnecessary to enter into any discussion as to this phase of the case in this brief, as it is now being urged before the United States Court of Customs and Patent Appeals.

We wish to point out to your committee, however, that under these patents the Bakelite corporation has had a monopoly for 17 years, and by the embargo ordered by the President has succeeded in preventing the importation of articles alleged to be an infringement of these patents, and this without the necessity of bringing a suit in the proper tribunal, namely, a United States court, where they would have had to defend these patent rights.

They now seek to extend this monopoly by a rate of duty which would make the importation of the foreign article prohibitive.

We give below a comparative statement of the article which we desire to import, known as "Turbonite," showing the landed cost, duty paid under paragraph 1451 of the tariff act of 1922, and the landed cost with the duty added as proposed under paragraph 1539 (b), together with the selling price of the domestic product, "Bakelite":

| Thickness | Cost c. i. f. New York | Landed c. i. f. cost plus 30 per cent duty and 5 per cent expenses | C. i. f. cost plus 30 per cent duty, 5 per cent expenses, and 25 cents per pound proposed under par. 1539 (b) | Selling price of domestic product "Bakelite" per pound |
|----------------|------------------------|--|---|--|
| 1/4 inch..... | \$0.39 | \$0.527 | \$0.777 | \$2.25 less 61 per cent = \$0.8975. |
| 3/16 inch..... | .37 | .501 | .751 | \$2.10 less 61 per cent = \$0.819. |
| 1/4 inch..... | .37 | .501 | .751 | \$2.05 less 61 per cent = \$0.7995. |
| 5/16 inch..... | .37 | .501 | .751 | \$2.05 less 61 per cent = \$0.7995. |
| 3/8 inch..... | .37 | .501 | .751 | \$2.00 less 61 per cent = \$0.78. |
| 1/2 inch..... | .32 | .432 | .682 | \$2.00 less 61 per cent = \$0.78. |

From this comparative statement it will be seen that it will be impossible under this proposed rate of duty to import this product, as to the landed cost plus duty there must be added profit and overhead in this country.

It is, therefore, submitted that the monopoly which has been enjoyed so long by the Bakelite Corporation by reason of its patents should not be continued by the assessment of a duty so high as to make it impossible to import and sell a similar foreign product.

Further, attention is directed to the fact that under paragraph 353 of H. R. 2667, electrical apparatus and machinery would be assessed with a duty of 40 per cent ad valorem, while this laminated bakelite, which is used practically

exclusively in the manufacture of such electrical apparatus and machinery, is made dutiable at the equivalent of an ad valorem duty of 100 per cent. There are thousands of users in this country of this laminated bakelite, which product must not be confused with moulded bakelite, and there would seem to be no good reason why they should be assessed with 100 per cent duty or pay a price for the domestic product which will reflect this duty when the completed electrical machinery and apparatus may be imported under a duty of 40 per cent ad valorem.

Respectfully,

WM. BRAND & CO.,
By WILLIAM NAUMBURG, Jr.,
Member of Firm.

STATEMENT OF JOHN C. JOHNSTON, REPRESENTING THE NATIONAL VULCANIZED FIBER CO., WILMINGTON, DEL.

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

Mr. JOHNSTON. Mr. Chairman and gentlemen, I represent the National Vulcanized Fiber Co., Wilmington, Del. I also represent here the Continental Diamond Fiber Corporation, Newark, Del.; Celleron Co., Bridgeport, Pa.; Formica Insulation Co., Cincinnati, Ohio; Spaulding Fiber Co., of Rochester, N. H., and North Tonawanda, N. Y.; Fibroc Insulation Co., of Valpariso, Ind.; Westinghouse Electric & Manufacturing Co., East Pittsburgh, Pa.; and the General Electric Co. of Schenectady, N. Y., manufacturers of laminated products.

We filed before the Ways and Means Committee a brief giving the facts and figures in reference to our industry and the domestic production and uses of the materials that we manufacture. The House bill grants us some relief over the tariff act of 1922, but we believe that the figures submitted to the Ways and Means Committee justify the request for duties there made, and we desire to submit them again to this committee.

The changes which we request are in paragraph 1539 of the House bill and are as follows:

On page 43, line 22, strike out the words, "provided for" in paragraph 28.

The bill as presented to the Senate contains for the first time a paragraph No. 11, page 5, lines 18 and 19, providing for synthetic gums and resins, not specifically provided for, 4 cents per pound and 30 per cent as valorem. If the requested amendment, paragraph 1539, be not made, that paragraph would not cover laminated products, of which this synthetic resin mentioned in paragraph 11 is the chief binding agent, and might result in nullifying the paragraph to a great extent.

In line 23 strike out "25" and insert in lieu thereof "50," strike out "30" and insert in lieu thereof "25." This amendment we believe to be justified by the figures submitted to the Ways and Means Committee.

Line 24, after the word "block," insert "strips, blanks." This amendment is merely for the purpose of covering the possibility of importations being made in the form of strips and blanks which might not be covered by the language of the House bill.

The last change, page 203, line 1, after the word "foregoing," insert "or of any other product of which any synthetic resin is the chief binding agent." This provision is added to the House bill for the pur-

pose of providing for unenumerated manufactures of which synthetic resin is the chief binding agent, but which might not technically be considered in laminated form, or not covered by the enumeration of forms now in this act.

Senator COUZENS. Does the brief you submitted to the House indicate the importations?

Mr. JOHNSTON. It describes that, Senator Couzens. It is impossible to get any definite figure of importations, due to the fact that this material came in under the term "electrical insulators," and it was all grouped under one schedule. However, we know of specific importations, in single cases to the extent of 100,000 pounds, that was quoted 30 cents a pound foreign ports and then the freight, and a slight duty on it, which landed it over here for about 39 cents, under the old 1922 tariff bill, and our lowest price at that time was \$1. Then later the President issued an absolute embargo. Now, that embargo will expire in September of this year, when certain patents shall expire, and that is all set forth in detail in our brief.

Senator KEYES. What would be the effect in case there is no change made in the House bill?

Mr. JOHNSTON. The protection would not be adequate, Senator Keyes, for our industry; 25 cents per pound specific duty would not protect us against the foreign competition, particularly the German competition—and Germany now has a capacity that could take care of the world.

Senator KEYES. When these patents expire, what is going to be the situation?

Mr. JOHNSTON. Well, there is nothing except it would come under electrical insulators in the present 1922 tariff bill, which carries a duty of 30 per cent ad valorem, which is on foreign valuations, which would be nothing at all.

Senator KEYES. What is the value of your products; of the industry of the companies you represent?

Mr. JOHNSTON. You mean in sales per year?

Senator KEYES. Yes.

Mr. JOHNSTON. About twelve to fifteen million dollars.

Senator COUZENS. How many people do you employ in the industry?

Mr. JOHNSTON. Between 1,500 and 2,000.

Senator COUZENS. That is all in the United States?

Mr. JOHNSTON. Yes, sir. The manufacturers that I enumerated here, seven or eight, if I am correct in the number, constitute the industry.

Senator KEYES. You have no interests abroad, any of your companies?

Mr. JOHNSTON. We do not sell any of this material abroad, no, I should say in connection with this branch of our business, no.

Senator COUZENS. The point, I think, the Senator tried to make was, are any of the companies you represent manufacturing this abroad?

Mr. JOHNSTON. No, sir—that is, not to the best of my knowledge we are not. Our company is not.

Senator THOMAS. You are not connected with the General Electric Co.?

Mr. JOHNSTON. I am not connected with the General Electric Co. Senator THOMAS. The interests you represent, are they connected with the General Electric Co.?

Mr. JOHNSTON. Well, I am representing the General Electric Co. here in this hearing—that is the laminated section of their business.

Senator THOMAS. Well, do you say that the General Electric Co. is not interested in the manufacture abroad?

Mr. JOHNSTON. No, sir; I do not say that. I did not mean to say that.

Senator THOMAS. Well, are they?

Mr. JOHNSTON. I could not answer that. To the best of my knowledge, they do not manufacture this material abroad.

Senator THOMAS. I have before me data submitted by the Department of Commerce giving a list of American companies in foreign countries.

Mr. JOHNSTON. You understand they manufacture many things, Senator, but I do not think they manufacture this laminated bakelite. This is just a department of the General Electric Co., a very small one.

Senator THOMAS. But it is a fact, is it not, that the General Electric Co. is interested very largely abroad in manufacturing?

Mr. JOHNSTON: Oh, yes.

Senator KEYES. Are there any further questions? Is that all, Mr. Johnston?

Mr. JOHNSTON. That is all.

(Mr. Johnston submitted the following brief:)

BRIEF OF NATIONAL VULCANIZED FIBRE CO. AND OTHERS

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.:

The undersigned corporations are manufacturers of various laminated and other products and articles bonded with synthetic resinlike products. This industry had its inception in the United States in or about the year 1913.

The companies named represent 100 per cent of the industry which is known industrially as laminated bakelite, composed of paper, cotton, or other fibrous material bonded with synthetic resinlike substance and has two basic uses, namely, mechanical and electrical.

We filed before the Ways and Means Committee a brief giving the facts and figures in reference to our industry and the domestic production and uses of the material which we manufacture.

The House bill grants us some relief over the tariff act of 1922, but we believe that the figures submitted to the Ways and Means Committee justify the requests for duty there made and we desire to submit them again to this committee.

The changes which we request in paragraph 1539 of the House bill are as follows:

Page 203, line 22, strike out the words "provided for in paragraph 28."

The bill as presented to the Senate contains for the first time a paragraph No. 11, page 5, lines 18-19, providing for "synthetic gums and resins not specially provided for 4 cents per pound and 30 per centum ad valorem. If the requested amendment to paragraph 1539 be not made, that paragraph would not cover laminated products of which the synthetic resins mentioned in paragraph 11 were the chief binding agents and might result in nullifying the paragraph to a great extent.

Line 23, strike out "25" and insert in lieu thereof "50"; strike out "30" and insert in lieu thereof "25." This amendment we believe to be justified by the figures submitted to the Ways and Means Committee.

Line 24, after the word "blocks" insert "strips, banks." This amendment is merely for the purpose of covering the possibility of importations being made

in the form of strips and blanks which might not be covered by the language of the House bill.

Page 203, line 1, after the word "foregoing" insert "or of any other product of which any synthetic resin is the chief binding agent."

This provision is added to the House bill for the purpose of providing for unenumerated manufactures of which synthetic resin is the chief binding agent but which might not technically be considered in laminated form or not covered by the enumeration of forms now in the act.

This industry uses only American-produced raw material in its manufacturing, and in the year 1928 made purchases of raw material in approximately the following amounts:

| | |
|-------------------------------|------------------|
| Paper..... | \$1,500,000 |
| Varnishes (bakelite)..... | 3,000,000 |
| Cotton..... | 1,500,000 |
| Solvents..... | 500,000 |
| Fuel and office supplies..... | 850,000 |
| Total..... | 7,350,000 |

At the present time the invested capital employed by the companies amounts to the sum of \$8,000,000 and the industry employs approximately 1,500 men. The output of the various manufacturing plants owned and operated by the manufacturers amounted during the year 1927 to \$10,000,000 and during the year 1928 to approximately \$12,000,000.

This is distinctly an American industry. The patents upon which it was based more discoveries of American citizens, perfected here, and the entire market in the United States, was created and maintained at tremendous expense in time, labor, and money by this American industry. The foreign manufacturers' invasion prior to 1928 simply moved into a market already created by us, and had not the embargo been issued would have completely supplied that market within a few years.

In June, 1928, the President of the United States, on the application of the laminators and the Bakelite Corporation, issued a permanent embargo against the importation of laminated sheets and kindred products, which embargo continued a temporary embargo, granted under date of February 24, 1928.

Necessarily, owing to these two embargo orders, there has been no importation of such laminated materials since February 24, 1928.

Prior to that time laminated sheets of paper and synthetic resin were imported at values averaging not over 30 cents per pound.

At the same time, as appears by the testimony before the Tariff Commission, comparable material of American manufacture was sold at an average price of 90 to 95 cents per pound.

The following is a statement showing the protection or the lack of it granted by the House bill, and the reason why it is requested that the figures in the House bill on laminated sheets be increased to 50 cents specific, plus 25 per cent ad valorem, as originally asked for in the brief before the Ways and Means Committee:

| INVOICE VALUE | Cents | PROPOSED AMENDMENT | Cents |
|---|-----------|---|-------------|
| Foreign laminated..... | 30 | Foreign laminated..... | 30 |
| Freight..... | 2 | Freight..... | 2 |
| Duty under House bill, 25 cents plus 9 cents..... | 34 | Duty proposed, 50 cents plus 7.5 cents..... | 57.5 |
| | <u>66</u> | | <u>89.5</u> |

Domestic selling price, 90 to 95 cents.

It is readily seen that the House bill figures fall by 24 cents to give adequate protection.

In conclusion we respectfully suggest that this committee avail itself of the sworn testimony of witnesses taken before the Tariff Commission during the long trial on this question in February, 1928, all of which data is applicable to existing conditions. In this proceeding was disclosed the manufacturing costs, competitive sales prices, and methods of doing business of the importers and the American manufacturers. To duplicate that information before this committee would require more time than we believe the committee is willing to

devote to this hearing. If this industry is to be continued as an important part of the economic life of the United States, it must receive adequate tariff protection.

Respectfully submitted.

This brief, by authority, is submitted on behalf of the following companies as well as those signing it:

Fibroc Insulation Co., Valparaiso, Ind.; Spaulding Fibre Co. (Inc.), Rochester, N. H., and North Tonawanda, N. Y.; Westinghouse Electric & Manufacturing Co., East Pittsburgh, Pa.; General Electric Co., Schenectady, N. Y.; Formica Insulation Co., Cincinnati, Ohio, by D. J. O'Connor, vice president; National Vulcanized Fibre Co., Wilmington, Del., by J. S. D. Huston, vice president; the Celeron Co., Bridgeport, Pa., by J. M. Taylor, president; the Continental Diamond Fibre Corporation, Newark, Del., by John R. Wright, president.

BRIEF OF THE BAKELITE CORPORATION

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.:

In the brief submitted to the Ways and Means Committee it was asked that the words "together with all materials or articles composed wholly or in chief value of such resinlike products, or any of them, whether elsewhere provided for in this act or not, except articles and materials provided for in paragraph 1441 (a) (now par. 1539) of this act," be inserted in paragraph 28 following the provision for synthetic phenolic resin. We believe that this amendment would have taken care of numerous articles provided for in the sundries schedule at a proper rate of duty. The Ways and Means Committee, however, did not adopt this amendment, but, instead, made certain changes in various of the paragraphs of the sundries schedule hereinafter mentioned.

We still would like to press the amendment to paragraph 28, above referred to, but in the event that your committee does not grant the same, it is desired to submit the following amendments to the present act.

In paragraph 1503 (the bead paragraph), page 177, line 2, "beads in chief value of synthetic phenolic resin" are given a rate of duty of 75 per cent ad valorem. It is asked that these words, "beads composed in chief value of synthetic phenolic resin, 75 per centum ad valorem," be stricken out and in substitution therefor there be added, on page 176, line 20, after the word "beads," the words "and beads composed in chief value of any synthetic resin."

We believe the figures submitted before the Ways and Means Committee in reference to the differences in selling prices of such beads amply justify this change.

It is also requested that on page 176, line 17, the word "phenolic" be stricken out.

Paragraph 28 covers several types of synthetic resins besides phenolic, and the new paragraph 11, page 5, lines 18-19, provides for synthetic resins not of coal-tar origin. It is submitted that beads made of any of these types of resins should be covered by this paragraph as well as those of the one material "synthetic phenolic resin."

Paragraph 1512, line 22, after the word "material," insert "except synthetic resin."

Paragraph 1554, page 210, line 12, strike out the word "phenolic." This amendment, as heretofore stated, is for the purpose of providing for manufactures of any type of synthetic resin and not of synthetic phenolic resin alone.

Paragraph 1539, page 202, line 22, strike out the words "provided for in paragraph 28."

In view of the fact that the Ways and Means Committee has added paragraph 11 to the act which includes synthetic resins other than those provided for in paragraph 28, it is submitted that the laminated products provided for in paragraph 1539 should include all such synthetic resins. If this amendment be not made, laminated products might be made from the synthetic resins provided for in paragraph 11, which might, to a great extent, nullify the paragraph.

On page 203, line 1, after the word "foregoing," insert the words "or of any other product of which any synthetic resin is the chief binding agent."

It is asked that this amendment be made to the House bill to provide for manufactures in which synthetic resin is the chief binding agent not specially provided for in paragraph 1539 itself, such as manufactures in which fibrous material is bound with synthetic resin, but which might not be considered as in "laminated" form.

This amendment does not conflict with any of the other paragraphs above mentioned, such as the bead paragraph, the jewelry paragraph, or the cane and umbrella handles paragraph, because in all those paragraphs the synthetic resin is not used as a binding agent but the articles provided for are made entirely of synthetic resin.

Reference is respectfully made to the brief filed before the Ways and Means Committee (hearings before the Ways and Means Committee, p. 452) for a history of the proceedings before the United States Tariff Commission in reference to the Form C, Bakelite, out which beads, jewelry, cigarette holders, and other articles are made. Care must be taken to distinguish this type of material from the material provided for in paragraph 1539.

Manufactures of Form C, Bakelite, such as beads, necklaces, cigar and cigarette tubes, etc., etc., have practically ceased in this country under the low rates of duty provided for in the tariff act of 1922, so that it is impossible to give accurate differences in cost of production here and abroad of this type of material. It is believed that if the amendments above suggested are granted, manufactures of the clear Form C, Bakelite, manufactured of synthetic resins, may be rehabilitated.

In regard to the laminated and other products bonded with synthetic resin, provided for in paragraph 1539, the rates requested by the manufacturers of these products are thoroughly justified and should be granted.

Respectfully submitted.

BAKELITE CORPORATION,
By L. W. ROSSI, *Vice President.*

MUSICAL INSTRUMENTS AND ACCESSORIES IN GENERAL

[Par. 1541]

BRIEF OF THE WM. R. GRATZ IMPORT CO., NEW YORK CITY

Hon. HENRY W. KEYES,
Chairman, United States Senate, Washington, D. C.

HONORABLE SIR: The writer desires to respectfully file protest against an increase in the tariff rates, as proposed, for there is no fundamental reason for such action, inasmuch as the home industry is sufficiently protected if all vital points are taken into consideration.

The writer is fully conversant with all phases and changes in the music industry, having been connected with it 45 years, with this house alone for 35 years, in the course of those years having sold our own goods as well as those of other manufacturers produced in this country and imported all classes of musical merchandise since 1885.

The variety of imported articles has been decreased from year to year in our line to such an extent that the import of many has stopped altogether. Factories in various lines have sprung up under tariff laws when there was less protection than under the tariff act of 1922 and prospered to such an extent that some of them were able to shut off foreign competition entirely.

This was not only accomplished on account of the tariff but also due to installation of up-to-date machinery, whereby manual labor is greatly curtailed and through source of supply of the raw material from the home market, whereas the countries which export their goods to this and other countries have to rely on the chief source of supply from this market, which naturally adds to their cost of production.

For comparative illustration I wish to point out various paragraphs relating to musical instruments, accessories thereof, strings, etc., in different tariff bills enacted since 1894.

TARIFF ACT OF 1894

Paragraph 326½: Musical instruments or parts thereof (except pianoforte action and parts thereof), strings for musical instruments not otherwise enumerated, cases for musical instruments, pitch pipes, tuning forks, tuning hammers, and metronomes, 25 per cent ad valorem.

Paragraph 431: Catgut, whipgut, or wormgut, unmanufactured or not further manufactured than in strings or cords, free list.

Paragraph 504: Hair of horse, cattle, and other animals, cleaned or uncleaned, drawn or undrawn, not specially provided for in this act, free list.

Paragraph 16½: Among other items, violin rosin, 10 per cent ad valorem.

TARIFF ACT OF 1897 (IN EFFECT JULY 24, 1897)

Paragraph 453: Musical instruments or parts thereof, pianoforte actions and parts thereof; strings for musical instruments not otherwise enumerated; cases for musical instruments, pitch pipes, tuning forks, tuning hammers, and metronomes; strings for musical instruments, composed wholly or in part of steel or other metal, 45 per cent ad valorem.

Paragraph 571: Hair of horse, cattle, and other animals, cleaned or uncleaned, drawn or undrawn, but manufactured not specially provided for in this act, free list.

Paragraph 6: Among other items, violin rosin, 20 per cent ad valorem.

TARIFF ACT OF 1900

Paragraph 467: Musical instruments or parts thereof, pianoforte actions and parts thereof; strings for musical instruments not otherwise enumerated; cases for musical instruments, pitch pipes, tuning forks, tuning hammers, and metronomes; strings for musical instruments, composed wholly or in part of steel or other metal, 45 per cent ad valorem.

Paragraph 469: Violin rosin in boxes or cases or otherwise, 20 per cent ad valorem.

Paragraph 462: Among other items violin gut strings, 25 per cent ad valorem.

Paragraph 583: Among other items violin-bow hair, free list.

TARIFF ACT OF 1913

Paragraph 373: Musical instruments or parts thereof, pianoforte actions and parts thereof; cases for musical instruments, pitch pipes, tuning forks, tuning hammers, and metronomes; strings for musical instruments, composed wholly or in part of steel or other metal, 35 per cent ad valorem.

Paragraph 366: Manufactures of catgut, whipgut, or wormgut; strings for musical instruments; any of the foregoing or of which these substances or any of them is the component material of chief value, 20 per cent ad valorem.

Paragraph 375: Violin rosin, in boxes or cases or otherwise, 10 per cent ad valorem.

Paragraph 503: Hair of horse, cattle, and other animals, cleaned or uncleaned, drawn or undrawn, but manufactured, not specially provided for in this act, free list.

TARIFF ACT OF 1922

Paragraph 1443: Musical instruments and parts thereof, not specially provided for, pianoforte or player actions, and parts thereof; cases for musical instruments, pitch pipes, tuning forks, tuning hammers, and metronomes; strings for musical instruments, composed wholly or in part of steel or other metal, all the foregoing, 40 per cent ad valorem. Tuning pins, \$1 per thousand and 35 per cent ad valorem. Violins, violas, violoncellos, and double basses of all sizes wholly or partly manufactured or assembled, \$1 each, and 35 per cent ad valorem. Unassembled parts of the foregoing, 40 per cent ad valorem.

Paragraph 1434: Catgut, whipgut, oriental gut and manufactures thereof, and manufactures of wormgut, 40 per cent ad valorem.

Paragraph 1448: Violin rosin, 15 per cent ad valorem.

Paragraph 1586: Hair of horse, cattle, and other animals, cleaned or uncleaned, drawn or undrawn, but unmanufactured, not specially provided for, free 1st.

Under the McKinley tariff the rates on musical merchandise, with few exceptions, were the highest, but the father of this bill declared four years after he was in the presidential chair that the high protective measure had outlived its usefulness and that the time was ripe for a revision downward. However, to-day in some instances the rates are higher than ever before, and still increased rates over those under the Fordney-McCumber Act of September 21, 1922, are proposed.

Violins.—Under protection of the tariff of 1913, when the duty was only 35 per cent the manufacture of violins only was started by one concern, which prospered, and in spite thereof, an increase in the rate was asked, and \$1 specific duty in addition to the regular duty of 35 per cent was granted as a further protection. Another increase would only lead to a monopoly for the one manufacturer who only produces a cheap line of violins intended for the masses to shut off foreign competition.

Violin cases were produced here by several manufacturers for many years when tariff rates under different bills were 25 per cent, 45 per cent, 35 per cent and 40 per cent, and new factories were started in the interim, which is ample proof that foreign competition was not feared, in fact we ourselves exported many instrument cases, chiefly for violins, prior to 1913, to the very same centers where we import the goods from, so an increase would only tend to cut off import entirely with not adequate benefit to the purchaser of the cheaper violin cases, as in example cited for the violins; no better grades of cases being imported for any kind of instruments, as the foreign market can not compete with the domestic.

Violin bow hair.—This article has always been on the free list and requires no protection for the home interest, when it is considered that it does not undergo any process of manufacture, but simply cleaning and drawing. We ourselves exported bow hair that we purchased from two supply houses in the United States, located in Philadelphia and Boston, within one year, to the very same center from whence bow hair is exported, which in itself proves that it can be continued on the free list without any injury to the home market.

Violin gut strings.—This article was manufactured here over 40 years ago when it was on the free list. Subsequently, duty was assessed at 25 per cent, 20 per cent, and 40 per cent under various tariff bills. The industry grew to such extent that at least 80 per cent of the gut strings used in the United States are produced in this country, and principally controlled by one manufacturer who seeks a monopoly with the assistance of the Government, thus circumventing the Sherman Act. There is absolutely no need of an increase in the tariff rate. We have bought gut strings of American manufacturers during a period when every competition from foreign countries was shut off, owing to the war, and still were able to purchase them at approximately the same prices or even less than the imported string, notwithstanding the fact that the raw material and labor was at a premium during the course of the war and reconstruction period.

Scel and covered strings.—A very limited quantity—in my estimation, not 5 per cent—are imported; in fact, American manufacturers export this article to foreign countries, even to Europe, therefore, does not require any further protection than the rate as applied under the present tariff bill of 40 per cent.

Violin chin rests.—The rates applied under the present tariff is 33½ per cent as manufacture of wood, provided wood is the chief component part, and now a rate of 60 per cent is asked. There is one manufacturer in this country who sells more chin rests in this country than all European manufacturers combined. He would not have achieved such prestige and prominence unless he would have been fully protected against foreign competition under each and every tariff enacted since 1894.

Trusting that you will grant this matter the same kind of consideration and importance that you would have given had I been able to be present at the hearing under Schedule 15 for sundries, I am,

Very respectfully yours,

WM. R. GRATZ IMPORT CO.,
JOSEPH MOCK, Secretary.

PIPE ORGANS

[Par. 1541 (a)]

STATEMENT OF JOHN C. DONNALLY, WASHINGTON, D. C., REPRESENTING CASAVANT BROS. (LTD.), QUEBEC, CANADA

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

Mr. DONNALLY. I am a citizen of the United States and a resident of Washington, D. C. I desire to call the attention of the committee to the situation relative to the duty on pipe organs, an article included in paragraph 1541 (a), which proposed a duty of 60 per cent ad valorem.

The present duty under existing law on that article is 40 per cent ad valorem. The House proposes to increase that duty to 60 per cent ad valorem.

Senator KEYES. Whom do you represent?

Mr. DONNALLY. I speak in behalf of Mr. Oliver. Mr. Oliver in turn is the principal representative of the foremost Canadian manufacturer of high-grade pipe organs.

Senator KEYES. You are speaking as an importer or a manufacturer?

Mr. DONNALLY. Yes; for the importers in that sense; I am not speaking for the American manufacturer.

Senator THOMAS. What quality of pipe organs?

Mr. DONNALLY. The highest type of pipe organ such as are installed in churches and auditoriums, exclusively, not, for example, pipe organs used in movie theaters and not the ones placed in homes—small ones like that. They are pipe organs that run all the way from \$10,000 to \$30,000. It is an article which is made for a particular purpose to be served; that is, the building in which the organ is to be placed is surveyed and an inquiry made into the requirements of the church organization and the organ is designed for that particular purpose.

Senator COUZENS. How many are imported?

Mr. DONNALLY. The imports of these high-grade organs are the only ones on which I have figures—no, I am mistaken, there are figures in this brief on the importations of all organs—I am mistaken again—the information I have is on organs which are imported from Canada. That is the only country that manufactures high-grade church and auditorium organs, on which we come into competition.

Senator KEYES. Are there not any made in the United States?

Mr. DONNALLY. They are made in the United States, but the importations of pipe organs from Canada during the past three years have gone from 38 or 39 in the years 1926, 1927, and 1928, to 32, 30, and 39—that is the number of organs.

Senator WALSH. What is the average value?

Mr. DONNALLY. It appears on page 12 of this brief which I am submitting here. It shows the total value running from \$191,843 in 1928 to the figures of \$257,531 in 1926, the highest figures, so that the value of the imports from Canada has been decreasing.

Senator WALSH. And the average value of each organ that is imported has been decreasing?

Mr. DONNALLY. Yes.

Senator COUZENS. How many manufacturers of those in this country?

Mr. DONNALLY. It was stated at the House hearing that there were four American manufacturers. I have no figures other than the statement which was made by the representatives of the American manufacturers who appeared before the House committee.

Senator COUZENS. What is the attitude of those on the proposed bill?

Mr. DONNALLY. Our attitude is that the present duty of 40 per cent is more than adequate to protect the American manufacturer. It is our purpose to develop at some length by the statement which I shall file with the committee that an ad valorem duty of about 19 or 20 per cent is sufficient to cover the difference in cost of production between the cost in Canada and the cost in the United States. This brief contains detailed figures; that is to say, figures in such a detail as we could secure in a general way, such as cost of materials that go into this article, showing that it is as great in Canada as it is in the United States, and we produce statements in this brief designed to support what I say. Our position there is, further, that the only particular in which the Canadian manufacturer has the advantage is in the matter of labor. We concede that the Canadian manufacturer pays substantially lower wages than the American manufacturer. It was stated in the House hearings that Canadian labor costs are 60 per cent of those paid in the United States. Our information is that Canadian wages in the organ industry are at least equal to 66 $\frac{2}{3}$ per cent of those paid in the United States, although it was stated on behalf of the American manufacturers in the House hearing that the Canadian manufacturer pays only 60 per cent of the wages paid here.

Senator COUZENS. That is all stated in your brief?

Mr. DONNALLY. Yes. I merely wanted to outline the position we take.

Senator THOMAS. Are any pipe organs imported from any country save Canada?

Mr. DONNALLY. No pipe organs such as are made in Canada; no pipe organs for use in churches and auditoriums. There is a comparatively small importation of the cheap grade, I understand, such as are used in cottages and houses.

Senator THOMAS. Do many factories produce pipe organs comparable to the Canadian pipe organs?

Mr. DONNALLY. No; not of this particular type of organ for churches and auditoriums. I think it may be fairly said that the article made by the Canadian manufacturer and the article made by the best American manufacturer are comparable in quality.

Senator THOMAS. Then they would be competitive?

Mr. DONNALLY. Yes; they would be competitive; they are competitive.

Senator THOMAS. Pipe organs are used in the main for churches and auditoriums and public buildings and occasionally in theaters. Is that correct?

Mr. DONNALLY. Yes; the kind of organ concerning which I am speaking was brought into this country in comparatively small numbers from Canada for use in churches and auditoriums.

It was stated at the hearing before the House Committee by a representative of the American manufacturers that there was no importation from Canada or from any other country, as I recall, of the kind of organs used in theaters.

Senator THOMAS. Is it not a fact that the Canadian organ is made very largely of American raw material?

Mr. DONNALLY. Wholly.

Senator THOMAS. And upon which the Canadian factory pays a rather heavy duty.

Mr. DONNALLY. Yes; I understand the Canadian factory pays an import duty into Canada on a great part of the material put into the organs they make. That is true of nearly all the important constituents of the organ. They import motors. The Canadian factory pays an import duty of, I think, 27 per cent, or between 25 and 30 per cent, on the motors they use.

Senator THOMAS. In addition to these motors and brass work, it is also true that the woodwork is very largely imported from America.

Mr. DONNALLY. Practically all the lumber used in these organs is imported from America. They use a great deal of poplar.

Senator THOMAS. Then the increased duty would have the effect of increasing the price of pipe organs for use in churches and public buildings in the main.

Mr. DONNALLY. Yes.

Senator WALSH. If those Canadian imported pipe organs were traced, would it not be found that they were largely in the French-Canadian churches?

Mr. DONNALLY. No, sir; I do not think that is true. I was interested in that.

Senator WALSH. I think it is a fact that the French Canadians in your locality, Senator Keyes, and in northern New York, are inclined to go to Canada for products of that kind a great deal, because of their familiarity with them and of their association with them in by-gone days.

Mr. DONNALLY. That may be. It would be natural. I observe, however, that the data which are set forth in this brief relating to the consumers or purchasers of this organ do not cover particularly that class of purchaser. For example, Appendix A, page 15 of the brief, is a letter from the son of William H. Murphy, of Detroit. I am sorry that Senator Couzens has just gone. He would know of him. He was one of the public-spirited citizens of Detroit. He purchased for the First Congregational Church of Detroit one of these organs and purchased one for the Detroit Symphony Society. Appendix B relates to the data on one purchased for the University Christian Church of Seattle, Wash., and Appendix C covers data about the purchase of organs by Brown University, by the First Presbyterian Church of Lincoln, Neb., and by St. Joseph's Church of Worcester, Mass.

Senator WALSH. The last named is a French Canadian church. I happen to know that.

Mr. DONNALLY. It is true that here in Washington one of the foremost of the Catholic churches has one. I do not know whether it is a French Canadian church. It is on Sixteenth Street.

Senator WALSH. The Church of the Sacred Heart.

Mr. DONNALLY. Yes.

Senator WALSH. It is not French Canadian.

Mr. DONNALLY. No.

Senator WALSH. There are no French Canadian in Washington.

Senator KEYES. Is that all?

Mr. DONNALLY. May I file this brief? It will be published in connection with my statement?

Senator KEYES. Yes.

Mr. DONNALLY. I participated in the preparation of this brief and I swear to the details of the statements in connection with it.

(The brief referred to is as follows):

BRIEF OF FRED N. OLIVER, WASHINGTON, D. C., REPRESENTING CASAVANT BROS. (LTD.), QUEBEC, CANADA

The undersigned, a citizen of the United States and representative therein for Casavant Bros. (Ltd.), of Province of Quebec, Canada, respectfully directs the attention of the Finance Committee to the fact that the present duty on pipe organs is higher than is required for the protection of the American manufacturers, and that the differences in conditions justify even a lower rate.

Pipe organs are now dutiable under paragraph 1443 of the sundries schedule of the tariff act of 1922 at a duty of 40 per cent ad valorem. Paragraph 1541 (a) of the sundries schedule of H. R. 2667 as passed by the House of Representatives on May 28, 1929, would increase the duty to 60 per cent ad valorem. We respectfully suggest that the proposed change is due to a misapprehension on the part of the House of Representatives concerning the comparative conditions governing the manufacture of pipe organs in the United States and in other countries, and that such misapprehension is attributable to the fact that there were before the House of Representatives statements and arguments in support of but one side of the issue.

Representatives of certain interests appeared before the House Committee on Ways and Means and requested a substantial increase in the duty. The request referred to and statements designed to support it are found at pages 7192 to 7202, inclusive, and pages 7211 to 7213, inclusive, of the transcript of the hearings on schedule 14, sundries, before the House Committee on February 10, 1929.

It was not until the latter part of March, 1929, several weeks subsequent to the hearing mentioned, that the undersigned American representative of Casavant Bros. (Ltd.), learned of this effort to increase to a prohibitive figure the duty on pipe organs in which he is interested. Soon thereafter, during the month of April, 1929, he filed with the House Committee a brief opposing an increase. The brief was filed but a short time before the committee reported H. R. 2667 to the House, and there is reason to believe that it came too late to receive consideration at the time the measure of the proposed duty on pipe organs was determined upon by the committee. There was no separate consideration of the duty on this article by the whole membership of the House. The purpose of this brief is to direct attention to material facts proper for consideration in determining the measure of the duty.

CANADIAN PIPE ORGAN INDUSTRY

The small amount of competition in high-grade organs met by producers in the United States comes from Canadian sources. There are about four or five companies manufacturing pipe organs in Canada. The principal one, however, is Casavant Bros. (Ltd.), of St. Hyacinthe, Province of Quebec. The other pipe organ plants are smaller and they make no exports of consequence.

About 50 years ago the two Casavant brothers commenced the manufacture of pipe organs in a very small way at their present location. During this period of 50 years they have gradually built up their plant and business and continued to improve and modernize their organs. They have constantly adhered to the policy of personal supervision over the manufacture of their product. Even now at their advanced age, they continue to test and inspect personally each organ before it is shipped. Their skilled employees are trained by them. A few of their employees have been in their service as long as 40 years, many for 30 years, and about 90 per cent have served over 10 years.

Their plant is not extensive and has a limited capacity; it has not been increased or enlarged for the past 12 years, until about 2 years ago when a small addition, costing approximately \$25,000, was erected to take care of an overcrowded condition which had existed for many years. An artistic organ rather than quantity production has ever been their objective. They do not attempt to compete where rush or expedited work is required, preferring orders permitting sufficient time to enable the care essential to an artistic creation. They produce only high-grade organs for use exclusively in churches and auditoriums, especially designed to fit the needs of the particular building.

Organs built in the United States and Canada are considered better from the standpoint of tone and mechanism than those manufactured in England, France, or other countries. The Casavant organ has not been sold on the representation that it is a French product; it is sold on its own merits and on a reputation built up over a period of 50 years.

The organ is made complete in the factory; it is erected there in exactly the same position as it would be in the church; it is tuned and voiced, the mechanical parts are tested and adjusted. Obviously, however, it is impossible to ship the assembled and complete organ to the point of use. Convenience requires that the organ be dismantled or disassembled for shipping purposes. Accordingly, after the builders are thoroughly satisfied as to its condition, the organ is disassembled, packed, shipped to the ultimate destination, and there carted to the particular location where it is to be installed. All that remains to be done is to reassemble the organ and readjust the mechanism and the voicing which inevitably become disturbed through transportation. Thus it will be seen that the organ is completely built in the factory ready for use; it is disassembled by the necessities of shipping and erected again at the place of installation, the installation in the church being a small proportion of the total cost. Ordinarily this final installation is supervised by a skilled employee of Casavant Bros.; in some instances two supervisors are necessary. Local labor, however, is employed by these supervisors.

TARIFF POLICY

Section 315 of the tariff act of 1922 and section 336 of H. R. 2667 are what are known as the flexible tariff provisions. They deal with changes in tariff rates, either increases or decreases, to be made by the President if he finds "that the duties expressly fixed by statute do not *equalize the differences* in such conditions of competition in the principal market of the United States between a domestic article and a like or similar competitive article imported from the principal competing country." (H. R. 2667; italics ours.) In the introductory passages of both the proposed and the existing act it is stated that the provisions for executive action are adopted "in order to put into force and effect the policy of Congress by this act intended."

There can be no doubt that the flexible tariff provisions in the pending measure embody the same fundamental policy incorporated in the existing law. This is recognized in the report of the House committee accompanying H. R. 2667. The purpose of Congress was analyzed by Chief Justice Taft in *Hampton Jr. & Co. v United States* (276 U. S. 394), decided April 9, 1928. He stated (p. 404) that the clear intent "was to secure by law the imposition of customs duties on articles of imported merchandise which should *equal the difference* between the cost of producing in a foreign country the articles in question and laying them down for sale in the United States, and the cost of producing and selling like or similar articles in the United States, so that the duties not only secure revenue but at the same time enable domestic producers to compete *on terms of equality* with foreign producers in the markets of the United States." (Italics ours.)

As to articles such as pipe organs the effect of sub-section (d), section 336, (H. R. 2667); is to provide that in ascertaining the differences in competitive conditions the President shall take into consideration (1) cost of production of the domestic article, (2) cost of production of the imported article, (3) other costs of the domestic article and of the imported article. Cost of packing and of transportation are expressly mentioned under (3). According to our conception, cartage at destination and wages paid and other expenses incurred in installation are likewise to be considered in this third classification.

It has been shown that so far as concerns pipe organs Canada is the "principal competing country;" in fact, that the only competition in high-grade organs comes from Canada. In our development of the comparative costs of the Canadian and the American manufacturer we shall use the factors indicated by the House of Representatives as providing the true test of the measure of the duty. It will be found that if subjected to that test the existing duty of 40 per cent is substantially in excess of the duty required by the policy of Congress. Surely as to an article which is used exclusively by churches or in auditoriums, and which contributed to the religious, aesthetic, and cultural life of the community in which it is placed, there is no justification for an increase in the already excessive duty.

PRODUCTION COSTS

Relative wage rates.—Due to somewhat lower wage rates, there are admittedly lower production costs in Canada. However, the 40 per cent duty far more than offsets this difference in costs and affords more protection than is justified.

In a brief reproduced in the transcript of hearings before the House Committee (p. 7198) it is stated that the wage rate for Canadian voicers is about 65 cents per hour and for console men about 45 cents per hour. This is an error. The rates paid Canadian voicers range from 70 cents to \$1 and for console men from 50 to 60 cents per hour. We have no statistical information as to the precise wage rates paid similar workmen in the United States, but it is our understanding from the best information available that Canadian wages in the organ industry are at least equal to 66 $\frac{2}{3}$ per cent of similar wages in the United States. It is respectfully suggested that comparative wage information is undoubtedly in the possession of the United States Tariff Commission, and, therefore, available to the committee to enable it to verify the accuracy of our comparison of relative wage costs.

Approximately 40 per cent of the cost of a pipe organ consists of direct labor. To give the American builders full protection for the difference in the element of labor costs, a tariff of only 14 per cent is necessary. Assuming, as stated at the House hearings, that Canadian labor costs are only 60 per cent instead of 66 $\frac{2}{3}$ per cent of those paid in the United States, a duty of 16 per cent would give full protection for this element of cost.

Relative material costs.—It is stated in the brief above referred to (Tr. 7198) that approximately 36 per cent of the cost of a pipe organ consists of materials, and (Tr. 7201) that about 15 per cent of that 36 per cent is lumber. The Canadian builders obtain the greater proportion of the lumber used in the construction of the organs from the United States, using extensively California white pine and Tennessee poplar of the best grade. Certainly for these materials the Canadian builders pay no less than the American manufacturers. A minor part of the lumber used is for packing and other purposes, and is obtained locally at a somewhat lower price, but represents a small proportion of the material costs.

For the remaining materials the Canadian builder pays at least as much as the American manufacturer, no inconsiderable part being purchased in the United States. Wire, motors, generators, celluloid, and leather are ordinarily purchased in the United States, at costs higher than those incurred by the American manufacturers. Metals, such as lead, tin, and zinc, are not obtained in Canada, lead and tin coming from England and zinc from Belgium and the United States. Ivory is also imported. The above are the principal items of material used in construction, and almost a negligible portion of the lumber is of Canadian origin.

It can be readily seen that the material costs as a whole to the Canadian builder are as great if not greater than to the American manufacturer and thus there can be no justification for the imposition of a duty on account of the element of material costs. That as a general rule the cost of transportation to a location in the United States would be greater for the Canadian manufacturer than for manufacturers in the United States would seem to require no demonstration. As pointed out above, the assessment of a duty of 14 per cent for the item of wages is sufficient to meet the difference in production costs as between Canadian and American manufacturers.

SELLING CONDITIONS

As we have seen, a duty of 14 per cent is sufficient to offset any difference in production costs. Obviously, with a handicap of 40 per cent duty, the Canadian producer can scarcely be expected to underbid the American manufacturer. Perhaps the only compensating feature is the fact that the Canadian builder does not advertise and is forced to reduce overhead expenses to the minimum to be able to even approximate the bid prices of American manufacturers.

If Casavant Bros. secure an occasional contract in the United States, it is our belief that the sale is made through the well known quality of their instrument and that the competitive bid prices are not always determinative of the successful bidder in the sale of church organs. Indeed, purchasers of Casavant organs frequently advise that lower bids were received.

There is attached hereto as Appendix A a statement from Mr. C. Hayward Murphy, son of the late William H. Murphy, of Detroit, Mich. Mr. William H. Murphy purchased several Casavant organs "regardless of price"; he considered the Casavants as "the father of the organ industry, and builders for the art of the pipe organ and not a commercial institution. Appendix B, a copy of a letter from the University Christian Church, Seattle, Wash., likewise illustrates this desire to purchase the Casavant organ, even where it is necessary to pay a higher price. We respectfully urge the committee to read these statements. If so desired, many similar statements will be furnished.

Instances where Casavant Bros. secured the contract because of the preference of the purchaser for the Casavant organ are, of course, limited to cases where there was not too great a discrepancy in price. It is not suggested that the purchaser would exercise his preference for the Casavant organ if there were a very great difference in the prices. We do not mean to infer from the above that bids by Casavant Bros. are never lower than bids by producers in the United States building somewhat similar high-grade organs. There are instances, of course, where Casavant Bros. bid lower and obtained the contract. It is our understanding, however, that usually there is no great variance between bid prices of such American builders and Canadian builders, but that ordinarily the American bids are lower.

THE APPRAISAL FOR CUSTOM PURPOSES

It may assist to an appreciation of the situation to describe the method of valuation. The declared value is the full contract sales price after deducting only the nondutiable items; namely (1) freight charges to the city where the organ is to be installed, (2) cartage from the railroad station to the church, (3) the actual cost of installation, including wages to the supervisor, wages paid local labor, actual traveling expenses, board, and other actual expenses, and (4) the amount of duty actually paid, which sum is the major portion of the deduction. The above actual out-of-pocket expenses are the only deductions from the total sales price in determining the value for customs purposes, usually around 65 to 70 per cent. This value includes not only the cost of manufacturing, but also the entire actual profit made out of the transaction by the Canadian builder.

A typical instance is shown below. The organ referred to was constructed for the First Presbyterian Church of Glens Falls, N. Y., the date of the shipping invoice was November 1, 1928, and the following are the facts:

| | |
|--|---------------|
| Total contract price of organ erected in the church..... | \$29,530 |
| Nondutiable items deducted: | |
| Freight paid..... | \$391 |
| Cartage at destination, wages, and total expense of expense of installation..... | 1,970 |
| Duty paid..... | 7,760 |
| Total nondutiable items..... | 10,130 |
| Declared value of organ on which duty was computed..... | 19,400 |

The value for customs purposes is the contract price of the delivered and installed organ after deducting only the nondutiable items. The value of all organs exported into the United States is determined in the same manner as shown in the above tabulation. Other instances illustrating the method of determining the declared value are shown on Appendix C attached hereto.

It was stated in effect at the House hearing (pp. 7198, 7199) that Canadian organs are installed in the United States by Canadian labor at low wages. The facts are that the installation costs constitute only 6 to 10 per cent of the total contract price, and the labor costs of installation are only about one-third of the total installation expense. The labor costs, therefore, incident to the installation of the organ range from 2 to 3 per cent of the total contract price. Moreover, a large portion of the labor expense is for labor obtained locally. This feature is insignificant.

NO CHANGED CONDITION JUSTIFIES INCREASE

The production statistics of pipe organs in the United States show clearly that the existing duty is more than adequate. The following table taken from the summary of tariff information, Schedule 14, sundries (p. 2107), shows the pipe-organ production in the United States since 1919:

| | Number manufactured |
|------|------------------------|
| 1919 | 1, 151 |
| 1921 | 1, 949 |
| 1923 | 1, 712 |
| 1925 | 1, 955 |
| 1927 | 2, 451 |

The number of pipe organs manufactured in the United States has increased over 100 per cent during the 8-year period 1919 to 1927. No separation is made in these statistics between organs built for churches, theaters, or other purposes.

The same source of information shows the number of pipe organs imported from Canada for the last three years. The information for the earlier years is not shown.

| Year | Number | Value |
|------|--------|------------|
| 1926 | 32 | \$257, 531 |
| 1927 | 30 | 242, 171 |
| 1928 | 39 | 191, 843 |

We are at a loss to understand the increase in number in 1928 or the total number exported for each of the years as shown in the tabulation. As hereinbefore stated, the plants of organ builders in Canada other than that of Casavant Bros. are small, and make no exports of consequence. Our records show that there has been no increase in the number and total value of organs exported into the United States by Casavant Bros. during late years, but on the contrary that there has been a decrease since the year 1925. The figures are as follows:

| | Number |
|------|--------|
| 1925 | 17 |
| 1926 | 15 |
| 1927 | 16 |
| 1928 | 14 |

It thus appears that while the production by American organ builders has increased greatly, the number imported from Canada has not changed substantially.

The tariff plank in the platform adopted by the Republican Party in its national convention of 1928 incorporated the principle that in those cases where American industry had lost ground, tariff relief should be granted "to the end that American labor in these industries may again command the home market." In his message to the present session of Congress President Hoover said, "In considering the tariff for other industries than agriculture, we find that there have been economic shifts necessitating a readjustment of some of the tariff schedules." Where under the existing tariff schedules there has been a marked increase in the domestic manufacture of pipe organs and a decrease in the imports from the one foreign manufacturer whose product has been imported into the United States in appreciable quantity, it can not be said that a changed condition has come to require a higher duty to protect the American manufacturer.

CONCLUSION.

An increase in duty on pipe organs will ultimately result in an increased price to the purchaser. In some instances, at least, the desire to install the Casavant organ has been the real motive actuating the purchase rather than the fact that there has been any underbidding. Any increase in the duty will result in a price which will be prohibitive to even such purchasers. Increased duty will eliminate Casavant organs from the United States.

We know that Congress is solicitous for the welfare of the consumer, and is averse to increasing costs to consumers in this country, particularly to churches. It is the policy of the American Government to impose the minimum amount of taxes on churches. Surely it would seem that a church should be permitted to select an organ regarded by it as being best fitted and most artistic for its uses without the imposition of an additional tax.

We have endeavored to state our problem as briefly as possible. We earnestly hope that the Finance Committee will recognize the justice of our request, and will make an investigation through Government officials and other resources at its disposal to confirm our statements as to the facts. We have been assured that the records of Casavant Bros. are open at all times for the inspection of representatives of the Tariff Commission or of the committee. If such an investigation be made, we feel confident that there will be no increase in the duty.

Respectfully submitted.

FRED N. OLIVER,
Washington, D. C.

APPENDIX A

DETROIT, April 9, 1929.

Mr. FRED OLIVER,
Washington, D. C.

DEAR SIR: I understand the question of duty on foreign organs is now up before the Tariff Commission, and, for your consideration, I wish to state that my father, the late Mr. William H. Murphy, has purchased several Casavant organs which were manufactured by the Casavant Freres (Ltee.), of St. Hyacinthe, Quebec.

Father had purchased other makes of organs before he had heard of and investigated the Casavant and was thoroughly familiar with them. However, his investigation proved to him that the Casavant organ had no equal as to quality and workmanship, and he purchased the following organs regardless of price.

In 1918 father purchased a Casavant organ for the First Congregational Church of Detroit, of which he was a member for forty some odd years.

In 1923 both mother and father purchased and donated a Casavant organ to the Detroit Symphony Society. This organ is considered one of the largest organs in the country. In 1926 a large addition was made to this organ, to make it unique.

In 1924 father purchased and donated a Casavant organ to the Scotia Church, in Scotia, Calif., which is the community town of the Pacific Lumber Co., of which he was president.

In 1927 father was approached by members of the Peoples Church of East Lansing, Mich., and the Detroit Institute of Arts relative to donating an organ to them, and they both received the same answer, namely, "Yes; I will contribute providing you purchase a Casavant organ," which they did.

Father was instrumental in other purchases of Casavant organs because of his recommendations. He was an enthusiastic booster for them because he considered them the father of the organ industry, and builders for the art of the pipe organ and not a commercial institution.

I might add that father was a great music lover and devoted his life to it.

Yours very truly,

C. HAYWARD MURPHY.

APPENDIX B

UNIVERSITY CHRISTIAN CHURCH,
Seattle, Wash., May 29, 1929.

CASAVANT FRERES (LIMITED),
St. Hyacinthe, Quebec, Canada.

GENTLEMEN: Your letter of May 16 received, and I am pleased to give you any information which might be helpful to you. I have heard that there was some agitation for a higher tariff on organs from Canada, and certainly regret it most sincerely, as I believe your competition is very fair.

Before buying our organ we took bids and specifications from most of the leading organ builders in this country, and went into the matter very thoroughly, from every angle. I am pleased to furnish you with the following information, as to price:

| | |
|--|-----------|
| K, 4-manual, 63 stops, 31 couplers..... | \$28, 750 |
| A, 4-manual, 65 stops, 36 couplers..... | 30, 000 |
| K, 4-manual, 53 stops, 35 couplers..... | 25, 000 |
| E, 4-manual, 55 stops, 34 couplers..... | 30, 000 |
| M, 3-manual, 47 stops, 23 couplers..... | 22, 780 |
| S, 3-manual, 48 stops, 15 couplers..... | 30, 998 |
| M, 4-manual, 4,793 pipes..... | 30, 000 |
| Casavant, 4-manual, 51 stops, 33 couplers..... | 31, 820 |

The above quotations are on the same basis as yours which we accepted. The quotation for the organ designated as M, next to the last, has been mislaid, but I am sure of the number of pipes, but not the number of stops. Nearly all of the above are straight organs; very little unification. You will notice that in most instances the organs are larger than your organ; even the three-manual ones almost as large; but the prices lower.

For your information, we bought our organ strictly on a quality basis and price was not even considered until the matter was definitely settled. Every other organ builder except yourself had a high-powered representative here working on us, and we decided on the only organ which had to stand strictly on its own merits, with no one here to protect it from the onslaught of its competitors. After a most careful study, we believe we can truthfully say that everyone had every consideration, that we had open minds while making our decision, and that we bought your organ because we believed it to be the best, everything considered.

Thanking you for your past kindnesses, and trusting you will have every success, I remain,

Yours very truly,

PAUL SHUEY,
Chairman, Organ Committee.

APPENDIX C

ADDITIONAL ILLUSTRATIONS OF THE METHOD OF DETERMINING THE DECLARED VALUE
FOR CUSTOMS PURPOSES

BROWN UNIVERSITY,
Providence, R. I., August 19, 1927.

| | |
|---|---------------|
| Total contract price installed..... | \$20, 000 |
| Nondutiable items deducted: | |
| Freight paid..... | \$285 |
| Cartage, wages, and expenses of installation..... | 1, 235 |
| Amount of duty paid..... | 5, 280 |
| | <u>6, 800</u> |
| Declared value on which duty was computed..... | 13, 200 |

**FIRST PRESBYTERIAN CHURCH,
Lincoln, Nebr., January 18, 1928.**

| | |
|---|----------|
| Total contract price installed..... | \$17,730 |
| Nondutiable items deducted: | |
| Freight paid..... | \$575 |
| Cartage, wages, and expenses of installation..... | 1,587 |
| Amount of duty paid..... | 4,448 |
| | 6,610 |
| Declared value on which duty was computed..... | 11,120 |

**ST. JOSEPH'S CHURCH,
Worcester, Mass., February 28, 1928.**

| | |
|---|----------|
| Total contract price installed..... | \$16,250 |
| Nondutiable items deducted: | |
| Freight paid..... | \$310 |
| Cartage, wages, and expenses of installation..... | 1,002 |
| Amount of duty paid..... | 4,268 |
| | 5,580 |
| Declared value on which duty was computed..... | 10,670 |

BUGLES

[Par. 1541 (a)]

LETTER FROM BEXCRAFT (INC.), BROOKLYN, N. Y.

JULY 5, 1929.

Congressman **CELLER**,
Brooklyn, N. Y.

HONORABLE SIR: We hold a license to manufacture and sell the official Boy Scout bugle, for which we pay to the Boy Scouts of America a sales royalty of 5 per cent, which goes for the upkeep and development of the work of the scouts. This is the same bugle as the United States Army bugle, key of G slide to F.

We have held this license a little over four years, and we specialize in bugles, which is the only product we manufacture. The retail price of the bugle established by the Boy Scouts of America is \$5 each, and has been maintained by us.

Five years ago there was scarcely any demand for a bugle, probably under 5,000 bugles per year. Since receiving the Boy Scout license, by an expenditure of large sums of money in advertising and of educational nature, we have created a large demand for the bugle in every State from coast to coast. During 1928 it is estimated that there were retailed from 50,000 to 100,000 bugles. But foreign bugles poured into this country, so that our sales were cut down to less than 18,000 bugles, and now during the first six months of 1929 our business is being wiped out of existence because of the flood of foreign bugles into our country at a price as low as \$1.55 laid down, which can retail at \$3.50 each.

It is impossible to manufacture a bugle in this country for less than \$2.25 in large quantities. We have been forced to reduce our prices to a point where there is no profit, just to exist, and we are in distress as a result. Unless something is done at once to protect our American industry by way of tariff protection we will be forced into bankruptcy, the Boy Scouts will lose large future royalties which they need, our stockholders will lose their thousands of dollars invested in this business, and our employees will be thrown out of work.

We understand the new bill in Congress raises the 40 per cent ad valorem to 50 per cent ad valorem, but, based on foreign valuations, as in the past, this will afford no relief.

We are respectfully asking that at this time of tariff revision that the 40 per cent ad valorem on foreign invoices, which permits foreign bugles to be laid down here in United States of America at \$1.55 each be increased so that a foreign bugle can not get into this country under \$2.25 each. We are not

asking this to raise the retail price, for that has been established by the national headquarters of the Boy Scouts of America and will remain at \$5 each.

Your personal help to remedy this situation will be greatly appreciated.

Respectfully yours,

REXCRAFT (INC.),
LESLIE E. McCUEN, *President.*

HARMONICAS

[Par. 1541 (a)]

STATEMENT OF E. K. WILLIAMS, REPRESENTING S. H. KRESS & CO., AND THE S. S. KRESGE CO., NEW YORK CITY

Mr. WILLIAMS. Under paragraph 1541, musical instruments, we have also brought in mouth organs or harmonicas as musical instruments.

Senator THOMAS of Oklahoma. Is that a French harp [indicating sample]?

Mr. WILLIAMS. I suppose they call it that. These are 5 and 10 cent items [indicating]. Under the new musical instrument paragraph, No. 1541, they have reclassified them and have reworded the paragraph, adding:

There shall not be classified under this paragraph any article chiefly used for the amusement of children or any part of any such article. * * *

In doing that it means there is a possibility that a harmonica or mouth organ will be classified under toys. There are no domestic sources of supply.

Senator THOMAS of Oklahoma. They are not made in this country?

Mr. WILLIAMS. They are not made in this country so far as I know.

Senator THOMAS of Oklahoma. No factory makes them?

Mr. WILLIAMS. No factory that we know of makes a 5, 10, or 25 cent harmonica.

Senator WALSH of Massachusetts. What duty do you have to pay now?

Mr. WILLIAMS. Forty per cent ad valorem.

Senator WALSH of Massachusetts. Classified as what?

Mr. WILLIAMS. Classified as musical instruments. But in order to eliminate any later controversy on the matter we feel if you should add the word "harmonica" in that paragraph it would eliminate all of our difficulties.

If I might submit a brief on that subject I would like to do so.

Senator KEYES. Very well.

(Mr. Williams submitted the following brief:)

BRIEF OF S. H. KRESS & Co. AND THE S. S. KRESGE Co.

We suggest that paragraph 1541 (a), page 203, line 9, be changed, after the words "tuning hammers," by inserting the word "harmonicas."

REASONS

The proposed act has been reclassified and reworded, adding the following: "There shall not be classified under this paragraph any article chiefly used for the amusement of children or any part of any such article."

There are no domestic sources of supply for harmonicas (mouth organs), and in adding the above wording to this paragraph there is always a possibility that it may evolve litigation as to whether harmonicas are to be retained in this paragraph or, since substantial quantities of them are sold to children, whether they should be classified under No. 1513. We feel that there is no justification in increasing the duty of an item that is not manufactured in this country from 40 per cent to 70 per cent, as would be the case if harmonicas were classified as toys.

In increasing the duty to 70 per cent it would very materially lower the values that the public are receiving to-day, and it is contended that any question as to the classification of harmonicas can be avoided by simply adding the word in the classification of this paragraph as suggested above.

EARL K. WILLIAMS

(For S. H. Kress & Co. and S. S. Kresge Co.)

MUSIC BOXES

[Par. 1541 (a)]

BRIEF OF THORENS (INC.), NEW YORK CITY

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

GENTLEMEN: The proposed tariff of 1929 includes provisions in paragraphs 1513 and 1541, whereby Swiss music boxes will be classified as toys, subject to a duty rate of 70 per cent; the present rate of duty is only 40 per cent.

We are the principal importers of such music boxes and therefore interested in a revision of the aforementioned paragraphs.

We are submitting for your inspection a sample of one of these music boxes; this article has been made for perhaps over 100 years in a small locality in the Swiss Jura mountains and, as far as we know, no attempt has ever been made to duplicate this article in this country. The reason therefor is that its manufacture requires workmanship of an especially trained musical nature, because each music box is individually tuned and set.

There is no question that the music boxes of the smaller size are mainly used for the amusement of children, but, since the importing of such an article does not in any way interfere with any domestic manufacture, we suggest that it be put on the free list.

The existing duty rate of 40 per cent is already such that only small quantities can be sold in the American market, thereby robbing many children of such an instructive and desirable form of amusement. A 70 per cent duty rate would make its sale in this country almost prohibitive.

May we suggest the following changes in the proposed tariff:

Paragraph 1513 may remain intact in its entirety up to the word "paragraph." From there it should continue as follows: "Provided further, That nothing in this paragraph shall apply to music boxes and musical instruments operated by means of a spring or crank, playing one or more recognizable airs, or to any article composed wholly or in chief value of china, porcelain, parian, bisque, earthenware, or stoneware."

A paragraph should be inserted after paragraph 1724, and should read as follows: "Musical boxes and musical instruments operated by means of a spring or crank, playing one or more recognizable airs."

Should you decide to retain the present duty rate of 40 per cent, we suggest that under paragraph 1541 a section "e" be added, reading as follows: "Musical boxes and musical instruments operated by means of a spring or crank, playing one or more recognizable airs, are to be classified as musical instruments."

Respectfully submitted.

THORENS (INC.)
By R. K. KIND,
Vice President.

Personally came before me, a notary public in and for said District of Columbia, R. K. Kind, who, being by me first duly sworn, deposes and says the foregoing statement is true to the best of his information and belief.

R. K. KIND.

Sworn to and subscribed before me, this 18th day of July, 1929.
My commission expires February 18, 1931.

CHARLES F. FACE,
Notary Public, District of Columbia.

MUSICAL-INSTRUMENT STRINGS

[Par. 1541 (a)]

STATEMENT OF H. SIMSON, NEW YORK CITY

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

Mr. SIMSON. On musical-instrument strings the sworn duty was 25 per cent only, and 35 per cent later on—years ago—and the American manufacturers of musical-instrument strings sold strings and prospered.

The duty was put up to 40 per cent in the last tariff act, and the American manufacturers have outgrown the imports three to one. As a matter of fact, there is one manufacturer in the United States selling three times as many musical-instrument strings—gut strings particularly—than all the imports into the country, and that is according to the statistics on imports which we have at home. I unfortunately did not bring those with me.

If the duty were put to 60 per cent, it would kill the importation of musical-instrument strings.

Under the present duty we can not compete on the better-grade lines.

The American manufacturers also sell to almost every importer of musical-instrument strings, spinning gut. They make strings to practically the extent that no spinning gut is imported into the United States at all.

Senator COUZENS. Who is the manufacturer you speak of?

Mr. SIMSON. Armour & Co., of Chicago, by far the largest manufacturer of musical-instrument strings in the world, and having brought out a new product not very long ago that makes them have a practically 100 per cent tariff, and it is impossible for us to compete.

Senator COUZENS. What is the new rate in the House bill?

Mr. SIMSON. Sixty per cent.

Senator COUZENS. It is increased from 40 to 60 per cent?

Mr. SIMSON. Yes, sir; it would be an increase of 50 per cent.

Senator COUZENS. And you oppose that?

Mr. SIMSON. Yes, sir; very strenuously so.

BRIEF OF G. F. CHAPIN, NEW YORK CITY, REPRESENTING THE NATIONAL ASSOCIATION OF MUSICAL INSTRUMENT AND ACCESSORIES MANUFACTURERS

[Including bridges for fretted stringed instruments]

Products of this association are classified under paragraph 1541 as "Musical instruments and accessories."

This association is comprised of some 30 manufacturers, the factory cost value of their combined product amounting annually to approximately \$6,000,000. It is estimated that a volume of business, of not less than 25 per cent of the annual product of the members of this association when figured at fair average American cost value, is lost to foreign importations because of the low cost at which they can be imported, even with the addition of the present duties which are proving entirely inadequate.

I personally appeared before the Ways and Means Committee at the public hearings of that committee held in April, but am submitting this amended brief because of some changes in our request for tariff adjustment and because we do not wish to include in this brief the tariff requests for violins and other instruments of that class or for cases for musical instruments or for the entire group of gut strings, as the manufacturers of these commodities, although members of our association have prepared and are submitting their own briefs with which we are familiar and indorse. Although I was present at the meeting of this committee when its hearings commenced on June 25 and was ready to testify at that time, yet it now seems desirable to economize the time and patience of your committee when possible and the writer is therefore submitting this written brief without making another personal appearance.

In our brief submitted to the Ways and Means Committee we requested the following rates: 50 cents per gross and 50 per cent ad valorem on strings for musical instruments made wholly or in part of steel or other metal, the present duty being 40 per cent ad valorem. On wooden bridges for musical instruments, 1 cent each specific duty and 50 per cent ad valorem.

These new rates, if granted, would bring the cost of imports with all expense added to a level somewhat less than the American cost of production.

In the tariff bill prepared by the Ways and Means Committee they have recognized in principle the justice of our claims for added tariff as they have included in their bill rates somewhat higher than existing rates on the articles we manufacture, but we still contend that the rates as submitted by the Ways and Means Committee are not yet sufficiently high to yield the measure of protection much needed in this industry. Moreover, should the higher rates which we request be granted, it would not mean an increase in prices to the purchasing public, for in most cases the importer and wholesaler distributor sells the imported merchandise at a price as high or higher than that which he obtains for American-made merchandise thereby absorbing as extra profit for himself the difference between the low cost of imported goods and the higher cost of domestic production. To substantiate this statement we attach page No. 99 from the catalog of the Fred Gretsch Manufacturing Co. in which they list the Eagle brand steel strings, which are entirely imported strings, at higher prices than Bell brand steel strings, which is the most representative brand of high-quality steel strings made in this country. Samples of Eagle brand strings are also attached hereto and it will be noted that neither in the text of the catalogue or in the marking of the strings or the envelopes in which they are inclosed is there any reference to the fact that the strings are imported. (The list referred to is filed with the committee.)

Although the National Musical Merchandise Association, which is comprised of most of the musical merchandise wholesalers of this country, was given a place on the schedule of the Ways and Means Committee they did not make an appearance when called. After our brief was published they did however submit a written brief which now appears in the text of the tariff act as prepared by the Ways and Means Committee and in that brief they sought to destroy or break down some of the statements made in our brief. We contend that their statements are erroneous as to fact and misleading in effect. They state that practically all steel strings distributed annually in this country are made by American manufacturers. On the contrary we have ample proof that not less than 25 per cent of the value of the annual distribution of steel

strings when figured at a fair average American cost of production, is comprised of imported strings. Concerning bridges for fretted instruments they state that the importation is practically nil while we contend quite the contrary. To substantiate our statement, we refer to the importations by C. Bruno & Sons, New York City (of which Mr. William Haussler who presented the report of National Musical Merchandise Association is an officer), import annually considerable quantities of Guitar bridges which they sell to American manufacturers of guitars. Other New York importers import considerable quantities of other types of bridges so that in all the total importation is a large proportion of the total distribution of such bridges sold annually in this country.

Furthermore, the importers state that, since the duties in the existing tariff act were imposed sales of musical merchandise have decreased. We contend that this is not due to the tariff, which does not adequately protect, but is due to the general stagnation of the musical merchandise industry where the sales are off at least 20 per cent and possibly more as compared with the records of 1926 and 1927.

Because of the volume of business which is lost to foreign importations, which volume is now much needed by American manufacturers, we maintain that the higher rates of duty as stipulated above are needed and should be granted.

Respectfully submitted.

NATIONAL ASSOCIATION OF MUSICAL INSTRUMENTS
AND ACCESSORIES MANUFACTURERS,
G. F. CHAPIN, *Chairman Tariff Committee.*

VOLINS

[Par. 1541 (b)]

STATEMENT OF W. R. CLYMER, FOREST HILLS, N. Y., REPRESENTING MANUFACTURERS OF VIOLINS AND CASES FOR MUSICAL INSTRUMENTS

[Including musical-instrument cases, par. 1541 (a)]

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

Mr. CLYMER. I represent the violin manufacturers of the country and the manufacturers of cases for musical instruments.

Senator KEYES. You are under paragraph 1541 (b)?

Mr. CLYMER. The cases are under 1541 (a), but the violins are under 1541 (b).

Senator KEYES. There have been some changes proposed in the Hawley bill?

Mr. CLYMER. Yes.

Senator KEYES. Are you in favor of them or not?

Mr. CLYMER. That will come out in my statement, if you please. We appeared before the Committee on Ways and Means in behalf of the violin makers and manufacturers of cases and submitted briefs beginning with page 7811, which I would like to include as part of this present sworn statement. Our reason for reappearing to-day is that the importers submitted briefs which contained numerous inaccuracies, and to clarify the situation.

The Committee on Ways and Means approved of our requests in principle, but granted them only in part. Now, referring first to violins, it is curious that the importers should state they are not able to compete under the present condition when 70 per cent of all violins sold in the United States are imported. Their complaint is easily understood, because of the fact that prior to the

World War and the 1922 tariff they did have practically all the business. They naturally do not like a situation where they get 70 per cent instead of 95 per cent.

The value of all violins sold annually in America is approximately \$800,000, and from 50 to 70 per cent of the cost of violins is labor, which you will note is very high. The increase in duty requested is from \$1 each and 35 per cent ad valorem to \$1.25 each and 50 per cent ad valorem. The House bill allowed the specific increase from \$1 to \$1.25, but omitted the increase in ad valorem from 35 to 50, as requested. The cost of the grade most largely imported, duty paid, would thereby, if our request is granted, be increased 16 per cent and still leave the imported cost under the domestic cost, as is proved by the figures in our Ways and Means brief.

The domestic manufacturers could not possibly have a monopoly under these circumstances and do not seek it. They do not intend to increase their prices if the increased duty is allowed.

The importers further state that the cheapest instrument imported, duty paid, at \$2.35, is in no way comparable with the cheapest American instrument sold to dealers at \$3.

Neither of these statements is accurate. As I will show you from these samples of violins I have here, the violins are strictly comparable. This is the foreign instrument.

Senator COUZENS. Identify it.

Mr. CLYMER. It is brought in at \$2.35.

Senator KEYES. Is it marked in such a way that we can identify it?

Mr. CLYMER. I thought there was a tag on it, but I will mark it if you wish to keep it. This (indicating) is one that is polished and contains much more hand work than we can afford to apply; that is imported at \$2.35. This (indicating) is the comparative American instrument, which has a better tone quality and is better suited to the use of pupils beginning with the instrument, than the foreign one, but the unsatisfactory feature of it is that this cheap grade of instrument is sold almost entirely on appearances, and you can see for yourselves that the foreign instrument is much more highly polished, and if you examine it closely, has had much more hand labor put on it than we can afford to apply; so that they are strictly comparable.

Senator KEYES. Do you sell that to the retailer at \$3?

Mr. CLYMER. This is sold at \$3 to jobbers but not dealers.

Senator KEYES. That is the American one?

Mr. CLYMER. That is the American one. It is sold to jobbers, not to dealers, at \$3; it could not be done.

Senator COUZENS. What does it cost you?

Mr. CLYMER. \$2.75.

Senator COUZENS. You only make 25 cents per instrument to jobbers?

Mr. CLYMER. That is all. It is an extremely low rate. It is only possible to do that in order to carry part of our overhead on higher grade instruments on which we are able to make a better profit. The increased specific duty from \$1 to \$1.25 requested and granted by the Committee on Ways and Means, is especially necessary to protect the industry against this cheap instrument.

Senator COUZENS. That seems to be quite adequate. Why an ad valorem? I mean based on the cost here and abroad.

Mr. CLYMER. The reason why domestic manufacturers actually need both the specific and ad valorem duties is that with both as requested, the landed cost of the imported instrument would be \$2.69 and be less than the \$2.75 cost of the comparable American violin.

The importers further state that since the imposition of the specific duty of \$1 per instrument, there has been a continuous decrease in sales of the imported violins in this market. This also is not accurate. A separate record of the importations of violins, to the best of my knowledge, was not kept, and violins were part of other instruments until 1925. In 1926 there was an actual increase in the number of these instruments imported. This is the instrument that is most largely imported in this country. It is the one that is most largely sold, naturally, to schools and beginners. There is where the large sale is and there is where we must have our volume if we continue. In 1927 and 1928 there was a decrease in the importations of this instrument, but unfortunately, the domestic manufacturers suffered approximately the same decrease of business, due possibly to the increased use of other instruments, the ukuleles, which were in vogue at that time and since, and the radio, and, perhaps, other things, but both have gone down together. So that is not an indication that the present duty is keeping them out.

In short the American manufacturers of violins have less than one-third of the business in this country. Our request to the Ways and Means Committee was based on our actual needs and not made high with the idea it would be cut down.

That covers what I have to say on violins before I get to cases.

Senator KEYES. You want to address us now on cases?

Mr. CLYMER. What we need on violins is the original request to the Ways and Means Committee, \$1.25 specific and 50 per cent ad valorem.

The cases will present practically a similar or a parallel situation. Fifty per cent of them are imported. The Government figures on importations are not complete, in that they have not included as cases the cases that come in with violins, outfitted with bow, resin, and so forth. Those come in under outfits and evidently are put into musical instruments but are not included with cases, so that the report on cases entering the country is not complete. The value of cases sold in America annually is approximately \$750,000. The increase in duty requested is from 40 per cent ad valorem as it now stands to 50 cents each specific, and 50 per cent ad valorem. The House bill allowed the increase in the ad valorem from 40 to 50 per cent as requested, but omitted the 50 cents specific duty requested. This specific duty is very necessary to protect against the cheap grade, as in violins. The specific duty is necessary to cover these cheapest grade cases, the one that is imported most largely. In fact, it is more important than the increase in the ad valorem rate. For the average imported case the cost would be increased 34 per cent, but would still be below the cost of the comparable domestic cases. We do not seek a monopoly nor intend to increase the prices of our cases sold in this country. Fifty per cent of the cost of the cases is labor.

The importers' brief states that where quality is comparable, the foreign cases are substantially higher in landed cost than the domestic product. You may draw your own conclusions from these samples I have here.

This imported case is landed in this country at \$1.22, duty paid. The importers list this at \$1.31, which is not very far away. It is 3-ply veneer throughout, top and bottom, with a shaped cover, lined, padded, made for two bows, with a covered accessory box, and is thoroughly satisfactory throughout, an entirely satisfactory case.

Senator THOMAS. What does that cost in Germany, approximately?

Senator COUZENS. It is imported at \$1.22.

Mr. CLYMER. It is landed at \$1.22.

Senator COUZENS. Including duty?

Mr. CLYMER. Yes. I do not want to give you an off-hand figure. The cost in Germany is 80 cents.

Senator COUZENS. Did you apply to the Federal Tariff Commission for a raise in those?

Mr. CLYMER. We gave them the data on the subject, but we did not apply to them, no; we applied to the Ways and Means Committee. The importers tried to compare this strong, shaped case that comes into this country at \$1.22 with this flimsy domestic case, flat top, one bow, no box here, not padded, a single veneer, top and bottom, and with paper sides, which is sold in this country at 90 cents. This is the case that should be compared with the imported one [indicating]. That is a strong domestic case, comparable with this imported one in every way except that it is not padded, and has not some of the interior things that this imported case has. This costs in this country \$1.84, compared with this imported case landed at \$1.22 or \$1.31, as the importer has it.

Senator COUZENS. Cost to whom?

Mr. CLYMER. The cost to the manufacturer, actual cost.

Senator COUZENS. Before any profit is added?

Mr. CLYMER. Before any profit is added; not sale price; that is cost. It simply carries the same overhead.

Senator THOMAS. Do you admit that the German* article, costing 80 cents in Germany, is as good or better than the American article, which costs \$1.84?

Mr. CLYMER. Yes; so that the comparison made by the importers' brief is not accurate. American manufacturers of cases can not profitably compete with this cheap foreign case, and particularly requests the needed specific duty of 50 cents each in addition to the 50 per cent ad valorem duty allowed by the House bill.

Senator COUZENS. If that specific duty is allowed, what does that bring up the ad valorem duty to?

Mr. CLYMER. Practically 100 per cent.

Senator DENEEN. What is the base, 80 cents or \$1.20, to calculate on the rate recommended?

Mr. CLYMER. On the 80 cents.

STATEMENT OF FREDERICK GRETSCH, REPRESENTING THE NATIONAL MUSICAL MERCHANDISE ASSOCIATION OF THE UNITED STATES

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

Mr. GRETSCH. I am a manufacturer and an importer of musical instruments. I represent the National Musical Merchandise Association of the United States.

We have 25 or 30 members and we import a great many musical instruments from the other side.

I would like to say a few words on this schedule in reference to violins.

Under the old tariff we have a rate of \$1 specific duty and 35 per cent ad valorem, which it is proposed to increase.

We have the facts before us showing that the American manufacturer is selling violins to schools, and so forth, for \$3 and is making quite an ample profit on that price, and by increasing this duty to \$1.50 it just adds about \$1.50 to the retail value by the time that it gets into the hands of the dealer and makes violins very costly to schools and to people who want to give their children a musical education, and makes the price of a violin very much higher, and would practically wipe out the importer's business in this country if the duty is increased.

Senator KEYES. Was the increase \$1.50? I thought it was \$1.25. I may be wrong.

Mr. GRETSCH. I do not know whether it is settled. There was some talk about making it \$1.50. It is either \$1.25 or \$1.50. I do not know just how it stands.

At any rate, there is only one manufacturer of violins in this country, and this duty would only affect the cheaper violin used to start children to play violins in the schools.

Senator COUZENS. I wanted to ask if you manufacture those in this country.

Mr. GRETSCH. No, sir.

Senator COUZENS. You said that you are a manufacturer and an importer?

Mr. GRETSCH. We manufacture other musical instruments that sell here and we export them to foreign countries.

Senator COUZENS. You do not manufacture any violins here?

Mr. GRETSCH. No. We manufacture drums, banjos, and other musical instruments.

Senator COUZENS. So you are speaking wholly as an importer with respect to violins?

Mr. GRETSCH. Yes, sir; I am speaking for the National Musical Merchandise Association. All of those members import violins from the other side, and I believe that there is only one manufacturer here in the United States looking for this higher tariff.

The American manufacturer has demonstrated conclusively that he could compete with the imported article, and he is selling it for less than we can sell it for, or less than we can sell a new article of equal merit.

On musical-instrument cases there is only one cheap violin case imported now, and, outside of that, the American manufacturer dominates the American market and practically sells all the violin cases made in this country. They control the manufacture of it here now.

As to musical-instrument strings, I have a gentleman, Mr. Simson, here who is probably better informed on the string proposition than I am, and if you will allow him to take my place I will step aside.

CARILLONS

[Par. 1541 (c)]

STATEMENT OF WILLIAM B. CONKLIN, REPRESENTING THE PARK AVENUE BAPTIST CHURCH, NEW YORK CITY

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

Mr. CONKLIN. I am a trustee of the Park Avenue Baptist Church, and also its counsel.

Senator WALSH. What is your attitude toward this duty?

Mr. CONKLIN. We would like to have carillons placed on the free list. Under the present law, the 1922 law, carillons are taxed as a musical instrument at 40 per cent. Under the bill as drawn by the Ways and Means Committee they are put into a separate paragraph there, subdivision (c), and put at 20 per cent.

Senator WALSH. A good many special bills have been passed revoking this duty.

Mr. CONKLIN. There have been two special bills passed to my knowledge, and I think there was one more, but I have not got the complete history of it.

Senator WALSH. Several bills are pending, I think.

Mr. CONKLIN. Yes; there are some twenty-odd bills that have been pending. I have had one here since 1925, when we started putting this carillon in our church.

I do not know how familiar you gentlemen are with what a carillon is, and I have put into my brief, the back of it, some pictures. The first one shows the bells on the frame in the tower. The next one following that shows the mechanism connecting the bells with the console. The third one shows the carillonier at the console playing and the fourth one is a cross section of a tower. We took the face of it. That shows the bells at the top, the connecting mechanism, and the bells at the bottom.

Senator WALSH. What is the connection between these and chimes? Just state it briefly.

Mr. CONKLIN. A carillon is a set of bells played from a console, the bells being fixed in position, the clappers only moving, the bells being tuned in chromatic scale. That is, we have all of the semitones which we have on the piano. They consist of 23 or more bells, being two octaves or more in extent.

Senator WALSH. And chimes are much fewer bells?

Mr. CONKLIN. And chimes run about 12 to 14 bells, tuned in the diatonic scale, having none of the black notes on the piano, and played as a rule one at a time.

Senator WALSH. Put on boards?

Mr. CONKLIN. No; usually pulled with a rope, sometimes on a board, but without any foot pedals.

Senator WALSH. What is the duty on chimes under the present law?

Mr. CONKLIN. I suppose they would come in as a musical instrument at 40 per cent, the same as a carillon.

We claim that a carillon is not just simply a bell; it is a completed instrument, and that we can not get in this country either very high bells or very low bells.

The carillon is a creature of Flanders, originated about 300 years ago, and all the bells are atune.

The art was lost until between 10 and 15 years ago, when it was discovered in England. It has what is known as the 5-point tune. Each carillon bell has five tunes inside of it, and they are in perfect tune. There is the hum tone, the strike tone, the minor third above the strike tone, a perfect fifth above the strike tone, and the octave; that is, a perfect octave above the strike tone. These five tones must be in perfect tune inside the bell. The American manufacturers have not succeeded in making this 5-point tuning.

It was stated before the Ways and Means Committee that they did know how, but it was conceded finally by one of them that several years ago they did discover the 5-point tuning; but, as a matter of fact, the 5-point tuning was discovered in England 15 years ago.

So far as I can find out there are only three places where we can get a perfect carillon, two in England, the firms of Gillett & Johnston and Taylor Bros., and one other firm in Belgium.

Senator WALSH. How many American manufacturers did you consult?

Mr. CONKLIN. There were only two—one at Troy, N. Y., and one at Watervliet. We did not consult the McShane people, at Baltimore, and so far as we know those are the only three that manufacture musical bells.

Senator WALSH. Could any of these firms furnish you with chimes?

Mr. CONKLIN. They could furnish us with chimes, but we wanted a carillon. After studying the matter for some time we decided we wanted a larger instrument, on which we could play national airs and religious music and on which we could play a better type of classical music, which can not be played on chimes.

We then went abroad and studied the matter in England and Belgium, and finally decided on one of the English manufactures.

We found also that the American manufacturers, although they might be able to tune the middle-sized bells could not manufacture and tune the large bells. Our bells will vary in size from the small bell weighing about 9 pounds up to the large bell weighing 20 tons and measure 120 inches in diameter. That is the large Bourdon bell. The small bell is only 6¼ inches in diameter.

Senator THOMAS. When you say "our bells," what do you mean?

Mr. CONKLIN. I am talking about the Park Avenue Baptist Church in New York.

Senator COUZENS. What did they cost you?

Mr. CONKLIN. I have the figures right here.

Senator WALSH. They were a gift to the church, were they not?

Mr. CONKLIN. Yes, sir.

Senator WALSH. By whom?

Mr. CONKLIN. By one of our trustees. There were three contracts for these bells, and the total amount was 33,827 pounds sterling, or \$166,170 in American money.

Senator WALSH. Is that the finest carillon in America?

Mr. CONKLIN. I claim that they are the finest carillons in America. I think Mr. Bok's carillon in Florida is probably just as good, and I think the one in the Parliament House in Canada, which is an exact duplicate of ours, is just as good.

Senator WALSH. There is one at Gloucester, Mass.

Mr. CONKLIN. They are smaller.

Senator WALSH. There is also one at Cohasset.

Mr. CONKLIN. They are smaller. I have placed in my brief a list of all the carillons, so far as I know, which have been manufactured abroad and brought into this country, giving you the names of the churches or other institutions where they are located, the number of the bells, and the size.

Senator COUZENS. What duty did you pay on your bells?

Mr. CONKLIN. We have paid 40 per cent on that part brought in so far. We have thus far paid the Government \$35,619.32 in duty. We still have other bells to come in, involving \$32,035 additional duty, if this law stays in effect, at 40 per cent.

Senator COUZENS. That was all paid by the donor when he was furnishing the bells?

Mr. CONKLIN. We have the gift, but the church was obliged to pay the duty. The total amount of our duty will be \$67,654 on this carillon.

Our complaint is this: We can not have the large bells and the small bells get out of tune. They must all be in tune, and they must be in perfect harmony. It is conceded that they can not make the 20-ton bells here, or the 15-ton ones.

Senator THOMAS. Why?

Mr. CONKLIN. They have not the machinery. It was testified before the Ways and Means Committee that there are not more than 150 men employed in the United States in the manufacture of musical bells. At the plant at Troy I think the average is from 12 to 25 men employed; let us say an average of 26 men. The Meneely Bell Foundry testified that they have an average of 20 men. I think it was demonstrated that that equipment is not large enough to make these bells. In order to cast the 20-ton Bourdon bell in our carillon, it was necessary to smelt at one time 25 tons of bell metal which had to be ladled into the mold with four traveling crane ladles so that the molten metal could be poured into it before any of the metal had an opportunity to cool and harden. It all had to be poured into the mold at the same time, so that there would not be any cracks in the metal, and thus not have the proper tuning.

That bell is 120 inches in diameter and weighs 20 tons, and a foundry having only 20 men employed could not handle such a large bell, and so far as I can find out they have no tuning instruments capable of tuning these bells in this country. The only places that we know of in which they have them are these three factories abroad that I have spoken of.

Senator THOMAS. You want the tariff taken off?

Mr. CONKLIN. We want the tariff taken off; yes, sir.

Senator THOMAS. If that is done, how soon will we develop a factory in America to make these products?

Mr. CONKLIN. I do not know. We have been trying to get bells since 1925, and others who have been seeking them have been trying to get them since that time. Some have been trying since prior to that time, and they have had to go abroad.

The American Bell Foundry has not gone in on the extensive scale that the foreign foundries have to make these large bells, so that we are not able to get them here. Had we been able to do so, we would have done so.

At the time the American engineers wanted to provide a memorial at Louvain, they considered the matter of the making of bells for a carillon to be put in the tower of the Louvain Library, and they finally decided to have those bells made in England. That matter is all set out in full in my brief by Mr. Edward Dean Adams, who was the chairman of the committee having that matter in charge on behalf of the engineering societies.

Senator THOMAS. Does your church have a pipe organ?

Mr. CONKLIN. Yes, sir; we have.

Senator THOMAS. Where was that made?

Mr. CONKLIN. Right outside of Boston. We have two pipe organs that will be put in our new building, and the firm of Hook & Hastings are making them for us. For one of them we are paying \$62,624, and the other is costing less than that.

Senator WALSH. One gentleman testified here that there are only two or three pipe-organ factories in the country. Are there not more than that?

Mr. CONKLIN. Yes; we tried 10 companies before we decided on Hook & Hastings.

Senator THOMAS. If the tariff were taken off of pipe organs, how long would our American pipe-organ factories live?

Mr. CONKLIN. We did not seek any Canadian factory to make our organs. We were seeking to get the best organs we could from a musical standpoint. There are four or five American manufacturers who make exceedingly good pipe organs, but we picked Hook & Hastings as the firm we decided upon to build our organs for our new building at One Hundred and Twenty-second Street and Riverside Drive. We are satisfied that they are two fine musical instruments. I think we would have gotten them there anyway, because we would have gotten fine musical instruments.

The same thing is true in regard to carillons. A carillon is a complete musical instrument, because when the carillon is once tuned it stays that way forever. If you have it out of tune at the start, you will have a discordant instrument for all time.

Senator WALSH. It was said that you had to return some of these bells because they were not satisfactory.

Mr. CONKLIN. Yes; we had to return eight or nine of them because they were not in tune with the large bells.

Senator WALSH. And they are substituting new ones?

Mr. CONKLIN. No; they are tuning those bells on tuning instruments. I had to have those bells marked by the customs authorities, so we would not have to pay the duty a second time.

Senator THOMAS. Have you had any complaints in that particular neighborhood as to the nonmusical character of your carillon?

Mr. CONKLIN. We have had some complaint, due largely to the fact that there is a large building directly opposite the church which acts as a sounding board. There is a large apartment house there taking up half a block from Sixty-third to Sixty-fourth Streets on Park Avenue, about 50 feet higher than the tower level where the bells are. That acts as a sounding board and it throws the sound through the channels in the street. If you stand on the south corner at Sixty-fourth Street, you get a discord, but if you go half way up the block between Sixty-fourth and Sixty-fifth Streets, you get melody, and if you go a square or so farther up you get the best melody at Sixty-seventh Street.

So we are putting them into a tower in the building at One Hundred and Twenty-second Street and Riverside Drive where the lower level of bells will be 300 feet above the street.

Senator THOMAS. What is the range of the sound of these bells?

Mr. CONKLIN. In five octaves.

Senator THOMAS. I do not mean that. I mean in distance, in blocks or miles.

Mr. CONKLIN. I understand that the large bells will carry probably 10 or 12 miles, and the small bells, of course, will not carry so far.

Senator WALSH. You can not identify a tune as far as that?

Mr. CONKLIN. I do not suppose you could identify a tune more than half a mile, or perhaps a mile. We are under the impression that on the Palisades, across the river, people will be able to hear the bells and identify the tunes.

Senator THOMAS. How many sets of these bells are there in the United States?

Senator COUZENS. Is that all in your brief?

Mr. CONKLIN. Yes, sir; that is all in the brief. There are about 23, I think. I have listed in the brief all there are in the United States.

Senator THOMAS. I suppose that it might be possible there are some points in Massachusetts not served by one of these sets of bells.

Mr. CONKLIN. It is possible. Massachusetts has succeeded in getting one of these sets in free, and Rhode Island has too, and we would like to get one into New York free also. We would ask that the matter be considered further as to putting these carillons on the free list. If we could get them in this country we would get them here. But we can not.

Senator THOMAS. The procedure you propose to follow makes it impossible to ever get them here, does it not?

Mr. CONKLIN. No. If the American manufacturer will do what the English manufacturer has done, that is, produce the bells, they will be bought here.

Senator THOMAS. That applies to each of the thousands of articles covered in the bill.

Mr. CONKLIN. But are we to sit here now, when we can not get the instruments in this country and pay this duty? Are we to be penalized while the American manufacturers are attempting to do this? Must we simply be limited to the 10, 12, or 20 bells which they can make and ship them abroad in order to have them tuned in with the rest of the bells?

Senator THOMAS. What about the labor that will be thrown out of employment by putting these bells on the free list?

Mr. CONKLIN. We have at the most 125 people engaged in that work, and the testimony is that they are averaging somewhere around \$6.50 or \$7 a day.

Senator THOMAS. That is considerable. This morning we had an institution before us employing six men who wanted protection.

Senator COUZENS. How often do you play those bells?

Mr. CONKLIN. Every Thursday and twice on Sunday, in the present location. In the new location there will be probably about four concerts a week.

Senator COUZENS. How long are the concerts?

Mr. CONKLIN. They last an hour. They will also be played on church festival days and national festival days, and on the national festival days with patriotic music, the same as is done abroad, and on church festival days with church music. They are also played at Thanksgiving, Christmas, and Easter, with the appropriate music, and large groups of people gather in the streets to hear them.

Senator COUZENS. So that the neighbors have to have the music whether they want it or not?

Mr. CONKLIN. Yes, they do.

(Mr. Conklin submitted the following brief:)

BRIEF OF THE PARK AVENUE BAPTIST CHURCH OF NEW YORK CITY

The present tariff act under paragraph 1443 imposes a 40 per cent ad valorem duty upon "musical instruments and parts thereof." Interpretation of this paragraph has been such that carillons have been included under it and taxed at the rate stated.

Under the proposed tariff act, H. R. No. 2667, paragraph 1541; (c) it is proposed to reduce this duty to 20 per cent ad valorem.

It is respectfully requested that carillons be eliminated from paragraph 1443 of the tariff act, and that they be placed upon the free list.

At the outset it is important to consider what is a carillon and the distinction that exists between a carillon and a chime.

The Century Dictionary gives a very clear definition. It says:

"A carillon is a set of stationary bells tuned so as to play regularly composed melodies, and sounded by action of the hand upon a keyboard or by machinery. It differs from a chime or peal in that the bells are fixed instead of swinging, and are of greater number. The number of bells in a chime or peal never exceeds 12; a carillon often consists of 40 or 50. The carillons of the Netherlands were formerly famous, but the best are now found in England."

It defines a "chime" as:

"A set of bells (regularly 5 to 12) tuned to unusual scale; called chimes, or a chime of bells. When the bells are stationary, and are struck by hammers instead of tongues, the set is more properly called a carillon; carillons some-

times consist of from 40 to 50 bells, the smaller bells rising in chromatic succession, while the larger are generally limited to such fundamental bases as the tonic, dominant and subdominant."

Some authorities divide bells into five classes:

(a) Individual bells, such as those used for locomotives, fire bells, clock bells;

(b) Small peals, the simplest class of music obtained from the collective use of bells occurs when three or four bells are grouped together for sounding "Cambridge Quarters," "Westminster Chimes," etc.;

(c) Ringing peals, a higher class of the collective use of bells, is found in sets of 8, 10 or 12 bells;

(d) Chimes, a still higher class, consisting usually of 8, 10, or 12 bells; and

(e) Carillons, the highest class of bell music, and the only class which is really defined as an art.

The art of making carillon bells existed in Flanders some three hundred years ago and seemed to be lost until about 1922 when it was rediscovered by two English bell makers.

It is found that the true carillon bell has to be accurately tuned and should have five tones within itself, all tuned in harmony, namely: The hum tone, a perfect octave below the strike tone; the strike tone, a perfect octave above the hum tone and a perfect octave below the octave; third, a minor third above the strike tone; fifth, a perfect fifth above the strike tone; octave, a perfect octave above the strike tone.

In other words, a carillon bell must be in perfect tune in itself. Likewise it must be in perfect tune with all the other bells in the carillon as to each one of these individual tones in each bell.

The carillon bells are tuned in the chromatic scale; that is, they have all the white and black notes of the piano, whereas the chime bell is in the diatonic scale.

In playing a chime, occasionally two or more bells are played simultaneously, but usually only one bell is played at a time. A chime thus typifies a simple and very crude form of bell music.

In the case of a carillon, however, since it contains all of the notes in the chromatic scale extending over several octaves, carillon music comprises a great variety of melodies accompanied by harmonies and chords of every character. A carillon, therefore, typifies the highest form of bell music.

Because a carillon bell contains five separate tones and because each bell is played in conjunction with many other bells, it is essential that all the bells be not only in tune themselves but be in tune with each other.

It is a task of no mean difficulty to make well-tuned bells of medium size, say, within the chime compass of one octave or so. But that difficulty is greatly increased as soon as this compass is extended to a second octave and tremendously increased when a third octave is attempted, and when the fourth and fifth octaves are reached the difficulty may be overcome only by a genius.

Manufacturers of bells concede that the most difficult ones to tune are the very large ones and the very small ones and that special equipment is necessary to manufacture the very large bells.

But the bells are not the whole instrument. A carillon consists not only of the bells above mentioned but of the console which is a specially constructed keyboard of hand and foot keys, the wires connecting the pedals of the console with the bells and the frame which holds the bells. In affixing the bells to the frames, they must be insulated so that the vibration which causes the music comes from the carefully attuned bell and not from the framework, and then this whole instrument must be placed into a tower so constructed that the music from the bells may come out to the people who hear it from the outside of the building and not from the inside, for a carillon is played for the outside public and not privately for those invited inside of the structure.

It is not our purpose in asking for a change in this law to effect adversely any American manufacturers of bells. Were the American manufacturers able to manufacture these carillons, this modification in the tariff law would not be asked.

It is our claim, and we believe it was conclusively demonstrated before the Ways and Means Committee of the House of Representatives, that American bell manufacturers can not manufacture and tune carillon bells. In fact, there are only two or three manufacturers in the world who can do this, and two of these are in England.

It is a fact of great significance that individuals and institutions such as the Roman Catholic Church of Our Lady of the Rosary at Providence, R. I.; the Roman Catholic Church of Our Lady of Good Voyage at Gloucester, Mass.; General Hugh Bancroft, of Bancroft, Mass.; Edward W. Bok, of Mountain Lake, Fla.; University of Chicago, of Chicago, Ill.; committee on war memorial to American engineers, Louvain, Belgium; executive committee of the Albany carillon, Albany, N. Y.; St. Peter's Church, Morristown, N. J.; Park Avenue Baptist Church of New York City; Grace Church, Plainfield, N. J.; Jefferson Avenue Presbyterian Church, Detroit, Mich.; Princeton University, Princeton, N. J., and many others have secured or are about to secure carillons from foreign manufacturers.

None of these persons or institutions can be charged with a desire either to injure or impede the progress of American industry or to promote or advance the business and profits of foreign bell founders.

No reason can be suggested for their unanimous action in purchasing their carillons from foreign countries other than that these instruments can not be purchased elsewhere.

When the Park Avenue Baptist Church looked into the question of the purchase of a carillon, they first made inquiries and investigations to see if it could be purchased in this country. They found it could not. It was accordingly purchased from Messrs. Gillett & Johnston, of Croydon, England.

This carillon now consists of 53 bells; it is about to be increased to 57 bells. The bells cover a range of five octaves. They range in size from high A, which weighs 9 pounds and is 6¼ inches in diameter to the large Bourdon bell, which will weigh 20 tons and will be 120 inches in diameter.

When the Park Avenue carillon is completed, it is expected that it will embrace a compass of six octaves; in fact the manufacturer has now accomplished all but two notes of that range.

Is it fair to compel the church to pay a duty on this carillon when at the most only one or possibly two octaves could be made in this country and to attune the bells, which of necessity must be made abroad, the American bells would have to be shipped over there, as all the bells must be tuned together, just the same as a piano must be tuned at one time and an organ must be tuned at one time, so that all the notes are attuned with the keynote, and the keynote in our carillon is the 20-ton Bourdon.

In order to cast this Bourdon bell it was necessary to melt at one time 25 tons of bell metal which had to be ladled into the mold with four traveling crane ladles, so that the molten metal could all be poured into it before any of the metal had an opportunity to cool and harden. It was necessary to have machinery to take this bell after it had been cast and to tune it.

Our investigations disclosed that there was no bell foundry in the United States which was capable of melting bell metal and pouring it into the mold in this way and no foundry which possessed a tuning instrument capable of tuning a bell of this type.

Therefore, we were compelled to go elsewhere to purchase a carillon. We found that there were only two firms capable of manufacturing a carillon of this character—Messrs. Gillett & Johnston and Messrs. Taylor Bros., both in England.

This was the experience of the Park Avenue Baptist Church of New York City.

This was likewise the experience of the committee on war memorial to the American engineers, which has installed at the University of Louvain a carillon in memory of the American engineers who lost their lives during the war. The report of that committee is as follows:

CARILLON AT LOUVAIN, BELGIUM, IN MEMORY OF ENGINEERS OF THE UNITED STATES WHO GAVE THEIR LIVES IN THE GREAT WAR, 1914-1918

UNITED ENGINEERING SOCIETY,
New York, November 13, 1928.

I, Edward Dean Adams, of New York City, chairman of the committee on war memorial to American engineers, make the following declaration:

In June, 1927, I went to Louvain as the delegate of the American Societies of Civil, Mining, and Metallurgical, Mechanical, and Electrical Engineers, Engineering Foundation and Engineering Societies Library, to the celebration of the five-hundredth anniversary of the University of Louvain. While in

Louvain, I visited the new library and its tower being erected with funds given by hundreds of thousands of Americans to replace the ancient building burned at the outbreak of the war. I learned that complete provision had been made for the building but no funds were available for a clock and a carillon, without which no Belgian tower is complete. Spaces for a clock and a carillon had, nevertheless, been made in the tower.

While considering this unfortunate lack of carillon and clock, I remembered that no memorial had been erected to the professional engineers of the United States who had died in the war. The thought occurred to me then that there could be no more suitable memorial than a carillon and a clock in the Louvain library tower. After my return, I submitted my idea to Engineering Foundation at its meeting October 20, 1927, and it was unanimously accepted. In due course the committee on war memorial to American engineers was officially appointed and empowered to act for the organizations that had sent me to Louvain, and also for United Engineering Society and the Society of American Military Engineers. The cooperation of 11 other national engineering societies was secured.

While yet in the land of carillons in the summer of 1927, I began inquiries about carillons and their makers and continued this inquiry in England. The information collected indicated that whereas the best carillons were formerly made in the Low Countries, some English makers now excelled.

I also learned the clear distinction between carillons and chimes. Among makers mentioned, I heard high commendations of the Croydon bell foundry, of Gillett & Johnston. I ascertained that this firm had made some notable carillons for installation in America. Therefore, I visited Croydon, inspected the bell foundry, became acquainted with leading members of the firm, and made inquiries about its facilities and production capacity. Having been told of the expectation to dedicate the Louvain library in the late spring or early Summer of 1928, and realizing that the time unavoidably to be consumed in organizing my project would leave an unusually short interval for the production and installation of a great carillon, I obtained from Gillett & Johnston several proposals for carillons and clocks and an option on their production facilities. Furthermore, I examined all the literature in the English language on carillons of which I could learn with the assistance of one or two libraries.

All this information and the proposals were submitted to the committee on war memorial, of which I have been made chairman. Other members of the committee supplemented my inquiries. We visited carillons in New York and Princeton and got information about others on this continent. All of them had been made in Europe. We learned of no makers of carillons in the United States. Mr. Meneely, of Troy, N. Y., called at our office and also sent literature about the products of the Meneely Bell Co. This maker has produced numerous important chimes, but we learned of no carillons among its output. Desiring to have so conspicuous a memorial the best in every respect, our committee sought expert advice. We learned that Frederick C. Mayer, organist of West Point Military Academy, had made a special study of the design, tuning, and operation of carillons and was practicing as a carillon architect. We engaged him as our adviser. He assured us that no carillons were made in the United States and that our provisional selection of Gillett & Johnston was wise. One fact that was influential in our decision was the high reputation of Mr. Cyril F. Johnston for remarkable personal skill in tuning bells.

Naturally our committee would have preferred to have an American memorial made in the United States, and our second choice under the circumstances would have been Belgium; but all our investigations indicated that the carillon desired could be made only in England. Besides there was no time limit by any other firm than Gillett & Johnston. Therefore, we placed our order with them and the work was satisfactorily and punctually done.

EDWARD DEAN ADAMS,

Chairman Committee on War Memorial to American Engineers.

Edward Dean Adams, being duly sworn, doth depose and say that he is chairman of the committee on war memorial to American Engineers, and that the foregoing is a true statement concerning the selection of a firm to produce and install the carillon and the clock therein described.

STATE OF NEW YORK,
County of New York, ss:

On the 15th day of November, 1928, before me personally came Edward Dean Adams, known to me to be the person who executed the foregoing statement, and he thereupon duly acknowledged to me that he executed the same.

T. F. MILTON, *Notary Public.*

We are informed that the other purchasers of carillons above named in every case satisfied themselves that the carillon desired could not be manufactured or purchased in this country before they placed their orders abroad.

It is no disparagement to American bell founders to state that they can not compete with foreign concerns in the manufacture of carillons. As was stated above, the art of casting and tuning bells suitable for carillons was lost for over 200 years and was only rediscovered about 10 years ago by English bell founders. Although Mr. Seery attempted to deny this fact, Mr. Meneely admitted it, and his testimony on that point is very interesting. He said in answer to questions by Mr. Rainey:

Mr. RAINY. You do not agree with the statement made yesterday by these interested, cultured gentlemen, that for 200 years the art of making carillons was lost, just to be rediscovered 20 years ago? You knew about it all the time, is that the idea?

Mr. MENEELY. Well, no; not exactly. The art of tuning, the way those old carillons were tuned, was perhaps lost, but that is what we call the five point tuning, and that was found about 15 years ago by one of the English concerns, through the help of the British Government and professors in colleges of England, and they started making the so-called 5-point tuned bell. My father had discovered the three-point tuning on his own hook long before that. Then he discovered a little bit later the so-called 5-point tuning. It is a very intricate subject, that particular tuning, and it is hard to describe and hard to understand.

Mr. RAINY. How long ago did your father discovered the five-point tuning?

Mr. MENEELY. It was several years ago.

Mr. RAINY. After the discovery made in England?

“Mr. MENEELY. He had the 3-point tuning before the English had 1-point, but the 5-point; yes, sir.

“Mr. RAINY. But about 15 years ago the English rediscovered the old art of accomplishing the 5-point tuning?

“Mr. MENEELY. Yes, sir.

“Mr. RAINY. Then your father waited several years and discovered it himself, is that the idea?

“Mr. MENEELY. Yes, sir.”

In the course of the hearing before the Ways and Means Committee of the House of Representatives, there were only two bell founders who appeared in opposition to our application to place carillons upon the free list: Mr. S. W. Seery, representing the McShane Bell Foundry Co., of Baltimore, Md., and Mr. Andrew E. Meneely, representing Meneely & Co., Watervliet, N. Y.

Let us see what these foundries have done as brought out by the testimony of their own representatives:

McShane Bell Foundry Co., Baltimore, Md.—This concern employs about 20 men (p. 7856).

The illustrated booklet exhibited indicated that this concern specializes in chimes (not carillons) of from 10 to 15 bells (p. 7856).

It has never manufactured or installed a carillon (p. 7861).

The largest bell manufactured was 10,000 pounds. Whether this bell was tuned or not did not appear (p. 7860).

It is not equipped to cast a 20-ton bell (40,000 pounds) (p. 7861).

Meneely & Co., Watervliet, N. Y.—This company employs 12 to 25 men—an average of about 20 (p. 7868).

The largest series it has ever made consisted of 23 bells (p. 7867).

A great deal of its business has consisted of “chimes and peals and things like that” (p. 7869). This company could not make the larger bells of a carillon, especially a bell weighing 11 tons or more (p. 7848).

A great deal has been said by the American bell founders about a carillon of 23 bells manufactured by Meneely & Co. and installed in a church at Danbury, Conn.

Mr. Kamel Lefevere, a graduate of the National Carillon School at Mechlin, Belgium, and who has played practically every carillon in Belgium, Holland, France and England, writes concerning this Danbury carillon as follows:

"I am a graduate of the carillon school at Mechlin, Belgium, and am familiar with the art of carillon playing and the construction and manufacture of carillon consoles. I have played carillons in the United States, Belgium, England, Holland, France and Canada.

"A carillon should consist of not less than 23 bells all perfectly attuned in themselves and with their neighbors in the chromatic scale. A chime consists of a number of bells less than 23, in the diatonic scale, with possibly and mostly one or two half tones. A bell may be acceptable for a chime which does not have the half tones, but not acceptable for a carillon which has the half tones. The effect of a bell being slightly off tune is more easily recognized by the ear in a carillon than in a chime. People in this country are accustomed to hearing chime bells which are not on the correct key, and because of the fact that they are at least a whole tone apart do not consider them bad, whereas if they hear bells which are only a semitone apart, they easily recognize whether or not they are off the tone.

"I am familiar with carillons which have been manufactured by Michiels of Tournai, Belgium; Gillett & Johnston and Taylor Bros., of England. I am also familiar with bells manufactured by Mr. Meneely.

"At the request of Mr. Alfred Meneely, of Watervliet, N. Y., I went to Danbury, Conn., to play the carillon constructed by his company. I found the bells composing that carillon to be a great improvement over the bells previously manufactured by his company. I found the lower octave better than the upper octave, but several of the bells were out of tune. These bells were not tested by a trained carillonneur before they were erected in the church tower in Danbury. It is the custom of all English and Belgian carillon makers to have their bells tested before they are installed.

"In my opinion the best carillons are now made by the two English firms above mentioned, and after them comes the firm of Michiels of Belgium. These three firms make much better bells than any made in the United States, and in fact are the only firms manufacturing bells which are really suitable for carillon playing.

"At the request of Mr. Meneely I wrote him a letter in which I stated that his bells at Danbury were a great improvement on the bells previously manufactured by him, but that it was not a perfect carillon. I also wrote a letter on this matter to Col. William Gorham Rice, of Albany. In those letters I did not intend to convey the impression that the Danbury carillon was a satisfactory carillon, but simply that the bells were better than those previously made in the United States. I also stated in my letter to Colonel Rice that I did not wish his letter to be used in any way against the free importation of carillons to the United States, for it is my opinion that the art of making carillon bells has not progressed in this country to a point where a satisfactory carillon can be obtained; that satisfactory carillons can be obtained at the present time only in England, with possibly the one firm in Belgium. I say possibly the one firm in Belgium for of my own knowledge I know that that firm has been trying for five years to perfect a carillon. It started in 1922, and the bells were not satisfactory, but in 1927 they stated that after numerous experiments they were satisfied with them to a point where they were willing to deliver the bells as a carillon. I have not yet tested that carillon, although I have been invited to do so.

"The bells composing the Danbury carillon are to my own knowledge not as satisfactory as those previously made by the Michiels firm and are not in the same class as the bells manufactured by the two English firms.

"The position of the bells in the Danbury carillon makes it practically impossible to test each one to determine accurately the variance from the correct key.

"The clavier of the Danbury carillon is not a satisfactory one, and it is not as good as those manufactured by the English and Belgian firms. Mr. Meneely has asked me to assist him in perfecting the clavier to our standard clavier, and with that end in view I have furnished him with photographs of the correct standard clavier construction of the Belgian National Carillon School, and have given him suggestions based on my experience of work performed by me in drawing the plans and constructing claviers, both for use in Europe and in the United States. The correct clavier is one which is so

constructed that the carillonneur can feel the of the clapper on the bell through his hand on the hand controls and through his foot on the foot controls. The clavier is an essential part of a complete carillon.

"KAMIEL LEFEVERE."

It will be noted in this that he does not say this is a carillon, but simply that the bells were a great improvement on the bells previously manufactured by this maker. In fact he says:

"I found the lower octave better than the upper octave, but several of the bells were out of tune. These bells were not tested by a trained carillonneur before they were erected in the church tower in Danbury."

And again, he says:

"The bells composing the Danbury carillon are to my own knowledge not as satisfactory as those previously made by the Michiels firm and are not in the same class as the bells manufactured by the two English firms and also the Belgian firm."

In 1926 there was set up by Meneely & Co. a set of 14 bells which were examined and tested by the Albany Carillon Music Society of Albany, N. Y., which at that time was seeking suitable bells for a municipal carillon.

Their report is as follows:

REPORT OF THE ALBANY CARILLON MUSIC COMMITTEE AFTER INSPECTING AND HEARING A CHIME OF 14 BELLS IN THE FOUNDRY OF THE MENEELY CO., WATERVLIET, N. Y.

MORRISTOWN, N. J.,

June 23, 1926.

To the Executive Committee the Albany Carillon:

At the outset the committee collectively and individually must express their profound appreciation of the extreme kindness and courtesy shown to them by the officers of the Meneely Co. The bells were splendidly played by a very gifted young man; all questions asked by the committee were frankly answered and the committee was made perfectly at home in the foundry. It is a pleasure to record the impression that the Meneely foundry is definitely interested in the development of the art of bell making in America; the legitimate but narrower ambition of purely commercial success is clearly subordinated.

The 14 bells in question demonstrate in the opinion of the committee a considerable advance toward the approximation of pitch relationship; in this respect the chime heard by the committee is definitely superior to many examples of American bell making which could be cited. Even so, however, it can not be said that the bells heard are absolutely in tune one with another; this is evidenced when two bells an octave apart, certain triads, and 4-note chords, respectively, are struck together. Further, not only must each bell be in true musical relationship to every other bell of the chime or carillon but, and this is of even greater importance from the point of view of a fine quality of tone, each bell must of necessity be scientifically, mathematically precise in the tuning of its own overtones or harmonics. In this respect the bells in question were lacking in accuracy; moreover, there was no uniformity or regularity in the deviation of the harmonics from the correct ratio; in other words, the harmonics were chaotic, conveying an impression of falseness of tune. The tune of such bells may range all the way from an agreeable mellowness at the best to a definite dullness conveying melancholy rather than joyousness.

For the reasons above stated if the committee were asked to accept or reject the bells in question as satisfactory examples of carillon bells they would be obliged without hesitation to reject them. It should be added that the statements made in relation to the tuning of the harmonics can be proven scientifically by the use of the proper instruments.

Respectfully submitted.

FREDERICK ROCKE,

*Note Carillonneur, Organist, and Choirmaster,
St. Peter's Church, Morristown, N. J.*

T. FREDERICK H. CANDLYN,
Organist and Choirmaster St. Paul's, Albany, N. Y.

It is not surprising, therefore, that American bell founders have thus far found no one willing to entrust them with an order for carillons such as the following, all of which were manufactured abroad and imported into this country:

| Name of institution | Number of bells | Octaves | Weight of largest bell |
|--|-----------------|---------|------------------------|
| | | | <i>Pounds</i> |
| City Hall, Albany, N. Y..... | 60 | 4½ | 11,200 |
| Agricultural College, Ames, Iowa..... | 36 | 3½ | |
| Phillips Academy, Andover, Mass..... | 37 | 3½ | 2,347 |
| First Presbyterian Church, Birmingham, Ala..... | 25 | 2 | 1,709 |
| Christ Church, Bloomfield Hills, Detroit, Mich..... | 52 | 4 | 6,720 |
| Chicago University, Chicago, Ill..... | 64 | 5½ | 38,080 |
| St. Chrysostom's Church, Chicago, Ill..... | 43 | 3½ | 5,600 |
| Emery Memorial, Cincinnati, Ohio..... | 23 | 2 | 4,480 |
| St. Stephen's Church, Cohasset, Mass..... | 51 | 4½ | 11,760 |
| Jefferson Avenue Presbyterian Church, Detroit, Mich..... | 23 | 2 | 2,296 |
| Church of Our Lady of Good Voyage, Gloucester, Mass..... | 31 | 2½ | 2,826 |
| Masonic Cathedral, Indianapolis, Ind..... | 63 | 4 | 11,200 |
| Mercersburg Academy, Mercersburg, Pa..... | 43 | 3½ | 7,168 |
| St. Peter's Church, Morristown, N. J..... | 35 | 3 | 4,495 |
| Bok Bird Sanctuary, Mountain Lake, Fla..... | 61 | 4 | 23,520 |
| Park Avenue Baptist Church, New York City, N. Y..... | 57 | 5 | 40,928 |
| Ward-Belmont School, Nashville, Tenn..... | 23 | 2 | 1,344 |
| Town Hall, Norwood, Mass..... | 50 | 4½ | 7,840 |
| First Methodist Church, Germantown, Pa..... | 61 | 4 | 6,720 |
| Grace Church, Plainfield, N. J..... | 23 | | 2,296 |
| Cleveland Memorial Tower, Princetown, N. J..... | 35 | 3 | 12,880 |
| Mayo Clinic, Rochester, N. J..... | 23 | 2 | 7,840 |
| Trinity Methodist Church, Springfield, Mass..... | 61 | 4 | 7,918 |

¹ To be increased to 62.

² To be increased to 37.

³ To be increased to 6,552 pounds.

⁴ To be increased to 47.

⁵ To be increased to 4.

The foregoing list is derived from the advance sheets of the forthcoming new edition of *Carillon Music and Singing Towers of the Old World and the New*, by William Gorham Rice, Albany, N. Y., to be published by Dodd, Mead & Co.

Willingness to undertake the construction of these carillons can not take the place of demonstrated ability of performance.

Carillons are procured almost entirely for ecclesiastical and educational institutions. They must always be for the benefit of the public and not for private purposes. They must be erected in a tower exposed to the outside air so that the music may travel out.

In Flanders, Belgium, the home of the carillon, people gather to hear them for patriotic purposes, for rejoicing at times of victory, for national festival days, for religious celebrations. They are means of arousing patriotism, of calling people to church and of training the public to an appreciation of the better type of music, for on a carillon only the finest type of patriotic, church and classical music is played. The carillon has no commercial qualities. It is not purchased by these institutions for resale, for the purpose of making a profit, but purely for the highest inspirational and patriotic purposes. There is nothing selfish about the purpose, installation, and playing of a carillon. It is by its nature diametrically opposed to such purposes.

To institutions such as these, the artistic element is the immediate object. Bells do not wear out. They do not deteriorate or have to be replaced. They do not get out of tune. The tone which they carry when installed, stays with them during their existence.

Therefore, it is of the utmost importance to those persons and institutions installing carillons, that they be as nearly perfect as human genius and ingenuity can make them. Otherwise, a few false bells, a lack of tune, will forever mar the monument and memorial which carillons are intended to represent.

We say that these carillons can not be produced here and that for that reason they should be put upon the free list.

The amount of money involved in this duty on carillons is very large. A carillon like ours costs from \$200,000 upward. The duty will, therefore, range from \$80,000 upward.

Mr. Meneely has estimated the value of carillons imported within a comparatively short period at the sum of \$3,000,000.

Forty per cent duty on this sum would amount to \$1,200,000.

This is the sum of money which ecclesiastical and educational institutions and their friends have paid for the alleged protection of the American bell founders.

But the bell-founding industry in this country is not a very large one. Meneely employs an average of 20 men. McShane employs an equal number. The entire industry in the United States does not employ over 150 men, and this number includes the men working on all kinds of bells, locomotive bells, ships bells, warning bells, church bells, school bells, etc., etc. The number of men actually working on carillons can not be very considerable.

Nor is it an industry essential or important to the national defense or the economic well-being of the country. Indeed, Mr. Meneely testified (p. 7871) that he pays only about \$6.75 a day for expert bell makers.

It should also be borne in mind that in making any comparison between cost of American and cost of English bells and carillons, the American manufacturer includes in his total cost that of installation while the European manufacturer sells his f. o. b. and there is an additional charge for erection in this country.

The question of admitting carillons free from duty has been before Congress for many years.

In 1909 the first bill was passed admitting a carillon free from duty. This carillon does not come up to the modern test but we are informed that the people who imported that carillon are now importing some further bells and are asking Congress to admit them free from duty.

In 1922 Congress passed a bill admitting free of duty bells for the Church of Our Lady of Good Voyage at Gloucester, Mass.

In 1923 Senator Kellogg, later Secretary of State, introduced and we are informed had passed in Congress a bill to exempt from duty a carillon of 23 bells for the House of Good Hope at St. Paul, Minn.

In 1924 Senator Gerry introduced a bill exempting a carillon of 34 bells for Providence, and this was passed as Senate bill No. 3307.

No other bills have been allowed to be reported out of either the Senate or House committees, although numerous ones have been introduced by the following institutions: St. Stephen's Church of Cohasset, Mass.; Church of Notre Dame de Lourdes, Fall River, Mass.; Jefferson Avenue, Presbyterian Church of Detroit, Mich.; Church of the Sacred Heart, Albuquerque, N. Mex.; Saint Chrysostom's Episcopal Church, Chicago, Ill.; Scottish Rites Temple, Indianapolis, Ind.; Park Avenue Baptist Church of New York City; and also a bill introduced by Mr. Edward W. Bok in respect to a carillon recently installed by him at Mountain Lake, Fla.

In the bill which was introduced in the House of Representatives, H. R. No. 5530, Seventieth Congress, first session, it was provided that to be entitled to be placed on the free list, the shipment must contain not less than 23 bells, or additional bells to augment an existing set, so that it shall come up to 23 or more bells; that there must be a satisfactory affidavit given by a responsible citizen of this country to the effect that the bells are intended for and will be installed for carillon purposes only and that the bells can not be obtained in the United States.

It is therefore, submitted that in view of the foregoing facts, Congress should exempt from duty all importations of carillons which come up to the proper standard; that this action should be retroactive, because of the fact that Congress has on three occasions exempted carillons from duty and because others who have applied for exemption prior to importation of carillons have been refused, a hearing by Congress and because there should be no discrimination which exists at present because of the passage of those bills.

We think that the American people should be allowed to procure this beautiful musical instrument abroad without being penalized to the extent of 40 per cent of the cost thereof, since the same can not be procured in the United States, and no hardship is therefore being done to any American manufacturer.

Respectfully submitted,

WM. R. CONKLIN,
Attorney and Trustee of the Park Avenue Baptist Church,
of New York City.

NEW YORK CITY, N. Y., June 21, 1929.

STATE OF NEW YORK,
County of New York, ss:

William R. Conklin, being duly sworn, deposes and says, that he has prepared the above memorandum on behalf of the Park Avenue Baptist Church of New York City, and that the facts therein contained are to his best knowledge, information, and belief true and correct.

WM. R. CONKLIN.

Sworn to before me this 22d day of June, 1929.

[SEAL.]

ROBERT W. OWENS,
Notary Public, New York County.

Commission expires March 30, 1930.

REPLY BRIEF ON BEHALF OF THE PARK AVENUE BAPTIST CHURCH, NEW YORK CITY

In order to clear up some apparent misunderstandings in regard to the efforts made by the Park Avenue Baptist Church of New York City to secure a carillon in the United States, I desire to refer to one or two facts.

The church through Edward L. Ballard, the president of the board of trustees and others interested in the matter carried on considerable correspondence with the Meneely Bell Co., of 220 Broadway, New York City, with a foundry at Troy, N. Y., and Meneely & Co., of Watervliet, N. Y. Mr. Ballard had several interviews with Mr. Meneely. On December 7, 1921, Mr. Ballard wrote the Meneely Bell Co., 220 Broadway, New York City, as follows:

"DEAR SIR: Replying to yours of the 29th ultimo, I can only say that until you sent me, as you agreed, a letter which names some specific set of chimes that you will at least equal the 12-chime set that your letter of October 21 proposes to furnish for \$18,000, there is no offer from your firm for me to consider.

"I think I should say to you so that there can be no question but that I am treating you fairly and frankly, that I am in active negotiations with other chime makers, and, in fact, have sent a representative to one factory in order to see and test a chime equipment that has been made for another church, and which, in the proposition now before us, it is agreed to equal. I speak of this so that if you desire to have a proposition from your firm considered, you will realize it would be desirable for you to act promptly."

To which the company, by William B. Meneely, vice president, replied on December 9, 1921, saying among other things:

"We are hopeful that you will see your way clear to accept our proposition of \$22,000 for a duplicate of the West Point chime which would insure for your fine church and community a chime that would be second to none in existence; but if you decide upon buying a chime costing not more than \$16,000, we offer a chime of 10 bells, such as we have shown to the gentlemen whose names are mentioned above, with the assurance that it will not only prove entirely acceptable but that it will afford the best chime value obtainable at the price."

The investigations continued and on May 25, 1922, Mr. Houston wrote Mr. Meneely a letter which was offered in evidence by Mr. Meneely at the hearing from which an effort was made to draw the conclusion that it was a question of price which determined the change from American to foreign bell manufacturers, but the church still continued its investigations in the United States and abroad.

A letter was received on July 28, 1922, from Ernest A. Meneely, of Meneely & Co., of Watervliet, N. Y., to which the following reply was made:

"August 14, 1922.

"DEAR SIR: This is to acknowledge the receipt of your letter of July 28.

"While Mr. Rockefeller is favorably inclined toward a carillon, very careful study which he has caused to be made of bells and bell making, both in this country and abroad, leads him to feel that since the foreign bell makers are able to guarantee to make bells having their first five harmonics in perfect tune, carrying this through three octaves, and have the bells likewise in tune with an accurately tempered scale, he would be surer to get a satisfactory result with bells made abroad quite irrespective of the fact that even if duty must be added the foreign bells are far less costly than any on which Mr. Rockefeller has received figures in this country.

"It is needless to add that if Mr. Rockefeller found in quality and in price there were anything approaching equality between foreign and American bells, he would naturally prefer to place his order in this country."

And to which Mr. Meneely replied on August 16, 1922, saying, among other things:

"Three octaves of bells in perfect harmony is quite possible. We have not deemed the upper octave of tiny bells weighing from 150 pounds down to 20 pounds to be advisable for towers of churches in the United States, for the church towers here are low when compared with the carillon towers of Europe, and the tiny bells sound best when elevated at a considerable height. That we do make two full octaves of harmonic bells is evidence that we can make three if it is desirable to include the small bells."

It thus appears that the Meneely & Co. had not made the small bells and did not care to make them, whereas the Park Avenue Baptist Church was seeking to get a carillon which necessarily included these small bells.

Your committee will find by referring to a letter from Meneely & Co. to M. B. Medary, dated July 28, 1926, which letter was offered in evidence by Mr. Bok at the hearings, that they objected there to the larger bells. They said:

"We can make carillons, we believe, better than many of the foreign sets and fully equal to the best ever manufactured, but our equipment at the present time is not equal to carry the three large bells that you ask quotations for. The largest bell we have ever made weighed 13,000 pounds. Our furnaces will melt at one time 27,000 pounds, but our cranes would not stand such a load all at once."

It appears, therefore, that American bell manufacturers were at least in these two instances given an opportunity to make carillons, but were not able to satisfy the purchasers that they could do so; in the one instance they objected to the small bells and in the other to the large bells. As the carillon must have both, we feel that our statements are proven that the American bell founders can not make, and have not made, carillons of the size required by us, and that we should not be penalized because of this fact which forces us to buy them abroad, and therefore the duty on carillons of this size should, at least in the instances, suggested by George O. Fairweather on behalf of the University of Chicago be granted total exemption from duty.

Respectfully submitted.

WM. R. CONKLIN,
Trustee of and Attorney for
Park Avenue Baptist Church of New York City.

STATE OF NEW YORK,

County of New York ss:

William R. Conklin, being duly sworn, deposes and says, that he has prepared the above reply memorandum on behalf of the Park Avenue Baptist Church of New York City, and that the facts therein contained are to his best knowledge, information and belief true and correct.

WM. R. CONKLIN.

Sworn to before me, this 8th day of July, 1929.

[SEAL.]

THOMAS R. EVANS, *Notary Public.*

Commission expires March 30, 1930.

**STATEMENT OF GEORGE O. FAIRWEATHER, REPRESENTING THE
UNIVERSITY OF CHICAGO, CHICAGO, ILL.**

(The witness was duly sworn by the chairman of the sub-committee.)

Senator KEYES. Will you state whom you represent?

Mr. FAIRWEATHER. I represent the University of Chicago.

Senator KEYES. You are in favor of these bells being on the free list?

Mr. FAIRWEATHER. Yes, sir.

Senator KEYES. You heard Mr. Conklin's testimony?

Mr. FAIRWEATHER. Yes, sir.

Senator KEYES. You think that you have something to add to that?

Mr. FAIRWEATHER. I have a little different point of view which I think meets the test laid down by Senator Thomas.

Senator WALSH. Your bells have not yet reached America?

Mr. FAIRWEATHER. No, sir.

Senator WALSH. You have ordered them?

Mr. FAIRWEATHER. Yes, sir.

Senator WALSH. They are being built where?

Mr. FAIRWEATHER. They are being built in England.

Senator WALSH. Are those bells a gift also?

Mr. FAIRWEATHER. Those bells are under contract between the University of Chicago and the Croyden Bells Works, and we hope to have some friend of the university help us in a reimbursement of the contract price.

Senator WALSH. What is the cost?

Mr. FAIRWEATHER. It will be substantially \$200,000. It will be a carillon composed of 64 bells ranging in size from a few pounds up to 17 or 18 tons.

Senator WALSH. You have built a special tower to hold those bells?

Mr. FAIRWEATHER. We have a new tower for those bells.

Senator WALSH. The ordinary church tower would not hold them?

Mr. FAIRWEATHER. I think that that is correct.

In our approach to this matter, we have tried to inform ourselves so as to consider the question fairly from the standpoints of the national legislature, the American manufacturer, the people of the country, as well as ourselves, and our own standpoint is that of a prospective purchaser of a carillon of 64 bells, costing approximately \$200,000, involving a single tax on the House bill basis of \$40,000.

Taking those four viewpoints in their reverse order, our purpose, as indeed the purpose of any purchaser of an adequate and comprehensive carillon, would be served only if our instrument had at least these two qualifications.

Senator THOMAS. Let me see if I understand your position. You are here to-day in the capacity of a consumer.

Mr. FAIRWEATHER. Yes, sir.

Senator THOMAS. I think that we ought to give you special consideration, because you are the first one.

Mr. FAIRWEATHER. Yes. I thank you.

The two characteristics that I referred to a moment ago, for instance, for the carillon, whether it be for the University of Chicago or anybody else, are these:

First, a minimum range of three octaves, or 35 bells, in order to begin to render the great musical literature. We plan, as I have said, to have 65 bells.

In the second place, each bell ranging from a few pounds to 19 tons in weight, must be scientifically harmonized among its own tones and overtones, and the various bells when sounded in chords must be likewise accurately harmonized; otherwise we might well be setting up a community nuisance.

Second, from the standpoint of the American bell manufacturer, none of them, under the best advice and information that we can obtain, has as yet acquired the art of making bells of the high standard and wide range essential for a comprehensive carillon. The University of Chicago would prefer to have a carillon of American origin over any other origin.

No American manufacturer has ever made such a carillon, let alone making an acceptable carillon of such a wide range.

The largest American-made instrument contains 23 bells. Its largest bell weighs 2,500 pounds, whereas our largest bell is fifteen times as heavy. Those who are experts have stated that the difficulty in making an acceptable carillon increases many fold with the size and number of the bell units.

The testimony of the committee of the United Engineering Society, quoted in the brief filed with the House committee, is to the above effect. Senate Document 113, Sixty-ninth Congress, first session, gives a full statement of the scientific and artistic demands in carillon making, to which I will refer. These demands have not yet been realized in this country.

Of the 25 or 30 carillons in America, all sold or arranged for since 1922, only one of 23 bells has been made here. This set covers the ordinary or middle register of tones in which the problem of attaining scientific accuracy is least difficult.

Therefore, it is quite clear to us at least that the present state of the art in this country does not contain the elements of competition with manufacturers abroad that demand at this time the injection of the protective principle. Certainly this is true of the carillon in the case of 35 bells or more, which is the basis of our exemption request. Such a carillon allows a margin of 50 per cent over the largest carillon-type instrument ever made in this country. That, I submit, meets the test that the Senator laid down in asking whether this exemption, if allowed, would prevent the development of this art in this country.

In the third place, from the standpoint of the people generally, those who have heard the carillons, that is, real carillons, play, will agree that they are a community asset in an educational and cultural sense.

And, finally, from the standpoint of the Congress is has repeatedly seen fit to encourage educational and similar institutions in the furtherance of their public services by providing for exemption from duty, under proper regulations and safeguards, in the importation of various articles.

Accordingly, in view of these facts and of the recent action of the House in this matter, we would respectfully ask that in lieu of paragraph 1541 (c) of the tariff bill of 1929 and reading as follows: "Carillons, and parts thereof, 20 per centum ad valorem," you substitute the following:

(c) Carillons and parts thereof, 20 per centum ad valorem, provided, however, that any society or institution incorporated or established solely for religious or education purposes, or any college, academy, school or seminary of learning in the United States, may import free of duty any carillon instrument, consisting of not less than 35 bells of different sizes and weights, together with the keyboards, action, frames, mounting, accessories and parts thereof, for installation and use in or on one building and not for sale, under such rules as the Secretary of the Treasury may prescribe.

In summary, such action on your part is recommended for these main reasons:

1. It preserves the basis of the House bill.
2. It conserves the principle of encouraging educational institutions in their work and service of a public nature, in line with the previous attitude of Congress.

3. It conserves to American manufacturers opportunity for the equitable application of the protective tariff principle; by according to them the benefit of the House bill duty in a range of manufacture up to 35 bells in a carillon, which is a 50 per cent margin over the largest size carillon ever built in this country. The implication, in which your petitioner joins, is that when and if American manufacture and skill demonstrates its practical and artistic ability, under the proposed tariff protection, to make the larger and more complicated instruments, then it will have earned the right to whatever extension of the tariff protection principle Congress may deem justified.

Accordingly, we submit this alternative paragraph as in harmony with the best interests of the people, with the encouragement of education and culture, and with a safeguarding of present interests and future prospects of American industry in this particular field.

(Mr. Fairweather submitted the following brief:)

BRIEF OF THE UNIVERSITY OF CHICAGO

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

GENTLEMEN: The University of Chicago respectfully requests that your committee recommend the exemption from duty on carillons of 35 bells or more which are imported by educational and similar institutions.

It respectfully submits the following facts and arguments in connection with its consideration of paragraph 1443 of the present tariff act (paragraph 1541 (c) tariff bill of 1929).

We are concerned solely with carillons which, under their classification in the present act as musical instruments, are subject to a duty of 40 per cent ad valorem, and in the new bill to a duty of 20 per cent ad valorem.

By reference to the brief of the University of Chicago, filed with the Ways and Means Committee of the House, and appearing on pages 7831-7838 of the Tariff Readjustment, 1929 hearings, Volume XIV, schedule 14, sundries, you will notice that a summary of the position taken is as follows:

1. In preparing for a comprehensive carillon of 64 bells on its campus, as a part of its equipment for educational and cultural purposes, the University sought the best advice available, with the following result:

- (a) A complete adequate carillon should have at least 35 bells, or a minimum range of three octaves.

- (b) To be acceptable to even ordinary standards, it must possess scientifically accurate harmonious qualities in each bell and in the blending of the bells when sounded in chords. Any departure from this standard would defeat our purpose and would probably result in setting up a community nuisance.

- (c) No American manufacturer has as yet acquired the art of making bells of the high standard and wide range essential for a comprehensive carillon. No such carillon has ever been made in this country. The largest American-made instrument contains 23 bells; its largest bell weighs 2,500 pounds, whereas our largest bell calls for 19 tons, or 15 times as heavy. The difficulty in making an acceptable carillon increases many fold with the size and number of the bell units.

- (d) The testimony of the committee of the United Engineering Societies of America, quoted in the said brief, is to the above effect. Likewise, other experts are quoted and reference is made to said brief for their extended reports.

- (e) Senate Document 118, Sixty-ninth Congress, first session, gives a full statement of the scientific and artistic demands in carillon making. These demands have not been realized as yet in this country. Of the 30 carillons in

America, all installed or arranged for since 1922, only one of 23 bells has been made here. This set covers the ordinary or middle register of tones, in which the problem of attaining scientific accuracy is least difficult.

2. The present state of the art in this country does not contain the element of competition with manufacturers abroad that demands the injection of the protective principle; certainly this is true in the case of a carillon of 35 bells or more, which allows a margin of 50 per cent over the largest carillon-type instrument ever made in this country.

3. Congress has repeatedly seen fit to encourage educational and similar institutions in the furtherance of their work by providing for exemption from duty, under proper regulations and safeguards, in the importation of various articles.

4. While the House of Representatives, in the form of the tariff bill of 1929, recognized in part the position herewith presented by providing for a 20 per cent duty on carillons and parts thereof, in lieu of the former 40 per cent duty, we respectfully and sincerely urge upon you that the principles for the exemption from duty are just as sound as they were when presented before the House committee; and that if these principles are valid at all, if they are valid for a reduction to 20 per cent duty, they are by their very nature valid for the free list classification.

In particular, in view of the above argument and of the recent action by the House, we would respectfully ask at least that in lieu of page 1541 (c) of the tariff bill of 1929, and reading as follows: "Carillons, and parts thereof, 20 per centum ad valorem," you substitute the following:

"(c) Carillons and parts thereof, 20 per cent ad valorem: *Provided, however,* That any society or institution incorporated or established solely for religious or educational purposes, or any college, academy, school, or seminary of learning in the United States, may import free of duty any carillon instrument, consisting of not less than thirty-five bells of different sizes and weights, together with the keyboards, action, frames, mounting, accessories and parts thereof, for installation and use in or on one building and not for sale, under such rules as the Secretary of the Treasury may prescribe."

In summary, such action on your part is recommended for the following various reasons:

(1) It preserves the basis of the House bill.
 (2) It conserves the principle of encouraging educational institutions in their work and service of a public nature, in line with the previous attitude of Congress.

(3) It conserves to American manufacturers opportunity for the equitable application of the protective-tariff principle; by according to them the benefit of the House bill duty in a range of manufacture up to 35 bells in a carillon, which is a 50 per cent margin over the largest-size carillon ever built in this country. The implication, in which the subscriber joins, is that when and if American manufacture and skill demonstrates its practical and artistic ability, under the proposed tariff protection, to make the larger and more complicated instruments, then it will have earned the right to whatever extension of the tariff-protection principle, Congress may deem justified.

Accordingly we submit this alternative paragraph as in harmony with the best interests of the people, with the encouragement of education and culture, and with a safeguarding of the present interests and future prospects of American industry in this particular field.

Respectfully submitted.

GEORGE O. FAIRWEATHER,
Assistant Business Manager, the University of Chicago.

UNITED STATES OF AMERICA,
 District of Columbia, ss:

Before me, a notary public in and for the above-mentioned District of Columbia, appeared personally George O. Fairweather, assistant business manager of the University of Chicago, to me known, and acknowledged to me that he executed the foregoing document at his own volition and as his free act and deed this 25th day of June, A. D. 1929.

E. M. NOLAND,
Notary Public in and for the District of Columbia.

My commission expires July 28, 1933.

BRIEF OF HOWARD FLEMING IN BEHALF OF GRACE EPISCOPAL CHURCH, PLAINFIELD, N. J.

To the CHAIRMAN AND MEMBERS OF THE SENATE FINANCE COMMITTEE:

You are doubtless familiar with the testimony given last February before the Ways and Means Committee on the subject of carillons, but for your further information I take this opportunity to refute the statement of the McShane Bell Foundry that they had never been asked to submit an estimate for a carillon, and further that there was collusion or conspiracy between churches of various denomination and individuals to place orders abroad.

The donor of the carillon to Grace Church, Plainfield, N. J., who was an American citizen, wrote the McShane Bell Foundry in 1922 and asked for an estimate on a carillon. They submitted an estimate for an outfit of bells and inclosed a formal contract, indorsed "Carillon for Grace Church." As this was not what the donor had asked for, no order was placed and the order for the carillon placed in England.

In 1927 the war memorial committee of the United Engineering Societies, who presented to Louvain, Belgium, the carillon that was dedicated July 4, 1928, made an investigation, as they desired that the memorial should be of American production, but found that it could not be placed in the United States, and therefore placed the order in Belgium. An exhibit is attached. This exhibit shows the order for the carillon.

You will find in my exhibit of 1927, the testimony before the Ways and Means Committee, that I sought to secure information as to what constitutes a carillon, and define the difference between a carillon and a chime and peal of bells. Yet notwithstanding the assessment of a duty of 20 per cent, no carillon has been produced in the United States. I therefore advocate that carillons be placed on the free list.

In 1922 by act of Congress the duty on a carillon for Grace Church, Worcester, Mass., was remitted. In 1923 the carillon for Grace Church, Plainfield, N. J., was assessed duty at 20 per cent. In 1924 by act of Congress the duty on a carillon for a church in Plainfield, N. J., was remitted. But in 1923 for the relief of Grace Church, the removal of duty came before the Senate Finance Committee. The Secretary of the Treasury, receiving particulars requested, wrote on February 4, 1923. It should also be noted that the Director of the Bureau of the Budget advised that the proposed legislation was not in conflict with the financial program of the President. The bill was with others reported upon favorably, but with a rider that it should be referred to the Finance Committee, and it died with the termination of the 67th Congress.

I mention this matter because "precedents" are judicial decisions considered as furnishing a rule for subsequent decisions.

Since 1883, according to a list I prepared, there have been imported in the last 45 years by churches, educational institutions, and for civic purposes only 25 carillons of 23 bells or more, the majority since 1922. They are not imported for sale. In most cases they are memorials and will remain where erected, so that the suggestion of Mr. Meneely in his brief, at the hearings before the Ways and Means Committee, that a carillon of 23 or more bells, if permitted to come into the United States free of duty, might be disposed of by selling some of the bells, part as a chime and the rest as single bells for a church or a school or a locomotive or a fog bell is an unworthy attempt to influence legislation that they be placed on the free list when imported by a church, educational institution, or individual for religious and civic purposes.

As prior to the hearing before the Ways and Means Committee he claimed that a carillon was the same as a chime, and the Meneely sign in the church tower at Danbury, Conn., that I have seen reads "chime" his suggestion, as above quoted, proves that he now recognizes the difference.

Respectfully submitted.

HOWARD FLEMING,
Representing Grace Episcopal Church, Plainfield, N. J.

JUNE 22, 1929.

**CARILLON AT LOUVAIN, BELGIUM, IN MEMORY OF ENGINEERS OF THE UNITED STATES
WHO GAVE THEIR LIVES IN THE GREAT WAR, 1914-1918**

UNITED ENGINEERING SOCIETY,
November 13, 1928.

I, Edward Dean Adams, of New York City, chairman of the committee on war memorial to American engineers, make the following declaration:

In June, 1927, I went to Louvain as the delegate of the American Societies of Civil, Mining and Metallurgical, Mechanical, and Electrical Engineers, Engineering Foundation and Engineering Societies Library, to the celebration of the five hundredth anniversary of the University of Louvain. While in Louvain I visited the new library and its tower being erected with funds given by hundreds of thousands of Americans to replace the ancient building burned at the outbreak of the war. I learned that complete provision had been made for the building, but no funds were available for a clock and a carillon, without which no Belgian tower is complete. Spaces for a clock and a carillon had nevertheless been made in the tower.

While considering this unfortunate lack of carillon and clock, I remembered that no memorial had been erected to the professional engineers of the United States who had died in the war. The thought occurred to me then that there could be no more suitable memorial than a carillon and a clock in the Louvain Library tower. After my return, I submitted my idea to Engineering Foundation at its meeting October 20, 1927, and it was unanimously accepted. In due course the committee on war memorial to American engineers was officially appointed and empowered to act for the organizations that had sent me to Louvain and also for United Engineering Society and the Society of American Military Engineers. The cooperation of 11 other national engineering societies was secured.

While yet in the land of carillons in the summer of 1927 I began inquiries about carillons and their makers and continued this inquiry in England. The information collected indicated that whereas the best carillons were formerly made in the Low Countries, some English makers now excelled.

I also learned the clear distinction between carillons and chimes. Among makers mentioned, I heard high commendations of the Croydon Bell Foundry, of Gillett & Johnston. I ascertained that this firm had made some notable carillons for installation in America. Therefore, I visited Croydon, inspected the bell foundry, became acquainted with leading members of the firm, and made inquiries about its facilities and production capacity. Having been told of the expectation to dedicate the Louvain Library in the late spring or early summer of 1928, and realizing that the time unavoidably to be consumed in organizing my project would leave an unusually short interval for the production and installation of a great carillon, I obtained from Gillett & Johnston several proposals for carillons and clocks and an option on their production facilities. Furthermore, I examined all the literature in the English language on carillons of which I could learn, with the assistance of one or two libraries.

All this information and the proposals were submitted to the committee on war memorial, of which I had been made chairman. Other members of the committee supplemented my inquiries. We visited carillons in New York and Princeton and got information about others on this continent. All of them had been made in Europe. We learned of no makers of carillons in the United States. Mr. Meneely, of Troy, N. Y., called at our office and also sent literature about the products of the Meneely Bell Co. This maker has produced numerous important chimes, but we learned of no carillons among its output. Desiring to have so conspicuous a memorial the best in every respect, our committee sought expert advice. We learned that Frederick C. Mayer, organist of West Point Military Academy, had made a special study of the design, tuning, and operation of carillons, and was practicing as a carillon architect. We engaged him as our adviser. He assured us that no carillons were made in the United States and that our provisional selection of Gillett & Johnston was wise. One fact that was influential in our decision was the high reputation of Mr. Cyril F. Johnston for remarkable personal skill in tuning bells.

Naturally, our committee would have preferred to have an American memorial made in the United States, and our second choice under the circumstances would have been Belgium; but all our investigations indicated that the carillon desired could be made only in England. Besides, there was no time limit by

any other firm than Gillett & Johnston. Therefore, we placed our order with them, and the work was satisfactorily and punctually done.

EDWARD DEAN ADAMS,
Chairman Committee on War Memorial to American Engineers.

Edward Dean Adams, being duly sworn, doth depose and say that he is chairman of the committee on war memorial to American engineers and that the foregoing is a true statement concerning the selection of a firm to produce and install the carillon and the clock therein described.

STATE OF NEW YORK,
County of New York, ss:

On the 15th day of November, 1928, before me personally came Edward Dean Adams, known to me to be the person who executed the foregoing statement, and he thereupon duly acknowledged to me that he executed the same.

T. F. HILTON, Notary Public.

Commission expires March 30, 1929.

STATEMENT OF WILLIAM CURTIS BOK, PHILADELPHIA, PA.

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

Senator KEYES. Will you state whom you represent?

Mr. Bok. I represent the American Foundation here, which controls the carillon in Florida belonging to Mr. Edward Bok.

Senator WALSH. Do you think that it is necessary to go over the same material again?

Mr. Bok. I will address myself only to one question which seemed to be raised in the minds of the members of the House Ways and Means Committee, and that is this: Do the importers in this country give the domestic manufacturers a fair chance?

It was Mr. Bok's hope when he started making this tower in Florida that he would make it out of domestic materials entirely. He wanted to place in this country an American adaptation of the old singing tower of Flanders and the Netherlands. He has constructed this tower of 90 per cent of Georgia marble and coconese stone from Florida and steel from Birmingham, Ala.

When it came to the question of the bells Mr. Medary was his architect. Mr. Medary made an investigation of bells, so he tells me, in this country of the available sources from which he might get the carillons. As a result of that he wrote a letter to the Meneely Co., the 100-year-old bell foundry at Watervliet, New York State, in which he sets forth a list of the bells, the tones, and the weights of the bells and asked for quotations and general information on making such a carillon.

He received a reply to his letter, dated July 28, 1926, from the Meneely Co., giving quite a different list of bells as to weights and tones, and out of a very long letter this paragraph I would like to read to you:

We can make carillons, we believe, better than many of the foreign sets and fully equal to the best ever manufactured, but our equipment at the present time is not equal to carrying the three large bells that you ask quotations for. The largest bell that we have ever made weighed 13,000 pounds. Our furnaces will melt at one time 27,000 pounds but our cranes would not stand such a load all at once.

The three largest bells that Mr. Medary asked for weighed 22,400 pounds, 15,832 pounds, and 13,312 pounds.

They go on further to say that after a year they believe they can make the larger bells.

Senator WALSH. What is the date of that letter?

Mr. BOK. That is dated July 28, 1926. So at the time we were putting up our tower we were unable to get in this country the kind of carillons we were looking for.

Senator WALSH. Are those bells installed?

Mr. BOK. They are.

Senator WALSH. Did you have to pay duty on them?

Mr. BOK. We did.

Senator WALSH. How much?

Mr. BOK. We paid \$33,588.40.

You may remember the sanctuary in which this tower was placed was dedicated by President Coolidge on the 1st of February of this year, and it has been visited by the American people since that time to the number of no less than 400,000 people. They have availed themselves of that privilege without any return to the foundation.

Senator KEYES. Have you a brief?

Mr. BOK. I have not. I wanted to make that statement only. I would like to offer these two letters in evidence.

Senator KEYES. They will be made a part of your statement.

(The letters referred to are as follows:)

JULY 9, 1926.

THE MENEELY Co., *Waterlilet, N. Y.*

GENTLEMEN: I have been commissioned to make inquiries concerning the cost of a carillon to be erected in this country and have determined upon the following number of bells:

| Notes: | Weight | Notes—Continued | Weight |
|---|---------|----------------------|----------|
| E ^b (diameter 102 inches)..... | 22, 400 | F..... | 338 |
| F..... | 15, 832 | F#..... | 280 |
| F#..... | 18, 312 | G..... | 225 |
| G..... | 11, 200 | G#..... | 200 |
| G#..... | 9, 417 | A..... | 175 |
| A..... | 7, 918 | B ^b | 150 |
| B ^b | 6, 720 | B..... | 125 |
| B..... | 5, 600 | C..... | 105 |
| C..... | 4, 592 | C#..... | 90 |
| C#..... | 3, 864 | D..... | 80 |
| D..... | 3, 360 | E ^b | 70 |
| E ^b | 2, 912 | E..... | 60 |
| E..... | 2, 464 | F..... | 55 |
| F..... | 2, 016 | F#..... | 50 |
| F#..... | 1, 680 | G..... | 45 |
| G..... | 1, 400 | G#..... | 40 |
| G#..... | 1, 176 | A..... | 36 |
| A..... | 1, 008 | B ^b | 32 |
| B ^b | 840 | B..... | 28 |
| B..... | 728 | C..... | 24 |
| C..... | 664 | C#..... | 21 |
| C#..... | 560 | D..... | 18 |
| D..... | 476 | E..... | 16 |
| E..... | 420 | | |
| E..... | 364 | Total..... | 123, 164 |

I am asking estimates from two foreign manufacturers and would like to have your price for delivering this work complete with steel frame, hand clavier, practice clavier, electropneumatic playman mechanism, and Ivory keyboard, including the services of your foreman to supervise the erection. It will

be necessary for you to furnish with your estimate a guarantee that the bells will be in perfect tune with each other and that each bell shall be in tune with its own overtones or harmonies, so that the whole carillon shall be in tune in the case of both the struck notes and the harmonies, the bells to be subject to acceptance or discard by a musical jury to be chosen by the owner.

It is also important to state the possible date of delivery and the price should be f. o. b. Philadelphia.

Very truly yours,

M. B. MEDARY.

MENEELY, & Co.,
Waterstreet, N. Y., July 28, 1926.

Mr. M. B. MEDARY,
Care of Zantsinger, Boris & Medary,
Philadelphia, Pa.

DEAR MR. MEDARY: We have gone very carefully over the proposition of the carillons of which you made inquiry on July 9, and of which the undersigned talked with you a few days later.

We can make carillons, we believe, better than many of the foreign sets and fully equal to the best ever manufactured, but our equipment at the present time is not equal to carry the three large bells that you ask quotations for. The largest bell we have ever made weighed 13,000 pounds. Our furnaces will melt at one time 27,000 pounds, but our cranes would not stand such a load all at once.

We are at the present starting a carillon at our own initiative without an order for same to prove to any one who wants one in America that American-made bells are as fine and true as any in the world.

We would supply your customer with a carillon, as follows:

| | Pounds | | Pounds |
|---------|--------|---------|--------|
| G----- | 12,000 | F#----- | 275 |
| G#----- | 10,000 | G----- | 225 |
| A----- | 8,600 | G#----- | 175 |
| A#----- | 7,200 | A----- | 150 |
| B----- | 6,000 | A#----- | 125 |
| C----- | 5,000 | B----- | 115 |
| C#----- | 4,300 | C----- | 105 |
| D----- | 3,500 | C#----- | 100 |
| D#----- | 3,000 | E----- | 95 |
| E----- | 2,500 | D#----- | 80 |
| F----- | 2,100 | E----- | 65 |
| F#----- | 1,800 | F----- | 55 |
| G----- | 1,500 | F#----- | 50 |
| G#----- | 1,250 | G----- | 45 |
| A----- | 1,050 | G#----- | 40 |
| A#----- | 900 | A----- | 38 |
| B----- | 750 | A#----- | 32 |
| C----- | 650 | B----- | 28 |
| C#----- | 550 | C----- | 24 |
| D----- | 475 | C#----- | 21 |
| D#----- | 425 | D----- | 18 |
| E----- | 375 | D#----- | 16 |
| F----- | 325 | | |

Total bell weight, 76,125 pounds, complete, with steel frame, hand clavier, practice clavier, including the services of our expert to supervise the installation, for the sum of \$100,000 f. o. b. Philadelphia or point near by.

An electric apparatus of proven excellence we would supply at an additional cost of \$150 per bell. (Electropneumatics are very cumbersome, so easy to get out of order, that we prefer the straight electric apparatus with which we are equipping so many of our chimes.)

Now, as to guarantee of the perfection of our bells. Our bells will be perfect as human being can come to perfection, but if adjudged by some of the pro-English so-called carillon experts would never be so perfect because they do not come from England. There are many excellent musicians in this country

who do not believe the only good thing made in America is money. If such men (or women) were to be on the committee intrusted to judge the bells for your customer, we would be perfectly willing to guarantee that each bell would be exactly on time by our standard set of tempered scale international pitch instruments and that the harmonies or overtones in each bell would be in harmony with the strike notes.

Such a set of bells we are prepared to make and could turn them out in one year. Then we would be in a position to make, if your customer desired, the remaining three bells. This addition of heavier or lighter bells could be done by us just as you know it has already been done by others.

We would be delighted to undertake this work for your customer.

Thanking you for this honor of allowing us to bid on this important piece of work, we are,

Very truly yours,

MENEELY & Co. (Inc.),
A. C. MENEELY.

Senator THOMAS. What is the range of the music produced by the Florida carillon and the distance?

Mr. Bok. They say that they can hear those bells about 18 miles away; that is, some of the tones of the lowest bell. Of course, it is impossible to recognize any tune at that distance. But they could hear a tune at about a mile distant, because the tower is on an elevation 300 feet above the surrounding country.

Senator THOMAS. Is it placed in a city?

Mr. Bok. No; it is on land owned by a cooperative park—the Mountain Lake Sanctuary.

Senator THOMAS. There has been no complaint, then, because of the character of the music?

Mr. Bok. Quite to the contrary. The nearest house is several hundred yards away, and the people seem to be delighted with the music.

Senator WALSH. Is the Mr. Bok who made that magnificent gift to the State of Florida your father?

Mr. Bok. Yes, sir; he is.

**STATEMENT OF WILLIAM R. MENEELY, REPRESENTING THE
MENEELY BELL CO., TROY, N. Y.**

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

Mr. MENEELY. I am president of the Meneely Bell Co.

Senator WALSH. Are there two Meneely concerns?

Mr. MENEELY. Yes, sir.

Senator WALSH. Where are they located?

Mr. MENEELY. One is located in what was old West Troy.

Senator WALSH. What is that one called by name?

Mr. MENEELY. That is called the Meneely Co. (Inc.).

Senator WALSH. What is the other company?

Mr. MENEELY. We are the Meneely Bell Co., of Troy, N. Y. Our firm was not consulted by Mr. Bok.

Senator WALSH. Your firm has been making bells a great many years, and one of the companies is the oldest in the country, is it not?

Mr. MENEELY. The first bells ever made in America were made by an ancestor of mine about the time of the American Revolution.

Senator WALSH. The issue here is a narrow one. You, or your company, has been making good bells, chimes, and other bells, and

they are making among the very best type of musical-instrument bells?

Mr. MENEELY. Yes. Will you let me present a little sort of introduction?

Senator KEYES. This is not in the hearings before the Ways and Means Committee?

Mr. MENEELY. No; I was not there. I was in Japan at that time.

I am president of the Meneely Bell Co. I am a bell founder, and my family has been making bells in this country for over 150 years.

The bell-founding industry has been an established industry in this country from Paul Revere's time, and even before. At present there are six concerns in the United States making large bells, such as are hung in church steeples and clock towers. I am concerned only with such large bells, not with the small ordinary bells—the familiar dinner bell, for example—which are only hardware. The industry I represent is an industry making a high-grade product, difficult to manufacture, and under American conditions of production it must obtain a good price for its product.

Large bells, such as are used in churches, may be either single bells or sets of bells, which, being properly attuned, are capable of having a melody played upon them as if the whole group of bells were a musical instrument.

Under the act of 1922 the large bells of which I am speaking are dutiable at 40 per cent ad valorem in paragraph 399, of the metals schedule. Bells have never been specifically mentioned in the traffic, but have always been dutiable either in paragraph 399 of the metals schedule, or in paragraph 1443, as musical instruments. In the House bill it is proposed for the first time to handle bells by specific mention, but not under that name. In paragraph 1541 (c) we find "Carillons and parts thereof, 20 per cent ad valorem." The duty on other bells, such as will not be appraised as carillons, has been increased to 50 per cent.

Now, what is a carillon, as distinguished from any other set of attuned bells, such as is called in English a chime? The only distinction that I know of is that a carillon may be deemed to be a set of attuned bells, or a chiming clock or chiming watch. It is a French word, the definition of which is well defined in the dictionary Academie Francaise.

A fuller description of what sets of attuned bells of high quality are, how they are manufactured, the difficulties of manufacture, and conditions under which they are sold and find use will be given in my brief. Also in the brief will be given a description of the apparatus that goes with a set of attuned bells.

The object of the proposed legislation, making carillons dutiable at half the existing rate of duty applicable to large bells, other than carillons, and less than half of the new duty of 50 per cent proposed for such bells, is to enable certain individuals interested in memorial churches or other similar memorial buildings to import sets of attuned bells with the payment of a reduced duty. They, or their representatives, may assert that carillons of first class quality are not produced in this country, and, therefore, must be imported. This allegation is without foundation, as I shall show and substantiate in my brief. My firm has produced as good sets of attuned

bells as are produced anywhere and they have been installed, for instance, at—

Dartmouth College; St. Lawrence University, as the gift of Irving Bacheller, the author; Smith College; Leland Stanford University; Berea College, as the gift of Miss Oliva Stokes; Oglethorpe University; Williams College; Tufts College; Hampton Institute; Syracuse University; the Choate School; McGill University; Roman Catholic Cathedral, Portland; Episcopal Cathedral, Portland; Christian Science Cathedral, Boston; Episcopal Cathedral, Louisville; Episcopal Cathedral, Bethlehem; Episcopal Cathedral, Burlington; Metropolitan Tower, New York; Consolidated Gas Tower, New York; Roanoke Building, Chicago; S. W. Straus Building, Chicago; Philadelphia Inquirer Building (the last five named being the five highest sets of bells above the ground in the world); Grace Church, New York; Holy Trinity Church, New York; St. John's Church, New York; Immaculate Conception Cathedral, Springfield, Ill.; Municipal Campanile, Springfield, Mass.; First Parish Plymouth Rock Church, Plymouth; Masonic Homes Chapel in Pennsylvania; Masonic Homes Chapel, in New York State; McKinley Memorial, at Lincoln; Plymouth Church, St. Louis; Harvard Congregational Church, Brookline; Roman Catholic Church, Holyoke; Bethesda Church, Saratoga; Trinity Church Corporation, New York; Calvary Church, Pittsburgh; Oakes Home, Denver; Trinity Church, Columbus; United States Military Academy, West Point; Judson Memorial Campanile, Rangoon; Methodist Church, Nanking, China; Memorial Institution, Nellore, India; Bassein College, in India; Orthodox Church, Honolulu; Roman Catholic Church, Manila; Roman Catholic Church, Lowell; Roman Catholic Church, Holyoke; Trinity Church, Galveston; Methodist Church, Houston; Presbyterian Church, Flint, Mich., in memory of the late Governor Begole; Grace Church, Chicago; Municipal Building, Minneapolis; Roman Catholic parish in Buffalo; the largest Catholic parish in Detroit, the name of which has escaped me, as I am writing from memory; Trinity Church, Columbus; St. John's Church, Jersey City; St. Patrick's Church, Jersey City; Pratt Mausoleum at Glen Cove; Congressman Sibley's estate at Franklin; Congregational Church, Benton Harbor; St. Teresa's Church, Brooklyn; Tuskegee College; Christ Church, Greenwich; Trinity Church, Newport; Memorial Church at Poland Springs; DeVeaux College; St. John's Church, Brooklyn; courthouse at St. Paul; Bible Institute, Los Angeles; St. John's Church, New Orleans; St. John's Church, Boulder; Boise railroad station tower in memory of E. H. Harriman; Memorial Church at Fairhaven; Presbyterian Church, Cynwyd; Sacred Heart Church, Newark; St. Martin's Church, Providence; Methodist Church, Duluth; St. James's Church, Chicago; Reid Memorial Church, Richmond, Ind.; Church of the Advent, Spartanburg; United States Playing Co.'s station WSAI at Cincinnati; Trinity Church, New Haven; St. John's Church, Watertown, Mass.; Trinity Church, Watertown, N. Y., etc., and last month President Hoover attended the dedication of our carillon in the New York Avenue Presbyterian Church, Washington, given in memory of Abraham Lincoln, the newspapers of the following day announcing that Lincoln's mother, Nancy Hanks, and my grandmother, Philens Hanks, were cousins, all being descendants of Col. Benjamin Hanks, of the American Revolution.

Among our customers for these or other attuned or single bells were Charles M. Schwab, Mrs. Russell Sage, J. P. Morgan, Mrs. E. H. Harriman, Miss Helen Gould, H. C. Frick, Arthur Curtiss James, Howard Gould, Mrs. O. H. P. Belmont, A. G. Vanderbilt, August Belmont, Dr. W. Seward Webb, H. H. Rogers, Cardinal Farley, Louis C. Tiffany, Samuel Untermyer, J. K. O. Sherwood, Chauncey M. Depew, Thomas F. Ryan, Miss Serena Rhineland, Clarence H. Mackey, Spencer Trask, E. C. Converse, George F. Baker, Otto H. Kahn, D. G. Reid, James B. Duke, Julius Fleischmann, Cardinal Mundelein, Mrs. Marshall Field, Judge Elbert H. Gary, Isaac Guggenheim, and Mrs. Robert T. Lincoln.

Senator WALSH. Did you make the chimes for a church in my home town?

Mr. MENEELY. What town is that?

Senator WALSH. Canton, Mass.

Mr. MENEELY. They were made here.

Senator WALSH. What is the largest number of bells you have ever made and incorporated in what you call a chime?

Mr. MENEELY. The largest in what I call a chime?

Senator WALSH. Yes; in numbers, I mean.

Mr. MENEELY. We make no distinction between chimes and carillons. We have made a setting probably of 70 bells in our foundry.

Senator WALSH. Have they been hung up?

Mr. MENEELY. They have been put in our foundry. We never have been able to sell them.

Senator WALSH. What is the largest number you have ever sold to an American customer?

Mr. MENEELY. The largest we have ever sent out was 20 bells.

Senator WALSH. The usual chime is from 9 to 12 bells?

Mr. MENEELY. From 9 to 12, or from 8 to 12.

Senator KEYES. What is the largest bell you have made—that is, in weight?

Mr. MENEELY. The largest bell that we have made is a bell of 13,000 pounds that we have in the tower of Independence Hall, placed there in 1876.

Senator WALSH. You very properly claim you can make the best bells that can be made.

Mr. MENEELY. My interest in appearing before you is in great measure to rebut such statements which touch my business pride. It may be said, in fact it has been said, that my concern can not make large bells. We have actually produced bells as large as 13,000 pounds, one being the new Liberty Bell that we placed in Independence Hall in 1876.

One other bit of information and I shall have finished except for replying to such questions as you may care to ask me.

Although a set of attuned bells, called a carillon, or by any other name, consists of as many as are necessary to produce familiar melodies, they are not always purchased as a complete set. My own concern frequently sells a single bell to some church whose funds at the time are limited, with the expectation that such single bell will be added to later to make a complete set. This is of importance because of the wording of the proposed new legislation. If it be enacted not only whole carillons will come in at the reduced rate of duty at 20 per cent, but single bells of such a character as to be a

constituent element in a carillon. I may add in passing that there seems to be a door wide open to much litigation if this clause of paragraph 1541 is enacted as now written.

The present duty of 40 per cent is not excessive to afford protection for this branch of American industry. The proposal to cut in half the existing duty is really in its origination private legislation, initiated by one person who was not satisfied with the price we asked when he made inquiry with a view to purchasing from us. My business is efficiently conducted and we ask no one more than a proper price for the high-class and expensive commodity which we manufacture and which my family has continuously manufactured and sold to the public for over 150 years.

Senator COUZENS. What did you mean when you wrote that letter to Mr. Medary that Mr. Bob referred to?

Mr. MENEELY. There is where the trouble comes in. It was testified at the hearings before the House Ways and Means Committee that I had told Mr. Bok that I could not make the large bells. I never made any such statement. There is some confusion in names. They do not say now I am the one they came to.

At the time they made that statement we had an estimate out for a 100,000-pound bell on the Lincoln Highway. They were contemplating installing a 150-ton bell in Central Park in memory of the men who fell in the World War, and at the time they were making that statement I was checking up on the casting of a similar bell in Osaka, Japan, when they made that statement that a heavy casting could not be made here. We planned to make a casting in Central Park. We can make in our foundry any size casting. The bell is poured in the ground and covered.

Senator WALSH. Is not the tuning of these bells a very technical operation?

Mr. MENEELY. They have touched upon that. The best tuned bells are not tuned after they are made. That is taken care of in the patterns. So carefully are those patterns designed by the most expert pattern designers that even the point of a pencil would be too coarse. So coarse a material would change the shading of the bell, and it is done by means of a knife.

Very few people understand what the patterns are like for the bells. They are not patterns in the sense of being marked in the shape of a bell, to merely outline it. Here is a picture of a pattern that shows you the patterns. And those things are so fixed that when they are put together there is not knocking, no interference with the mold. Those show the types of molds.

Senator WALSH. The sound, then, does not depend on the material in the casting, but depends on the workmanship on the bell after it is cast?

Mr. MENEELY. A given amount of metal properly cast produces music in a certain key. You have to take that into consideration in the types of metal you use.

Senator Couzens was told the other day by the president of one of these mines that for 25 years we have been using the Michigan copper.

Senator COUZENS. What material are these bells made of?

Mr. MENEELY. Seventy-eight parts new Lake Superior copper and 22 parts of new block tin.

I stated in my opening remarks a few minutes ago that this legislation was advised or suggested by one person who would not pay our prices.

Senator THOMAS. Whom do you mean?

Mr. MENEELY. John D. Rockefeller, jr. He started to get some bells. He had a committee appointed consisting of his office manager, Buchanan Houston; his church organist, Miller; and his house organist, Gibson. Those gentlemen went around and listened to a number of sets of bells, including one concern that Mr. Conklin did not remember, and that is the McShane Co. in Baltimore, and they recommended—they also stated that they were taking it to Colonel Houston. He was not a musician, or at least he did not pretend to be a musician, and those two musicians, the church organist and the house organist, said they were familiar with the bells in Europe, and they liked a certain set of bell, and we had made the set and placed it at the Military Academy at West Point in memory of General Anderson, and they thought they were the best bells made anywhere.

We submitted an estimate amounting to \$22,000, and the set they got here was \$16,000, which they would pay.

We told them that we would let them have the bells as cheap as any church, but they would not pay that amount.

Finally, on May 25, 1922, this letter was sent out:

NEW YORK, May 25, 1922.

Mr. WILLIAM R. MENEELY.

Meneely Bell Co., New York City.

DEAR MR. MENEELY: The reason why Mr. Rockefeller did not close with your firm for the bells for the Park Avenue Baptist Church was that the price which you quoted was not satisfactory to him. Since that time Mr. Rockefeller has been informing himself about the work of bell makers of other countries, from some of whom more attractive propositions than yours have already been received. Mr. Rockefeller's final decision will be based both upon quality of bell and price. I am personally sorry that you could not see your way clear to meet Mr. Rockefeller's view in regard to price at the time when, without further study, he would have been willing to close the contract with an American bell maker.

Very truly yours,

BUCHANAN HOUSTON.

If there is any question as to Colonel Houston's authority to speak, I might read one or two other communications I received.

Prior to that, under date of October 13, 1921, Colonel Houston wrote and said:

NEW YORK, October 13, 1921.

MENEELY BELL Co.,

New York City.

(Attention Mr. William B. Meneely, vice president.)

DEAR MR. MENEELY: After a still further discussion of the chimes matter, I beg to advise you as follows:

As Mr. John D. Rockefeller, Jr., is a member of the building committee of the Fifth Avenue Baptist Church of this city, I have been acting at his request in obtaining different opinions of bells for said committee, and as my report is practically complete, I would now ask you to communicate with Mr. Edward L. Ballard, chairman, 45 John Street, who will take up with you direct the making of the contract. This, of course, being based upon his decision to give you the work.

I wish to thank you and your brother for your courtesy during our negotiations and trust, if you are given the order, you will install the finest set of chimes you have ever produced.

Yours very truly,

BUCHANAN HOUSTON.

Senator WALSH. You did not have any talk with him or discussion about the carillons?

Mr. MENEELY. Yes, sir.

Senator WALSH. All these letters and this correspondence have been about chimes.

Mr. MENEELY. Yes; we called them chimes at all times.

Senator WALSH. You meant carillons when you said chimes?

Mr. MENEELY. They both amount to the same thing.

Senator WALSH. Your estimate was \$22,000.

Mr. MENEELY. Our estimate was \$22,000.

Senator WALSH. He wanted them for \$16,000?

Mr. MENEELY. Yes.

Senator WALSH. He finally paid \$25,000?

Mr. MENEELY. Finally; there you are.

A little later on, as it appeared in the newspapers, Mr. Rockefeller had ordered a set of bells for \$25,000.

Senator WALSH. From where?

Mr. MENEELY. From England. I have been told that the bells were 42 in number and cost less than \$25,000. But before those bells came he increased the number to 53, and they have been doing that from time to time. They have been adding, first up to 42 and then up to 53, and the other number they are now planning for the new church. They have said that seven or eight have gone back.

The original estimate, I think, if these gentlemen would bring it out; the original estimate, if the New York Times was correct, was less than \$25,000.

Senator WALSH. The \$16,000 gift expanded very fast?

Mr. MENEELY. Yes; there is no question of their ability to spend the money if they want to. I am simply giving you the facts in the case.

Senator KEYES. You are in favor of a 40 per cent duty, are you?

Senator WALSH. As against the 20 per cent?

Mr. MENEELY. It is not altogether a question of duty with us. They are attacking our own business pride when they undertake to say that we can not make the type of bells required.

Senator COUZENS. This committee can not settle that question. We are interested in the tariff only. The Senator from Illinois suggests a 20 per cent duty; is that right?

Mr. MENEELY. I think our pride will go a whole 100 per cent.

Here is what we call a carillon in the Horace Greely Church [exhibiting picture]. We have no difficulty in demonstrating to the satisfaction of those who want the best and will have faith in us and give us a chance, that we produce in America the best bells turned out anywhere.

I have just one other little illustration and then I am through.

Up in Senator Keyes's State is Dartmouth College, which put up a building costing a million dollars, given by George F. Baker, when it was stated that the plans for the new memorial building included a beautiful, stately tower at the head of the campus, providing a setting for the carillon.

We wrote to the president of the college and had no reply at that time. Then we got in touch with Mr. Baker, who had been our satis-

fied customer, and he said he would not have anything to do with it, and we kept after Doctor Hopkins.

Senator KEYES. He is the president of Dartmouth College?

Mr. MENEELY. On June 24, 1927, he wrote us the following letter:

DARTMOUTH COLLEGE,
Hanover, N. H., June 24, 1927.

Mr. WILLIAM R. MENEELY,
Meneely Bell Co., New York, N. Y.

DEAR MR. MENEELY: I am being advised very largely in regard to the matter of a carillon by Professor Mayer at West Point. Those with whom I have consulted in regard to the matter have without exception referred me to him, while, on the other hand, members of our own department of music have felt him to be one whose word was authoritative in this matter.

I do not wish to step aside from the responsibility for any decision which we shall eventually make, but I have very definitely come to believe that for our purposes the English bells were probably better devised. However, no step will be taken without the most careful consultation, and I thank you for the information which you have sent me.

I am, yours very truly,

ERNEST M. HOPKINS.

I kept after him, and after a while he appointed his English musician, the head of the department of music, as I understand it, and he at once said that some English bells made by Gillette & Johnson in Peterboro, N. H., were very satisfactory.

He went back to hear those bells. Then he came to Albany and heard what they call the best bell ringer in the world play the carillon in the city hall. He went to our foundry and over to Peterboro and down to Albany again, and finally he recommended that the order be placed with us, thinking that we could make the best bells.

Only a few days ago I asked Doctor Hopkins if he would not go on record to Senator Keyes, and he wrote the Senator a letter and sent me a copy, and through the courtesy of the Senator I am going to read that copy to you. It says:

DARTMOUTH COLLEGE,
Hanover, N. H., June 22, 1929.

Hon. HENRY W. KEYES,
Senate Chamber, Washington, D. C.

DEAR MR. SENATOR: Dartmouth College is very definitely indebted to the Meneely Bell Co., of Troy, N. Y., for their interest, cooperation, and accomplishment in a carillon of bells which this company made for the college and which is now installed in the library tower. It is one of the most valued of the recent additions to the Dartmouth College plant, and I should not expect a better quality of bell or a finer tone from any manufacturer, abroad or at home.

The Meneely Bell Co. has asked me if I would not write to you in connection with the tariff bill now under consideration, stating how I felt in regard to these bells and amplifying as to what I would consider to be their merit compared with foreign bells. I can only say in this regard that our authorities here in the department of music felt assured after investigation that we would secure a value from the Meneely Bell Co. equivalent to that which we would secure from any foreign company for the bells designed for our purpose.

It has never been my willingness or custom to write to Senators in regard to any action which they might or might not take, for my theory of government doesn't include any conception of a Senator's being under any necessity of considering the opinions or wishes of his constituents on any specific question, since I believe that the original theory of government is still good—that a man goes to Washington on the basis of his constituents' confidence in his judgment. Moreover, I have told Mr. Meneely that I was sufficiently imbued with the

academic atmosphere and academic theories so that, except for the very occasional instance, I believe in the reduction of duties rather than in any other action.

I think, however, that it is entirely within the proprieties for me to say that we have secured this carillon of bells from the Menelly Bell Co.; that we have found it as much worth while as we expected to find it; and that we should not have expected to get a better product for our purposes from any other manufacturing concern. I submit this opinion for any worth it may have in connection with your own deliberations in regard to modifications of the tariff.

Yours very truly,

ERNEST M. HOPKINS.

Senator WALSH. That letter is worth more to you than any tariff duty we can give you. You ought to be glad to get such a fine letter.

Mr. MENEELY. I do not think that we have any trouble in demonstrating to people who will give us a chance. Most of these jobs that have been installed are these European bells that you read about in the newspapers. They do not come to us.

Senator WALSH. Does the climate affect the tone of the bells?

Mr. MENEELY. Not at all.

I want to refer to this question they talk about in reference to the lost art in making these bells. I do not know how many of you gentlemen have heard bells in Holland and Belgium. But we can not find that our customers who go there and look those bells over have liked them.

You take little bells 6 inches in diameter and big bells. We have made bells from 13,000 pounds down to 5 pounds. We have the patterns. We have in our foundry a very large combination of bells, and we do not want to sell them, in the sense that we would rather satisfy people. We can not satisfy people playing bells that sound like a zylophone. It is very difficult to get the ringers. We have electric action now. Mr. Owen D. Young helped us very materially in getting electric action.

Mr. MENEELY. We have been carrying on since the World's fair—when was that?

Senator DENEEN. 1893.

Mr. MENEELY. Somebody told you about it.

Senator DENEEN. It was in 1893.

Mr. MENEELY. At Chicago.

Senator DENEEN. Yes.

Mr. MENEELY. I have one more communication sent to Senator Barkley.

Senator WALSH. You may put it in the record.

Mr. MENEELY. I will insert it in the record.

Senator KEYES. Proceed.

Mr. MENEELY. All we ask is that bells be treated as bells all the way through.

Senator THOMAS. How many bell factories in America?

Mr. MENEELY. Six bell factories in America, specializing in attuned bells.

Senator THOMAS. How many employees do they cover?

Mr. MENEELY. I think that they have working for them, taking them all into consideration, taking in people who make larger bells, the church bells, and going down to the people who make these big bells, 40 to 50 per cent apiece—it was testified that they had 15 to

25 people. I have since learned from one founder, who is here now, that they referred to foundry men, not people employed.

Senator THOMAS. If this proposed duty is decreased or eliminated entirely, will that interfere with the business being developed further?

Mr. MENEELY. It would as far as the very large ones are concerned.

Senator WALSH. You are in favor of an increased duty on bells from 40 to 50 per cent?

Mr. MENEELY. Yes.

Senator WALSH. Your position is that you wanted an exception made?

Mr. MENEELY. Yes, I would say so. I would rather have that than have it 20 per cent. That is our specialty, our ability to make attuned bells of any size and number and quality.

**STATEMENT OF ANDREW E. MENEELY, REPRESENTING THE
MENEELY & CO. (INC.), WATERVLIET, N. Y.**

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

Senator WALSH. Are you associated with the Meneely Bell Co. of New York City?

Mr. MENEELY. No. I represent Meneely & Co. (Inc.), the oldest bell foundry in America, established by my great grandfather in 1826, at the same place as now, Watervliet, N. Y., which was West Troy at that time. We have been manufacturing bells all those years and we have been manufacturing the so-called chimes for 79 years, to be exact. The carillons, or what are called the carillons by certain people, are 23 or over bells. But that does not comply with the dictionary definition of carillons.

My contention is that if this matter goes through as the Ways and Means Committee attempted to put it through, I mean recommended that it should be put through—it was on the recommendation of several gentlemen who appeared before them and some of them are here, that they would allow bells to come in, be imported, from Russia, from Italy, Germany, or even Belgium, and in all those places the rate of wages is very low.

Now, the definition of carillons is given by the dictionary as four bells or over. We call them peals and over that we call them chimes. This would cover anything. It would bring a very serious point up as to what a carillon is, if any of these foreign countries could bring in that small number of bells, and as their labor problems are very low, in payment, as a consequence, they could run in bells from all these countries, call them carillons rightfully, and head off all our business in every respect from every point. These gentlemen who are here now speaking for the taking of the duty off, I know perfectly well are not anxious to have that at all. Mr. Conklin is very fair in his proposition, but the question always comes up as to who is going to define that, whether Mr. Fairweather's definition of a carillon will be put through or not. If it is just the simple word carillon, which is anything of four bells or over that is attuned, if such are carillons, they can swamp this country from the foreign countries. Naturally, they do not and we do not want that.

In their testimony, and there were several of them before the Ways and Means Committee, speaking against the American manufacturers, everyone of them alluded to the fact that there were but two English bell founders who can make carillons, and they brought up to-day that there is a third one. One of them, speaking in the former testimony, said that they had been trying in the Belgian factory since 1922 to perfect one, and he had heard that it was good. But all the rest said that nothing in the carillon line of what they wanted could be made anywhere outside of England.

Now, they say that the bells that are to make carillons must be 5.2 tone bells, and we make them. We are prepared to prove it. At the time of the hearing before the Ways and Means Committee Mr. Fairweather was there, and he told me that he would like to use our factory, and that if we could prove to him that we could make a five-tone bell he would get us to bid on the carillons. We had a set of such bells, as we call them, chimes, and we held them waiting for him to come, and we waited for him to come just as long as we possibly could, when we had a call to get it to a church that wanted it for Easter, so we had to ship that chime finally, and Mr. Fairweather did not come. That is the only thing I find fault with Mr. Fairweather for. The rest are perfectly fair, sensible, and reasonable, and I have not a kick coming on that at all.

In the other testimony that came up here, Mr. Conklin made a statement that he tried to get our firm to compete on a bell wanted by the Park Avenue Baptist Church. To the best of my knowledge he did consult the Meneely Bell Co., our competitor, but he did not consult us. To the best of my knowledge he did not. I personally went down and tried to get into Mr. Rockefeller's office every day for a week and could not get in. For a whole week I tried to see him to talk to him and convince him that our bell might satisfy him.

Senator THOMAS. What facilities do you have for finding out as to who might be in the market for a bell, and after finding out who is in the market, what facilities have you for trying to sell in that particular market your product?

Mr. MENEELY. The facilities we have for finding out are two in number. One is that we advertise in all the church papers and get a copy of them each time they are issued, and follow it up in that way, and another is, of course, the usual system of getting clippings from clipping bureaus. When we hear of these things we immediately write, and if they show an interest I go there or my brother.

Now, as to carillons, there have been several remarks made about a carillon that we made at Danbury, Conn. There is a picture of it, and here is a picture of the thing by which it is played. That was the first clavier we ever made. It serves its purpose. It is not quite as fine as the ones of the Park Avenue Baptist carillon, but, still, it does its work. There are foot pedals on it, and there is a bench that goes with it, at which a man sits and plays it. It does its work, and is doing it perfectly satisfactorily. It is ringing regularly from the tower of St. James Episcopal Church, of Danbury.

Senator THOMAS. There are 24 bells in this?

Mr. MENEELY. Yes.

Senator THOMAS. So under the definition that has been given us to-day this would apply, and that would comply as being a carillon; it would come within the definition of a carillon?

Mr. MENEELY. Yes. In Rhode Island it was brought out that there was a bill passed to allow carillons to enter duty free. There was. A priest who was going to buy those bells decided he did not want them after he heard a set, and bought a peal of three bells from us. I put them up myself in the tower.

Regarding the reason why the American manufacturer has not gone ahead and made these, I will state that all of the foreign bell factories, up until recently, when they got so well off that they could do it—all the carillons that were made in the world—I mean by that 1922, not so long ago—were made with the purchaser's money. A percentage of the money that the carillon was to cost was to be put down with the order. I do not know whether that was the case with Mr. Rockefeller's gift or not, but I do know it was the case in many instances that 50 per cent of the purchase price was put down with the order. With the American manufacturer it has always been that until the product is made, passed on first at the foundry, and then passed on after it is installed in the tower, not one penny is paid for it. Naturally, we do not want to sink a perfectly terrible sum of money in a set of bells of that description and then have the donor or purchaser appoint a committee of pro-British, to whom nothing is good except money that is made in America, to condemn our bells that we might make and put up.

Now, Mr. Bok was right. I wrote that letter to Medary. I brought that point out, that after these bells were made, that if musicians such as they might hire, but not composed exclusively of the pro-British, would be selected to pass on our bells and test our bells, we would be absolutely satisfied, and I told them that after those bells were made up, that we could then make the three larger church bells that he wanted. I believe that even what Mr. Bok said would substantiate that, but I am just adding to what he said. Those three bells could be made. That was in July, 1926, and long before last fall we could have had them, and after they had been tested and were found satisfactory, we could then go ahead and remove the rest from the place.

So far as importing big bells is concerned, we feel rather like this. We were condemned in the Ways and Means hearing because we had not manufactured their enormous bells. We have not. But that is not any reason to say we can not. We do not think these terrifically enormous bells are of any particular use to anybody. In Russia the largest bells ever made were produced, but they are not any good, and we do not believe that they will use this big bell that they are putting in at Park Avenue Church very often, and we did not see the reason for the terrific expense of such a bell in the carillons. A carillon ranging around the size that we were willing to build, we believe, would be just as good for their purposes as anything else, and if they still wanted the carillon we were willing to make; we were willing to lay out \$100,000 on the proposition for them to come up and hear it and condemn it if they found it wrong, but if they still wanted or found they wanted additional bells, heavier bells, we were willing and ready to make

them, and I do not believe there is anything fairer than that. With the exception of Mr. Fairweather, all of the gentlemen who were to appear here to-day as opposed to American bell manufacture or, rather, for the taking off of the duty entirely on carillons, every one of them was speaking for carillons that he already owed the duty on, either the duty had been paid on it or duty should have been paid and was not; in other words, there are a lot of these bells in various churches out of this number that were given—I believe they said there were 23 sets in the country to-day, and a lot of them were in and are in now, and they are in church towers, and the church has been made a bonded warehouse to hold them. That came out in the Ways and Means Committee hearing. We did not know it. The amounts of money that are owing the Government on them is very large, and every one of the gentlemen that were to speak here, with the exception of Mr. Fairweather, were speaking, as far as I can find out, in order either to get the duty returned to them or to get the bill charged off that has not been paid.

Senator COUZENS. What do you want in the way of a tariff?

Mr. MENEELY. We wanted approximately 50 per cent.

Senator WALSH. For all bells?

Senator KEYES. In other words, the present law?

Mr. MENEELY. No; that is 40.

Senator WALSH. You do not want a definition made of carillons?

Mr. MENEELY. We did not want a definition made.

PHONOGRAPH NEEDLES

[Par. 1542]

BRIEF OF AMERICAN MANUFACTURERS OF PHONOGRAPH NEEDLES

Phonograph needles are now dutiable under paragraph 1444 of the sundries schedule of the tariff act of 1922 as follows:

"PAR. 1444. * * * needles for phonographs, gramophones, graphophones and similar articles, 45 per centum ad valorem."

The House of Representatives has increased this duty to 8 cents per thousand and 45 per cent ad valorem (par. 1542, H. R. 2667).

For the reasons presented to the Committee on Ways and Means in support of our request for that increased duty, the undersigned American manufacturers of phonograph needles respectfully urge that the duty on their product as passed by the House of Representatives, be approved and adopted by the Committee on Finance of the United States Senate.

The reasons for our request are as follows:

1. The present rate of duty is the same as it was 20 years ago, when phonograph needles were dutiable as parts of phonographs at 45 per cent ad valorem under paragraph 408 of the Payne-Aldrich Tariff Act of 1909.

2. Since then manufacturing costs have increased, selling prices have declined, and marketing conditions have changed to such an extent that the domestic industry is no longer able to realize a fair return on its investment or a fair profit from its operations.

3. Though the American phonograph needle industry is comparatively small, the product which it makes is essential to the operation and sale of phonographs, which are made in this country on a vast scale, and to the numerous allied industries which make the records, accessories, and supplies for phonographs. These industries, as is well known to the Committee on Finance, represent a very large investment in buildings, machinery, and equipment and employ many thousands of our people. The preservation of the phonograph needle industry in this country is, therefore, of vital importance.

4. Congress recognized the essential character of the phonograph needle industry when it wrote into paragraph 1444 of the tariff act of 1922 a special provision for phonograph needles.

5. The increase of duty requested will not increase the price at which phonograph needles are sold to the consumer.

I. THE AMERICAN PHONOGRAPH NEEDLE INDUSTRY

At the present time phonograph needles are made by six manufacturers, located in New Jersey, Connecticut, Massachusetts, Rhode Island, and New York. The total yearly output of the industry is estimated at three and one-half billion to four billion phonograph needles, with a wholesale value of approximately \$750,000. The investment in the industry is estimated at \$1,500,000.

A phonograph needle is equally as important as every other part of a phonograph, whether it be a machine in which the sound is produced by means of a diaphragm actuated by a needle or in which the needle actuates the armature of the magnetic field of the electric "pick-up." The latter is the modern method of electrical reproduction of sound. Without a phonograph needle there can be no reproduction of sound.

The newest adaptation of electrical sound reproduction will be found in the motion-picture industry, where light and sound have been successfully combined and synchronized on screen and phonograph in the vitaphone for the education and entertainment of our people. In this field, as in all other development of the phonograph, our product is indispensable.

With the advent of the radio broadcasting the public has been educated to and demands a better quality of sound reproduction than that afforded by the older type of phonograph. The phonograph manufacturers have had to satisfy this demand by the modern electrical reproduction of sound; and, for the same reason, the phonograph needles made in this country have likewise been greatly improved.

The phonograph needle, as now produced in the United States, is made with much greater precision than was the case a few years ago. About 85 per cent of the labor now employed in making it is skilled labor and approximately 15 per cent unskilled. It is now made from the best quality high carbon-steel wire of the exact diameters required. The wire is first straightened and cut to length; the points are then ground; the needles are then heat treated to the required hardness and temper; the scale is then removed by rough polishing; and the needles are then given the desired finish or polish. The straightening, cutting, and grinding operations referred to must be done with mathematical precision. If the product, magnified two hundred times, discloses imperfections or irregularities beyond the limited tolerances, it is rejected. The needle, when hardened and tempered, must be capable of cutting glass. These requirements, as may be readily seen, take time, labor, and expert handling. They also require frequent and regular inspections.

The domestic industry has adopted the most modern machines and equipment and has applied every known economy in the manufacture of phonograph needles. Nevertheless the product itself is so small and so difficult to handle that a great amount of hand labor is a necessary incident to its production. For example, the machines employed in making the needles, whether for cutting, grinding, or heat treatment must be manually fed and attended and there must also be a manual "take-away." The counting of the needles and the packing (in envelopes) are also done by skilled operators, who have become expert after long training. There is no known development for the use of automatic machinery which has not been adopted by our industry. The capacities of our machine have been developed to the maximum. All operations are performed so as to yield the greatest efficiency consistent with quality.

As previously indicated, the destruction of the phonograph-needle industry in this country would vitally affect the domestic phonograph industry. It would also affect those other industries which furnish materials, accessories and supplies for phonographs. The phonograph industry and its allied industries would then be dependent on foreign sources for their supply of needles. According to Census of Manufactures, published by the Department of Commerce, the domestic production of phonographs in the year 1927 was valued at \$49,242,170. In the same year parts and accessories of phonographs made in the United States were valued at \$41,624,220. In the same year also the

domestic production of phonograph records and record blanks was valued at \$31,781,443. Lastly, phonograph needles produced in that year were valued at \$1,053,479.

Comparing the value of that domestic production in 1927 with the value of the domestic production of the same commodities in the year 1925, it appears that in 1927 the production of phonographs increased by 117.7 per cent, the production of parts and accessories by 22.7 per cent, the production of records and record blanks by 18.6 per cent, and the production of phonograph needles by only 9.6 per cent. In other words, the phonograph needle industry has not participated in the prosperity experienced by its allied industries. On the contrary, the year 1928 will show a marked decline in the value of the total output of the domestic phonograph needle industry to a level even lower than that of the year 1925.

The fact that the value of our output in 1927 did not come up to expectations and has since declined approximately 25 per cent is not due to smaller production but to price competition with the German phonograph-needle industry.

II. MANUFACTURING AND SELLING CONDITIONS

Phonograph needles are made in seven or eight different styles, which are known by their quality of sound production, as "extra loud," "loud," "medium," "soft tone," etc. These variations in tone are obtained by changes in the dimensions and contour of the needles.

The needles are sold by the manufacturers either in bulk or put up in small envelopes, each envelope containing 100. When sold in bulk, the needles are packed in wooden cases lined with waterproof paper, each case containing 500,000 needles. When sold in envelopes, the envelopes are packed in strawboard cartons (50 envelopes to a carton) and the cartons are packed in wooden cases (50 cartons to a case), each case containing 250,000 needles. The selling price is always per thousand needles.

In former years a fair average wholesale selling price for the domestic needles in bulk was 26 cents, 28 cents, and 31 cents per thousand to the phonograph makers, distributors, and jobbers, respectively, and in envelopes 28 cents, 30 cents, and 33 cents per thousand to the same classes of trade, respectively. These prices relate to delivery f. o. b. factory. Since 1926, however, the selling prices of our needles, due to foreign competition, have been steadily declining and are now at a ruinously low level. Our present average selling prices for needles in bulk are only 19 cents, 20 cents, and 21 cents per thousand to the phonograph makers, distributors, and jobbers, respectively, and in envelopes 20 cents, 22 cents, and 24 cents per thousand to the same classes of trade, respectively. The present price level does not produce a fair return on our investment or a fair profit from our operations.

The reason for this price situation we attribute entirely to inadequate tariff protection.

Practically all imported phonograph needles come from Germany. According to advice recently received from the chief, section customs statistics, Bureau of Foreign and Domestic Commerce, the average foreign value of the German phonograph needles imported into the United States in the year 1928 was 9.04 cents per thousand. The duty assessed on this value at the rate of 45 per cent is 4.07 cents per thousand. The cost of ocean freight, insurance, and landing charges is estimated at 0.60 cents per thousand. The average landed duty paid price of German phonograph needles is, therefore, only 13.71 cents per thousand. This average price of the foreign needles, it should also be noted, includes needles in envelopes as well as in bulk. They are imported both ways.

It will be seen, therefore, that the German needles are being imported into this country at 5.29 cents, 6.20 cents, and 7.20 cents less than the prices at which we are now selling the domestic needles in bulk to the phonograph makers, distributors and jobbers in this country, as above stated, and at 12.29 cents, 14.29 cents, and 17.29 cents less than our fair price level of a few years ago, as also stated above. It should be noted also that the German price referred to includes needles in envelopes as well as in bulk, whereas we are comparing that price with the domestic price of needles in bulk only.

Further, the landed duty-paid price of the German phonograph needles is so low that the importers are reselling them at prices which are fully 8 cents per thousand less than the prices at which our needles should be marketed.

The ridiculously low price at which the German phonograph needles are entering into the commerce of this country has completely undermined the

whole price structure of our industry and is compelling us to sell our product on too low a basis to yield a fair profit. This situation can be corrected only by additional tariff protection of 8 cents per thousand needles.

So far as the appearance of the domestic and foreign needles is concerned, it is impossible for anybody but an expert to distinguish between them. This is important, because we have reason to believe that the foreign needles, which are imported into this country in bulk, after arrival are packed in envelopes which do not indicate the country of origin. Consequently they are bought by the consumer in ignorance of the fact that they are not domestic products. As an illustration of this situation there was filed with the Committee on Ways and Means an envelope containing foreign needles on which there is no indication of the country of origin.

Although section 304 of the tariff act of 1922 provides that every article imported into the United States, if capable of being marked without injury, must be marked so as to indicate the country of its origin, we are not receiving the benefit or protection intended by that provision with respect to our product, because phonograph needles are probably too small to be marked as referred to.

As stated before, about 85 per cent of the labor employed in making and packing phonograph needles in this country is skilled labor and approximately 15 per cent unskilled. The wages paid by us for skilled labor vary from \$25 to \$35 per week and in certain cases our employees are paid from \$45 to \$75 per week. For unskilled labor our wage scale varies from \$14 to \$18 per week.

In Germany, on the other hand, the rate of wages for labor in making phonograph needles is believed to average approximately 15 cents per hour, or \$8.25 for a 55-hour week. German wages, therefore, are less than one-third of those paid in our industry.

Our plants are now operating at much less than their productive capacity. Were it not for the destructive price competition from abroad, we would have every reason to look forward with confidence to the future, because the demand for our product should show a normal and healthy increase year by year. Without an increase in the tariff, however, we have no reason to expect higher prices and no assurance that they will not decline even further.

III. THE INCREASE OF DUTY REQUESTED WILL NOT INCREASE THE PRICE AT WHICH PHONOGRAPH NEEDLES ARE SOLD TO THE CONSUMER

Knowing that Congress is solicitous for the welfare of the consumer and averse to increasing living costs in our country, we think it important to point out that a compliance with our request for an increase of 8 cents per thousand in the duty on phonograph needles will not affect their price to the consumer.

For many years past there has been a uniform retail selling price of domestic phonograph needles, regardless of style, namely, 10 cents per package of 100 needles or 3 packages for 25 cents. The imported needles are sold to the consumer at the same price. This price is so well established by trade usage and so convenient for both retailer and consumer, that there is no likelihood or prospect of any change in that respect in the event of an increase of duty.

If the duty which we request is enacted, we are morally certain that the increase will be absorbed by the phonograph makers, distributors, jobbers and retailers without difficulty, and that it will not affect the price to the consumer. The best proof of this is the fact that in former years, when the wholesale prices of phonograph needles were much higher than they are now, the retail price was the same as it is now.

CONCLUSION

We have endeavored to state our problem as briefly as possible. Any further information desired will be gladly furnished. We earnestly hope that the Committee on Finance will recognize the justice of our request and will adopt our recommendation as reasonable and necessary.

Respectfully submitted,

W. H. BAGSHAW Co. (INC.), Lowell, Mass.

LOWELL NEEDLE Co. (INC.), Putnam, Conn.

WILLIAM CRABB & Co., Newark, N. J.

GENERAL PHONOGRAPH MANUFACTURING Co. (INC.),
New York, N. Y.

SPONGES

[Par. 1545]

STATEMENT OF HON. DUNCAN U. FLETCHER, UNITED STATES SENATOR FROM THE STATE OF FLORIDA

Senator FLETCHER. I thank you very much and will show my appreciation by being brief.

We are concerned with paragraph 1545, sponges. I have offered an amendment to that paragraph so as to have it read:

"Sponges commercially known as sheepswool, 40 per cent ad valorem," instead of 25 per cent carried in the bill. "Sponges, commercially known as yellow, grass, or velvet, 25 per cent ad valorem," and so on, just as the bill provides. The only change we propose is to increase the duty on sheepswool sponges from 25 to 40 per cent.

This is a very important industry with us. Its chief center is at Tarpon Springs, Fla. There is a splendidly organized and conducted colony there and they are actively engaged in this industry. It produces something over a million dollars worth of sponges a year. They are sold, not by size and not by weight, but by strings. The captain of each boat goes out and dives for these sponges, the area being about 60 miles wide from the Florida coast out to the Gulf and about 200 miles long, reaching from Fort Meyers up to Apalachicola. That is the area where these sponges are found. They are procured by divers. The boat goes out with the diver in the boat and in water from 5 or 6 fathoms up to perhaps 20 fathoms they dive and get the sponges. Under the law they can not gather sponges of less than 5 inches in diameter.

Now, that is to the interest of the sponge operator and of the industry itself that sponges of less size than that shall be left to propagate. It is to their interest because a sponge 5 inches in diameter increases 1 inch a year, and whereas a sponge 5 inches in diameter might bring 40 cents, a sponge 6 inches in diameter might bring 70 cents. So it is to their interest to leave these smaller sponges to propagate.

They get these sponges by diving for them and they bring them into an exchange where the buyers come and after going through certain processes they are put on strings and they are sold by the string. The bidders are there. Competitive bidding goes on and if the operator does not see fit to accept the bids he can withdraw his sponges and offer them at the next auction, and then at a next, and for three times he can do it before his sponges go out of the exchange. That is the process of operating the industry.

The competitors are Cuba and the Bahamas mainly. There are 10 per cent of the sponges brought in outside of those countries. Cuba last year shipped to the United States over \$1,100,000 worth of sponges in addition to what is produced in the United States.

Senator COUZENS. What is the existing tariff?

Senator FLETCHER. Fifteen.

Senator WALSH of Massachusetts. On all kinds of sponges?

Senator FLETCHER. Ad valorem. The House raised it to 25. We now ask as to sheepswool sponges this duty shall be made 40 and as to the others 25 cents, as provided in the House bill.

Senator THOMAS of Oklahoma. Are the Cuban sponges the same quality as the American sponges?

Senator FLETCHER. No, sir. We have samples of both of them here. This Cuban sponge will not last a third as long as the Rock Island or Florida sponge. This is the sponge that Florida produces. This is the sponge that Cuba produces. They look quite alike to an ordinary buyer and they might not be much choice between them. However, the wear of the Florida sponge is three times as great as the other.

Senator THOMAS of Oklahoma. Have you a sample of the sheep-wool sponge?

Senator FLETCHER. This is the sheepswool sponge. This is the Cuban. This is the Florida. You can tell by handling them the difference in the fiber. One lasts longer than the other.

Senator COUZENS. You do not get any from California, do you?

Senator FLETCHER. No; I do not believe California produces any sponges. Cuba is arranging to get over some divers. You know they have no restriction on immigration. They can bring the Greek divers over and equip their boats and send them out into our waters, outside of the 3-mile limit. They then gather the sponges there and take them back to Cuba and ship them into our country.

A diver's boat costs about \$8,000, equipped, and it costs about \$7,500 a year to operate one of those boats. We have expert divers; we have the equipment, which amounts to over a half million dollars, at least, invested in the industry. We want to keep up that industry. We want to see it grow. It is going down to some extent by reason of this opposition. The production in the last few years has not been up to anything approaching what we could produce and it is because of this operation in Cuba and the Bahamas where the labor is cheaper and other conditions different.

Here are some photographs that will show you how they are sold in the exchange there. Mr. George M. Emmanuel, who has been identified with the industry a long time and who represents the producers down here, is here and I will ask him to state the case. You may ask him any questions you like.

Senator WALSH of Massachusetts. I notice Senator Trammell is here.

Senator FLETCHER. Senator Trammell is here and I speak for him as well as myself.

Senator TRAMMELL. Mr. Chairman, I think Senator Fletcher has covered the generalities of the situation quite well. Mr. Emmanuel will testify more in detail. He is thoroughly conversant and experienced in this industry. I know it is a very important industry in our State and the sponge trade in this country was very largely developed through this enterprise, which is located in Florida, but in more recent years Cuba has become a very acute competitor. That is due largely to labor cost and due to the fact that they fish for this sponge in more shallow water and it is not as expensive an operation. I very much hope that the fact will justify the committee in giving an increase. I will not attempt to go into detail.

Senator COUZENS. Would this not increase the cost of medical care?

Senator FLETCHER. I do not know; I think there is a different sponge used by surgeons and we do not produce that sponge.

STATEMENT OF GEORGE M. EMMANUEL, REPRESENTING THE SPONGE PRODUCERS OF TARPON SPRINGS, FLA.

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

Senator KEYES. Whom do you represent?

Mr. EMMANUEL. I represent the sponge producers of Tarpon Springs, Fla.

Senator THOMAS of Oklahoma. How many?

Mr. EMMANUEL. All of them, about a thousand.

Senator THOMAS of Oklahoma. A thousand producers, or those employed in the industry?

Mr. EMMANUEL. A thousand employed in the industry.

Senator WALSH of Massachusetts. All under one company?

Mr. EMMANUEL. Each boat is owned individually.

Senator THOMAS of Oklahoma. Senator Fletcher made some suggestion about the folks employed in this industry being Greeks. Are they of that nationality?

Mr. EMMANUEL. Yes, sir.

Senator THOMAS of Oklahoma. Have you list of the personnel employed in this business?

Mr. EMMANUEL. No; I have no list.

Senator FLETCHER. They are American citizens. They came originally from Greece.

Mr. EMMANUEL. Twenty-five years ago.

Senator THOMAS of Oklahoma. Are they all naturalized?

Mr. EMMANUEL. Seventy per cent. They have got their families and children here.

Senator WALSH of Massachusetts. Most of them are professional divers, I suppose?

Mr. EMMANUEL. Yes, sir.

Senator WALSH of Massachusetts. Were they engaged in the sponge business in Greece?

Mr. EMMANUEL. Yes, sir. We can not find any divers at all in the United States, so we have to ask permission of the Government to import some divers from Greece under a \$500 bond.

Senator THOMAS of Oklahoma. Do these divers get paid so much per day or week or month or so much per sponge?

Mr. EMMANUEL. So much per share. If they get \$10,000 cash they deduct the expense of gasoline and one thing and another, then they divide up, and the diver gets three shares and the helper gets one and one-quarter shares.

Senator WALSH of Massachusetts. Somewhat like the fishing crews?

Mr. EMMANUEL. Yes, sir.

Senator THOMAS of Oklahoma. Of that basis what do the men make as wages?

Mr. EMMANUEL. The regular men don't make more than \$600 a year. The divers make about \$1,200 to \$1,300, sometimes \$2,000 but there is a lot of danger in it. We lose five or six a year from various things, particularly from water pressure.

Senator THOMAS of Oklahoma. Do they follow this line of business 12 months in the year or is it a seasonal proposition?

Mr. EMMANUEL. Twelve months in the year.

Senator THOMAS of Oklahoma. What per cent of the sponge industry does your group furnish or supply?

Mr. EMMANUEL. You might say 95 per cent.

Senator THOMAS of Oklahoma. Then there is a 5 per cent importation that comes in competition with your goods?

Mr. EMMANUEL. Do you mean how much I represent from Tarpon Springs?

Senator THOMAS of Oklahoma. Yes, sir.

Mr. EMMANUEL. One hundred per cent. All of us are interested for that increase of tariff, of course.

Senator THOMAS of Oklahoma. From what places do the competitive articles come—from Cuba and the Bahamas?

Mr. EMMANUEL. Yes, sir; and the imports into New York and Chicago.

Senator THOMAS of Oklahoma. Where do they get them?

Mr. EMMANUEL. From Nassau and from the Mediterranean.

Senator WALSH of Massachusetts. Is this the only location in America that produces sponges?

Mr. EMMANUEL. Yes, sir; Tarpon Springs. There is a little production in Key West; about \$50,000 per annum.

Senator WALSH of Massachusetts. When your boats come in with their sponges that they have gotten out at sea, you then go to a common market where they are sold?

Mr. EMMANUEL. Yes, sir.

Senator WALSH of Massachusetts. What is that market called?

Mr. EMMANUEL. The sponge exchange of Tarpon Springs. It is a nonprofit organization.

Senator WALSH of Massachusetts. Do they market the goods for you?

Mr. EMMANUEL. Yes, sir.

Senator THOMAS of Oklahoma. Why can the other countries supply sponges cheaper than you can supply them?

Mr. EMMANUEL. Because we are working with diving boats and the diving boats cost us a lot of money. I have an illustration of that here. The hull of the diving boat costs \$2,600. We use a 35-horsepower gasoline which costs \$1,800. The total cost of the boat is \$8,167, while in Cuba they only employ little sloops and little dinkies. They go down there and work by hooks, on account of the shallow water. They have got a bucket. They can see the sponge in the bottom of the sea and they send a hook down and hook them up. There is practically no expense attached to it and that is the reason they can produce them a whole lot cheaper than we can.

Senator FLETCHER. How deep do your divers go?

Mr. EMMANUEL. From 100 to 120 feet; from 50 to 120 on the Florida coast. In Cuba they go to about 25 or 30 feet. We have to go down about 120 feet.

Senator COUZENS. Has the witness anything to say other than what was said in the House hearing?

Mr. EMMANUEL. No, sir.

Senator FLETCHER. I desire to call attention to hearings in the House; page 7884 of volume 14, and I want to ask the privilege of filing a brief, which is in addition to the House hearings. This brief was prepared by Mr. Emmanuel.

Senator DENEEN. I have a witness from Illinois on sponges and I would like to have him follow this witness so that the continuity of the record will be kept straight.

Senator TRAMMELL. There was one inquiry made of Mr. Emmanuel here that I would like to say something about. I live within 50 miles of this industry, and I want to say that these Greeks, generally speaking, are most excellent citizens. They have been largely responsible for the building up of a magnificent little city there at Tarpon Springs, Fla. They constitute quite an important part of the citizenry and of the industries in that particular part of Florida. I think most of them have become naturalized. Speaking of Mr. Emmanuel, he has occupied an important position there in connection with the city government and is recognized as one of the leading and best citizens of the county in which he resides. I merely say that in regard to those people engaged in that industry.

Senator FLETCHER. I may say in further reference to that that there is not a more orderly nor high class of people in any community than there at Tarpon Springs.

(The brief of Mr. Emmanuel is as follows:)

BRIEF OF THE SPONGE PRODUCERS OF TARPON SPRINGS, FLA.

THE FINANCE COMMITTEE,

United States Senate, Washington, D. C.:

The Spongers Cooperative Association, which is composed of the boat captains of the sponge fleet of Tarpon Springs, Fla., had a representative appear before the Committee on Ways and Means, House of Representatives, to ask for an increase in the tariff on sponges from the then existing rate of 15 per cent to 40 per cent ad valorem.

This increase was asked on the grades known as sheepswool, grass, velvet, and yellow.

The representative presented samples of sponges, photographs comparing methods of getting them, and other data was presented to the Ways and Means Committee in booklet form at the public hearing.

The Hawley bill, known as H. R. 2667, which was passed by the House, provides only 25 per cent ad valorem on the grades mentioned, and this is not sufficient on the sheepswool grade to protect the industry.

The Cuba and Nassau sheepswool, produced as they are from shallow water by the hooking method which required no skilled labor, can be and are put in our market at a price far below the production cost of our sheepswool. By reason of the diving method employed in the gathering of sponges for the Tarpon Springs market, and which is the only method by which they can be obtained in sufficient quantities, owing to the depth of water from which they are taken, the cost of production is much greater than that of Cuba and Bahama sponges.

The divers employed are highly skilled in that line of work, all coming from the Mediterranean. American-born labor in this line can not be found.

Then, too, there is no comparison in the original cost of equipment. The average cost of a fully equipped diving boat is about \$8,000 and the annual cost of operation is about \$7,500.

In Cuba and the Bahamas most of the sponge boats are small schooners or sloops of small and questionable value, and the annual cost of operation is negligible. The most of these boats are owned by ship chandlers of means and leased to the sponger on a share basis.

It can, therefore, be readily seen that we can not meet such competition. It is true that the Cuba and Bahama sheepswool sponges are of an inferior grade, but they are sold by the sponge dealers as sheepswool sponges, and the average citizen does not know the difference in Florida sheepswool sponges and Cuba or Bahama sheepswool sponges, and he buys more according to price than to quality, and when there is \$1 or more per pound difference in sponges that look practically the same, he naturally buys those of the lesser price.

In 1928 the export of sponges from Cuba alone to the United States was \$1,071,697, or approximately as much as was produced in Florida, and these are precisely the kind of sponges which are in direct competition with the products of our own waters.

The sponge industry of Florida is a larger industry than is realized by the country at large. It employs thousands of people and represents an investment

of approximately half a million dollars. The larger part of this is at Tarpon Springs.

With the proper tariff protection this industry can and will be greatly enlarged.

We are therefore asking for an amendment to H. R. 2667, paragraph 1547, making the rate on sheepswool sponges only 40 per cent ad valorem. The other grades, grass, velvet, and yellow may remain as they are in the bill or be placed on the free list, as the competition in these grades is so small it does not seriously interfere with us.

With a tariff of 40 per cent ad valorem on sheepswool sponges, the imported sheepswool will then be in line with ours as far as prices are concerned, and that is all we want.

With such a tariff the demand for our sponges will be greatly stimulated, therefore more boats will be operated, more men employed, and more money circulated through the various channels connected with the industry.

The Greeks employed in the sponge industry here are practically all naturalized citizens, many of them owning their homes. Those who are not yet naturalized citizens have filed their application or are awaiting the proper time to do so.

Referring further to investment and cost of operation, we beg to refer you to brief of Spongers Cooperative Association submitted to the Ways and Means Committee, House of Representatives.

Please refer to Exhibits A, B, and C, pages 7893, 7894, and 7895 of hearings, tariff readjustment, 1929, Schedule 14.

These exhibits set forth in actual figures the costs of investment and operation as well as earnings.

In the brief of the sponge packers and distributors, which appears in the same schedule on page 7897, in the "competition" paragraph, they state that there is no competition in the wool sponges, as there is no sponge that replaces the Florida wool for most purposes.

This statement is untrue as to no competition. It is true that the Florida wool sponges are superior for most purposes, but owing to the lower cost of the Bahama and Cuba wool they are used as a substitute for the Florida wool, while if the cost were the same the Florida wool would be used exclusively for most purposes.

In one paragraph they state that they are paying more for Cuba wool than they are for Florida wool, while in another paragraph they state that Bahama and Cuba wool sponges are \$2.90 per pound, while they give the cost of Florida wool as \$3.25 per pound. This disproves their former statement as to costs.

It is not expected that the increase in tariff on wool sponges will increase the price paid for them, but it will increase the demand and thereby increase the production. By reason of the keen competition of the Cuba and Bahama wool, owing to cheap production, the Florida fishermen for the past year and a half have been practically bankrupt. Since the passage of the Hawley tariff bill by Congress, we have been informed by a reliable sponge producer of Batavano, Cuba, that the producers there in conjunction with capitalists are arranging to import divers from Greece and fit out a fleet of diving boats the same as are used here, and not only operate in their own waters but come to our beds outside of the international limits and take our sheepswool sponges to the Cuban markets, from which they will be exported to the United States. Owing to no immigration restrictions, they can import all the divers they want, and with their other cheap labor can put the same grade of sponges that we produce into our market at a lower cost than we can produce them unless we have a tariff sufficient to protect us.

An agent from Cuba was in Tarpon Springs about two weeks ago and he procured diving dresses, hose, and pumps for this purpose. This is a very serious outlook for the sponge industry of Florida unless we can be protected with a proper tariff.

Sponge Producers of Tarpon Springs,
By GEO. M. EMMANUEL.

STATEMENT OF ARTHUR J. ROTH, REPRESENTING JAMES H. RHODES & CO., CHICAGO, ILL.

(The witness was duly sworn by the chairman of the subcommittee.)
Senator KEYES. Did you appear before the Ways and Means Committee?

Mr. ROTH. I did not.

Senator WALSH of Massachusetts. Do you represent anybody more than yourself?

Mr. ROTH. I am here in behalf of James H. Rhodes & Co. and also for other sponge merchants in the United States. We distribute approximately 90 per cent of all the sponges imported and produced in the United States to the consumer and to the retailer in the United States. We ask that no change be made in the present tariff of 15 per cent on sponges, for the reason that they are really not competitive.

The Cuban sponges are very much softer and of a different texture. I am now referring particularly to the wool sponge because the wool sponge is about 85 to 95 per cent of the entire production and importation, so I am not going to take up your time discussing the cheaper grades, which do not amount to much. For certain purposes it is almost impossible to use the Florida sponge; for other purposes nothing else but the Florida sponge would be economical or worth while using. Therefore, as Senator Fletcher said, the Rock Island sponge is worth three or four times the price of the Cuban sponge. For washing automobiles there is nothing that will take the place of the Florida sponge.

We are also members of the Tarpon Springs Sponge Exchange, and several of the signers of the brief which I will file here are also members of that exchange. It is to our interest to see the industry there progress as well as to protect the consumer of sponges generally.

Senator WALSH of Massachusetts. You are interested in that industry in Florida?

Mr. ROTH. We are members of the sponge exchange. We buy approximately 20 per cent of the entire output of Florida.

Senator WALSH of Massachusetts. Are you financially interested other than as buyers of the sponges?

Mr. ROTH. Not in the diving apparatus; no. There are, according to the brief here filed before the Ways and Means Committee about 150 divers at Tarpon Springs, 50 of which, as Mr. Emmanuel just referred to, brought in here under special order from the Government. Now, if the industry was not prospering, I can not see why we would want more men to work it. Furthermore, Tarpon Springs is, as Senator Fletcher says, a very orderly town and it is probably one of the most prosperous little towns in Florida. They depend entirely on the sponge industry.

Senator THOMAS of Oklahoma. Right in connection with that point. These two sponges are samples of the Cuban sponge and the Florida sponge. Being thoroughly familiar with the sponge industry, can you tell us whether there is any difference in the quality of those two sponges?

Mr. ROTH. Yes, sir.

Senator THOMAS of Oklahoma. Which is the better?

Mr. ROTH. The Florida sponge. As Mr. Emmanuel directed your attention to the fact, as well as Senator Fletcher, anyone can tell the difference between the two, by just taking hold of them. There is a typical Florida sponge of which 70 per cent of all the sheepswool sponges is produced in that quality, which is known as a form of whole sponge, and of which only about 10 per cent comes from imported sources.

Senator THOMAS of Oklahoma. Do these sponges really compete with each other?

Mr. ROTH. No.

Senator THOMAS of Oklahoma. Tell us why.

Mr. ROTH. For instance, taking washing walls and decorating and where a soft sponge is required, only the Cuban is used, which is very much softer than these sponges here [indicating], whereas where hard work is required there is nothing that can take the place of this sponge [indicating].

Senator FLETCHER. The Cuban sponge is called the sheepswool sponge?

Mr. Roth. Yes.

Senator FLETCHER. The same classification?

Mr. ROTH. Yes; it would be the same as textiles. They are all the same. But they are not as different in cotton content as others.

Senator THOMAS of Oklahoma. Do these sponges sell for approximately the same price?

Mr. ROTH. The Cuban and Florida sponges? The Cuban sponges cost to-day about 20 cents a pound more than the Florida in the same size. For instance, we know this [indicating] as a medium No. 1 cut. The imported sponge from Cuba costs us \$3.60 a pound, whereas the Rock Island sheepwool cut from Florida costs \$3.40 a pound.

Senator THOMAS of Oklahoma. The Cuban sponge is a softer sponge and for certain purposes it is used where the Florida sponge would not serve?

Mr. ROTH. Exactly.

Senator WALSH of Massachusetts. Except the Florida sponge is used almost entirely for washing automobiles?

Mr. ROTH. Washing automobiles or wherever very hard work is required.

To prove further that there is practically no competition, the cost of Cuban sponges has increased nearly 50 per cent since 1926. The Florida sponges have not increased. In fact, they have decreased slightly. That is because it depends upon the demand. The demand may increase for the automobile sponge next year, which it probably will with the big increase in use of automobiles. Therefore, the price that Florida gets will increase. That again proves it is demand that regulates price and not that the sponge is not competitive.

Senator WALSH of Massachusetts. In other words, increasing the duty here will not increase the production of Florida sponges because people will still buy the Cuban sponge and we will simply be charging the American public more for the Cuban sponge. Is that your point?

Mr. ROTH. Yes, exactly. And I do not think it would be fair to increase the duty 40 per cent or 50 per cent or 15 per cent or a quarter million dollars in order to support 150 Greek divers.

Senator FLETCHER. There are other people employed besides divers.

Mr. ROTH. Exactly; and we employ them.

Senator FLETCHER. The boats have people other than divers; they have to have crews.

Mr. ROTH. Let's say 500 people. Why should we tax the people of the United States \$250,000 to support 500 people? The people of the United States are entitled to more benefit than just a small number of people.

Senator FLETCHER. The ordinary purchaser coming into a store will say, "I want a sponge." The Cuban sponge looks very much like the Florida sponge. The size is about the same, and they are sold at different prices. The Cuban sponge is put out at a certain price and you ask another price for the other sponge. And isn't the customer likely to buy the Cuban sponge every time?

Mr. ROTH. I am very glad you asked that question. I think that is just why the sponge divers are asking for this increase, because they are not familiar with the demand. They do not come into contact with the consumers of the sponges. The sponges are sold to distributors in the North, like ourselves, and we are constantly coming into contact with the consuming trade and the retail trade.

The majority of the sponges are not used by the individual consumers, but they are used by industries who have specifications to which we must adhere. The United States Government specifies a certain kind and you can not give them this sponge when they specify the other sponge. The automobile industries have the same specifications. The railroads specify certain size and quality. And those men know sponges.

Senator FLETCHER. Why does a Cuban sponge cost more than the Florida sponge when the Florida sponge is three times as good?

Mr. ROTH. Because the demand for the Florida sponge is not as great for the particular industries as the Cuban. If those industries could use the Florida sponge it would probably be different. But a garage man will only buy this sponge [indicating], regardless of price, and he will not buy the other one, regardless of price.

Senator THOMAS of Oklahoma. What are they used for?

Mr. ROTH. Washing walls and calcimining and washing fine wood-work.

Senator THOMAS of Oklahoma. The Cuban sponge?

Mr. ROTH. Yes.

Senator THOMAS of Oklahoma. And the American sponge is not serviceable for that work?

Mr. ROTH. It is too harsh and too heavy and too hard.

Senator THOMAS of Oklahoma. If the duty on the Cuban sponge was doubled would the demand now for the Cuban sponge still exist and would they continue to get that sponge, irrespective of the price?

Mr. ROTH. They would.

Senator THOMAS of Oklahoma. Then an increased duty on the sponge would not increase the demand for the Florida sponge, in your opinion?

Mr. ROTH. It would not increase the demand for the Florida sponge.

Another point was brought out in the brief before the Ways and Means Committee, that the divers worked 12 months a year.

Senator COUZENS. That is all in the testimony.

Mr. ROTH. But they do not. There are figures here showing where a man has made \$3,000 for two tricks. And it shows \$3,000 plus his board and lodgings. And that is just for six months' work. I think any man who earns \$6,000 to \$8,000 a year and his board and lodging is not starving to death in the sunny State of Florida. It is a wonderful place to live when you can make \$6,000 or \$8,000 a year.

Senator COUZENS. Is that all you have?

Mr. ROTH. I have a brief I would like to file.

Senator KEYES. It may be filed.

(The brief referred to is as follows:)

BRIEF OF SPONGE PACKERS AND DISTRIBUTORS

FINANCE COMMITTEE,

United States Senate, Washington, D. C.

HONORABLE SIR: Paragraph 1545, H. R. 2667, reads:

"Sponges, commercially known either as sheepswool, yellow, grass, or velvet, 25 per centum ad valorem; all other sponges, not specially provided for, 15 per centum ad valorem; manufactures of sponges, or of which sponge is the component material of chief value, not specially provided for, 25 per centum ad valorem."

Tariff desired.—We ask that the tariff on sponges be as in paragraph 1447 of the tariff act of 1922, as follows:

"Sponges, 15 per centum ad valorem; manufacturers of sponges, or of which sponge is the component material of chief value, not specially provided for, 25 per centum ad valorem."

We, the undersigned, distribute to the industrial users and retailers in the United States approximately 90 per cent of all the sponges imported and those produced in Florida.

Domestic production.—All domestic sponges are produced in the State of Florida. The method employed is principally diving, with the use of proper diving suits and apparatus.

The pay of the divers who fish sponges in this manner is much higher than the pay of those who employ the method known as "hooking," which still prevails in Key West and to a certain extent in Tarpon Springs, Fla., as well as in the only other sponge markets, namely, Cuba and Nassau.

Kinds.—Permit us to state that in considering a tariff on sponges four kinds of sponges are involved. These sponges are termed in the trade as follows: "Sheepswool," "Yellow," "Velvet," and "Grass."

Yellow, velvet, and grass sponges.—The difference between imported grass sponge and the Florida grass sponge is so great that it needs no comment, but merely an examination of samples we are submitting. It will readily be seen that the qualities are so different that there could be no competition nor comparison.

Both the domestic production and the imports of yellow and grass sponges are exceedingly small in value by comparison with sheepswool sponges, and therefore we would conserve the time of your committee by stressing the important issue, which is the sheepswool sponges, as a basis for assessing duty on all sponges.

There are no velvet sponges in Florida waters.

Sheepswool sponges.—The sheepswool sponge is the highest priced of the four varieties and represents in value, 90 to 95 per cent of both domestic production and importations.

The sheepswool sponge produced in Florida as our adversaries have acclaimed is the most durable and best quality sheepswool sponge produced in the world and is without competition for wearing and absorbing properties, and for that reason can not be replaced by the poorer quality imported sheepswool sponges.

Competition.—No sponges imported into the United States are of exactly the same quality or texture as those produced in Florida. The majority of sponges sold in the United States are used by the industries, and requirements vary with the characteristics of the sponges, the Florida wool sponges being better adapted to certain purposes, while the imported sponges are more adaptable to other purposes, and in the majority of cases one could not replace the other, and therefore they are not more competitive than a wool fabric is competitive to a cotton fabric.

The Summary of Tariff Information, 1929, on Tariff Act of 1922 shows the value of the production of Florida sponges, but the figures do not include the cost of clipping, cutting, sorting, and baling, which would enhance the value 12 per cent. As the value of imports includes this expense, we have the following comparative figures:

| Year | Florida sponges, raw state | Florida sponges, finished state | Imported sponges, finished state | Year | Florida sponges, raw state | Florida sponges, finished state | Imported sponges, finished state |
|-----------|----------------------------|---------------------------------|----------------------------------|-----------|----------------------------|---------------------------------|----------------------------------|
| 1919..... | \$707,964 | \$792,920 | \$462,148 | 1924..... | \$714,760 | \$900,531 | \$711,537 |
| 1920..... | 678,209 | 750,594 | 655,855 | 1925..... | 715,097 | 800,908 | 885,884 |
| 1921..... | 540,093 | 601,904 | 427,468 | 1926..... | 666,093 | 746,024 | 908,241 |
| 1922..... | 699,089 | 782,970 | 665,149 | 1927..... | 865,510 | 969,371 | 1,061,317 |
| 1923..... | 734,391 | 822,577 | 978,134 | 1928..... | 729,918 | 817,508 | 1,067,560 |

In any comparison of the weights of imports and domestic production it should be considered that as stated by the United States Tariff Commission in the

summary referred to 40 per cent of the weight of the sponge imports and 2 per cent of the value is sponge waste of which Florida produces practically none.

During the period 1921 to 1928 the cost of imported sponges has constantly increased, whereas the Florida sponges have declined slightly so that to-day the imported sheepswool sponges cost more than the Florida sheepswool sponges.

Such a condition could not prevail were the Florida sponges adapted for the purposes for which the imported sponges are used.

When it is considered that notwithstanding the increase in duty in 1922 from 10 to 15 per cent ad valorem, imports of sponges continued to increase, it is evident that a tariff on imported sponges does not affect the Florida sponge industry, the sponges themselves being dissimilar.

The following is a comparison of the cost of Cuba sheepswool sponges and Florida sheepswool sponges f. o. b. New York, in the spring of 1929:

| | Per pound |
|---|--------------|
| Cuba sheepswool, medium cuts, No. 1..... | \$3.60 |
| Florida sheepswool, medium cuts, No. 1..... | 3.40 |
| Cuba sheepswool, medium cuts, No. 2..... | 2.50 |
| Florida sheepswool, medium cuts, No. 2..... | 1.90 |

Supply and demand in Cuba and Nassau markets has no effect upon the Florida market, and vice versa. There is no sympathetic action between these markets, because the sponges themselves are dissimilar.

We believe that the Government deserves some revenue, and we do not seek to have sponges placed on the free list, but even if they were placed on the free list, the price of Florida sponges would not be affected thereby.

On the other hand, if the duty is increased on the imported sponges, it will only result in a heavier burden placed upon the American consumer, who is buying imported sponges because the sponges found in America will not answer his purpose.

Labor.—The wage scale in Cuba is practically the same as in Florida, as follows:

| | Cuba | Florida |
|-------------------------------|--------|---------|
| Trimmers.....per 8-hour day.. | \$3.00 | \$3.75 |
| Packers.....do..... | 3.50 | 4.00 |
| Cutters.....do..... | 3.50 | 4.00 |

Therefore, the slight difference in the wage cost between Florida and Cuba is more than offset by the duty in the tariff of 1922.

That the compensation of the Greek divers in Florida is attractive is evidenced by the fact that in 1927 application was made and permission granted to allow 50 additional Greek divers to enter this country for Florida sponge fishing, and this would indicate that the Florida sponge industry is thriving.

In conclusion, we can only believe that the sponge fishermen of Florida are petitioning for an increase in the tariff in the mistaken belief that an increased tariff would benefit them, but they are misguided by reason of their lack of contact with the consuming industries, which contact convinces us that the only effect will be to place a burden on the consumer.

As many of the undersigned are not only distributors of sponges but also operators of packing houses in Florida, and have a greater investment in the business of packing and distributing sponges than any of the fishermen in Florida, it is to our interest to see that the industry prospers in Florida, where we have branches and packing houses.

Our responsibility is twofold—to protect the fisheries and the producers of American sponges, as well as the consumer of sponges.

Therefore, we respectfully ask that the duty on sponges remain as it is in the tariff of 1922.

Respectfully submitted,

James H. Rhodes & Co., New York and Chicago, Arthur J. Roth, president; The Popper-Addison Co., Cincinnati, Ohio, Ferd. Topper, president; Joseph Bloch (Inc.), New York City, Joseph Bloch, president; Florida Sponge & Chamois Co., New York City, by R. L. Sinenberg; Atlas Sponge Co., New York City, by M. Koerner; Greek-American Sponge Co., Chicago, Ill., S. Crohn, president; Nassau Sponge Co., Chicago, Ill., by Hugo Rosenfels; Schroeder & Tremayne (Inc.), St. Louis, Mo., by Theodore Schroeder; Lasker & Bernstein (Inc.), New York City, Allen M. Bernstein, president; American Sponge & Chamois Co. (Inc.), New York City, Arthur J. Sloss, treasurer.

WORKS OF ART N. S. P. F.

[Par. 1547]

BRIEF OF WILLIAM FRIEDLANDER, NEW YORK CITY, REPRESENTING THE ART METAL GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS

UNITED STATES SENATE FINANCE COMMITTEE,

Washington, D. C.:

In order to clarify and eliminate certain ambiguities existing in the 1922 tariff act, as well as the H. R. 2667, I respectfully submit to your earnest consideration the following changes in phraseology, paragraph 1547, as printed in H. R. 2667. Reads as follows:

"Works of art, including paintings in oil or water colors, pastels, pen-and-ink drawings, and copies, replicas, or reproductions of any of the same, statuary, sculptures, or copies, replicas, and reproductions thereof, and etchings and engravings, all the foregoing, not specially provided for, 20 per centum ad valorem."

I suggest it be changed to read:

"Works of art, including paintings in oil or water colors, pastels, pen-and-ink drawings, etchings and engravings, and copies, replicas, and reproductions, all of the foregoing, not specially provided for, 20 per centum ad valorem. Statuary, sculptures, or copies, replicas, and reproductions thereof, not specially provided for, and valued at not less than \$2.50 each, 20 per centum ad valorem."

It has apparently been the intent of the Congress not to place high tariff rates on artistic commodities.

Statuary is not a commodity which sells on a price basis but which sells primarily on its esthetic appeal.

Under the present law much confusion and conflict of opinion has been created due to the diversion of opinion as to the proper classification of such imports. Bronze statuettes have been classified as manufactures of metal not specially provided for, at 40 per cent ad valorem. Hundreds of cases are pending in the courts awaiting decision, some of them representing importations entered in 1924 and 1925. If the importations have gone into consumption the court has offered no redress, holding that it could not determine from a photograph whether the article possessed any artistic merit. Some alloy metal statuettes costing as little as \$1.25 each have been held dutiable at 20 per cent while other bronze statues costing as much as \$80 abroad have paid the rate of 40 per cent.

The limitation of \$2.50 each minimum value is suggested to prevent cheap cast iron, or novelty figures having little or no artistic attributes becoming dutiable under this paragraph.

Statutory does not compete with domestic products on a price basis.

Your earnest consideration for this charge is respectfully requested in order to prevent varying practice at different ports due to the matter of opinion as to when a statue ceases to be a statue, but should be classified as a manufacture of metal.

WILLIAM M. FRIEDLAENDER,
Chairman Art Metal Group, National Council of
American Importers and Traders (Inc.).

PENCILS

[Par. 1549 (a)]

STATEMENT OF ROBERT J. MOETZLER, REPRESENTING A. W. FABER (INC.), NEWARK, N. J.

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

Senator KEYES. Whom do you represent?

Mr. MOETZLER. A. W. Faber (Inc.), of Newark, N. J.

Senator WALSH. Do you represent all the pencil manufacturers?

Mr. MOETZLER. No; I represent only our own company, A. W. Faber & Co.

Senator WALSH. How large is your establishment?

Mr. MOETZLER. One hundred and fifty men.

Senator WALSH. How much of the domestic output do you produce?

Mr. MOETZLER. We are not pencil manufacturers here. We are rubber manufacturers. We import pencils.

Senator KEYES. You are talking as an importer?

Mr. MOETZLER. As an importer of pencils, although we are manufacturers of stationery rubber goods in this country.

Senator WALSH. You are opposed to this increase?

Mr. MOETZLER. Yes, sir.

Senator THOMAS. Where do you import your pencils from?

Mr. MOETZLER. From Germany, from A. W. Faber & Co.

Senator THOMAS. Any place else?

Mr. MOETZLER. No, sir; not that I know of.

Senator THOMAS. What is the present tariff on pencils?

Mr. MOETZLER. Twenty-five per cent ad valorem plus 45 cents a gross, plus 50 cents a gross with a clip.

Senator WALSH. Have you some pencils with which you can give us illustrations?

Mr. MOETZLER. I would like to make my statement first, if I may.

Senator WALSH. Very well.

Senator KEYES. Is this in addition to the testimony given before the Ways and Means Committee?

Mr. MOETZLER. I did not give any testimony before the Ways and Means Committee.

Senator KEYES. Did any one representing your company appear before the Ways and Means Committee?

Mr. MOETZLER. Our attorney was before the Ways and Means Committee.

Senator COUZENS. You are not going to give us a repetition of that testimony?

Mr. MOETZLER. Not at all; this is entirely different. I am giving you a practical analysis of the facts of the matter.

I represent A. W. Faber (Inc.), as its president. This company is entirely owned by American citizens.

Senator COUZENS. Where is it located?

Mr. MOETZLER. In Newark, N. J.

The proposed increases in the tariff on pencils now submitted to the Congress are unwarranted and necessarily objectionable to ourselves and others. We are manufacturers of stationers' rubber goods, and operate a large plant in Newark, where we employ American labor. A great portion of our merchandise is exported, and the bulk of these exports is to Germany.

Our export business has steadily increased from 1921, when it was \$13,475, to 1927, when it was \$92,126, and has increased since then.

Before 1921 it was a hardship to sell any of our merchandise abroad, but with more friendly relations it is our hope that we will be able to sell an ever-increasing amount of American manufactured

rubber goods abroad. The ideal business transaction is one in which the buyer and the seller both make a profit.

Bear in mind that if because of excessive duties we are unable to buy merchandise which the German manufacturers make it is only sensible to assume that they in turn can not buy what we manufacture. They are to a great extent dependent upon what they receive from the sale of pencils in this country to pay for the purchase of rubber goods from this country from us for resale in their land. If our market is shut off to them owing to excessive duties, the ultimate result will be lower production in our plant at Newark, and consequently the laying off of many of our American workmen, placing hardships upon them.

Let us present another angle. When one stops to consider that imported pencils comprise less than 2 per cent of the pencils consumed in this country, it seems absolutely unnecessary to inaugurate higher and prohibitive duties. And of this 2 per cent which is imported one-half is what may be termed noncompetitive merchandise which domestic manufacturers do not produce. The price of this noncompetitive merchandise is at least 30 to 40 per cent higher than the best of American manufacture, and covers pencils which are more of a drawing instrument to the professional man than merely a pencil for ordinary writing purposes. So looking at it from that perspective only 1 per cent of the annual pencil requirements of the United States constitute the imported merchandise of a competitive nature. Can one say that so small a quantity is burdensome to American manufacturers?

I would like to submit to you absolute proof of that [exhibiting samples]. The top item is our item which we import, and that is 80 per cent of our imports, and that is a pencil that costs us laid down in New York \$8.69 a gross, and we sell it at \$10.80 a gross. The highest grade manufactured by American manufacturers are these pencils below [indicating samples].

Senator KEYES. Is that card numbered?

Mr. MOETZLER. No.

Senator KEYES. Will you number it, so that it can be referred to in the record?

Mr. MOETZLER. We price these to sell at \$7.50 to \$8 a gross. Their net price is \$7.20.

Senator WALSH. This is Exhibit No. 1, consisting of four pencils.

Senator COUZENS. I observe the top pencil which you say is the imported one. You say that you make that abroad?

Mr. MOETZLER. Yes, sir.

Senator COUZENS. So that you are a foreign producer as well as an American producer?

Mr. MOETZLER. I do not manufacture abroad. I have nothing to do with the factory abroad. We have no factory there. We are Americans and have an American factory. It is just an interchange of goods. We do not manufacture pencils and they do not manufacture rubber products.

Senator THOMAS. Your contention is that American pencil manufacturers can make pencils cheaper than foreigners can make them and bring them in?

Mr. MOETZLER. This pencil they can make much cheaper than we can. The American manufacturer can not produce that type of pencil [indicating sample].

Senator KEYES. Why?

Mr. MOETZLER. Because they have not got the methods and they do not take the time. They have no inspection system for pencils. They run pencils through automatic machines and never inspect the product after it is made. You can see the character of the stencil and compare the workmanship and the make of stencil. We make that stencil in 10 carat gold, and if you use it for 10 years with a sweaty hand it will be just the same.

Senator THOMAS. That adds to the value of the pencil, does it?

Mr. MOETZLER. It means quality. It is the same as buying anything according to grade.

Senator THOMAS. Is it not a fact that foreign-made pencils are made from American timber?

Mr. MOETZLER. Everything that is put into a German pencil, 80 per cent of it, comes from America. The cedar comes from America, and undoubtedly the graphite comes from Mexico and Ceylon.

Senator THOMAS. Graphite also comes from Russia.

Mr. MOETZLER. Yes, sir; but it is not good graphite. The graphite that is being used now, a great deal of it, comes from Ceylon.

Most of our product goes to architects and engineers. We do not sell any to school children at all. The bulk of the business in this country we do not catch. We do not care for it. We only sell to engineers and architects and professional men of that kind.

This plant was first established in 1761, and they have always catered to the best. If you go into any high-class drafting room, you will find our pencils being used.

Senator WALSH. Some time in the course of your argument you are going to take up this rate and show us how it works out.

Mr. MOETZLER. Yes, sir.

Last year's importations of pencils into this country was \$500,000 as against a consumption of \$30,000,000. Exports from this country were over \$2,000,000. The present duties on lead pencils imported into this country are 45 cents per gross plus 25 per cent ad valorem, plus several cumulative duties, in the event they are imported with clips attached, and so forth.

The new rate as passed by the House contemplates raising this to 60 cents per gross, a raise of 33½ per cent, and 35 per cent ad valorem, a raise of 40 per cent over the present schedule; making a comparison in figures on a specific gross of pencils now imported and which is, by the way, the largest importation, we find the following: This item [indicating sample], known in the trade as Castell No. 9,000, which now costs us laid down in New York city \$8.69, which we sell to the American trade at \$10.80, we would be forced by the new tariff as passed by the House, if the same should be passed by the Senate and signed by the President, to raise our selling price \$1 to \$11.80. This it is impossible for us to do and retain our business.

At present, the four leading manufacturers of pencils in this country are selling their highest grade of pencil at the following prices:

American Pencil Co., Venus. \$8 per gross; Eberhard Faber, Van Dyke, \$7.50 per gross; Eagle Pencil Co., Turquoise, \$7.50 per gross; and Dixon Crucible Co., Eldorado, \$7.50 per gross.

Senator KEYES. What would the professional man, the engineer, or the architect, have to pay for a good pencil?

Mr. MOETZLER. He would, I believe, pay \$20 a gross for ours, if we retained some of our trade. I believe the high-grade architects and engineers would still buy our pencils.

Senator KEYES. I understood you to say this would be prohibitive.

Mr. MOETZLER. It practically would be. It would exclude a big part of our business, because some of those who use our pencils, some of the artists, undoubtedly, those who could not afford it, would have to do without them.

Senator COUZENS. Who asked for this increase?

Mr. MOETZLER. What is known as the Big Four, the Dixon, the Eberhard Faber Co., the American, and the Eagle.

Senator COUZENS. They all asked for this raise?

Mr. MOETZLER. Yes, sir.

Senator COUZENS. They are pencil manufacturers?

Mr. MOETZLER. Yes, sir.

Senator THOMAS. You just referred to certain pencils as "those pencils." Will you please take the samples you referred to and refer to them by exhibit numbers?

Mr. MOETZLER. Yes, sir. Exhibit No. 1 is the top pencil, and it is so graded as our pencil.

Senator COUZENS. Manufactured in Germany?

Mr. MOETZLER. Yes, sir; manufactured in Germany. The next pencil is the Mikado, manufactured by the Eberhard Paper Co., who have plants in Brooklyn and Newark.

The next pencil is one manufactured by the American Pencil Co., known as the Venus, and the next is the Eldorado, manufactured by the Dixon Crucible Co. I have not a sample of the fourth concern. The main pencil they manufacture sells for \$7.50. The Turquoise is manufactured by the Eagle and sells for \$7.50.

Senator WALSH. Are there any other companies besides those?

Mr. MOETZLER. Yes, sir.

Senator WALSH. How many?

Mr. MOETZLER. Only one I really know of, the Stafford Co.

Senator WALSH. Do you say that 80 per cent of your product is of this sample?

Mr. MOETZLER. A different grade. Also some of those others we make in different grades.

Senator WALSH. Do you claim in every instance, notwithstanding what the grade may be, when compared with an American-made pencil of a similar grade, it sells for a higher price?

Mr. MOETZLER. Absolutely, at least 30 or 40 per cent.

Senator WALSH. Is the other importer here?

Mr. MOETZLER. I think that he will follow me.

Senator WALSH. He will tell us about his pencils.

Mr. MOETZLER. We are not working together on this. I am presenting my case alone.

I do not know what the minimum selling price is of the other manufacturers, so you gentlemen can readily see that on a price basis the

imported article is not a menace and in no way competitive. Its cost to us is necessitated, first, by the higher cost of production of this article in Germany, and second, by the American duties.

The cheaper grade of pencils is absolutely excluded from entry into this country at the prevailing tariff rate and the few we are forced to import, owing to the demand for them still from some of our older customers, who handled them when tariff rates were more equitable, and to fill in our lines for salesmen, are sold by us at an absolute loss.

The rates as now proposed are manifestly prohibitive and are out of all proportion, and in the end would eliminate all Government revenue so far as this commodity is concerned, because they would put the importer of pencils out of business.

At the same time it would tend to promote a monopoly for the four larger pencil manufacturing companies of this country who now control practically all of the business not only in this country but throughout the world, and it is to my mind contrary to all the accepted theories of protection.

If, as claimed, these pencils can be manufactured so cheaply in Germany, how is it that American pencil manufacturers still sell over \$2,000,000 worth in other countries in direct competition with the German products?

Further, Mr. J. H. Schermerhorn, representing these American concerns, who now ask for a higher tariff for their protection, has stated in his briefs as filed that one of their number, meaning an American manufacturer, maintained a pencil manufacturing plant in Germany and from him knew all about the costs, and his contention on this information is that the cost is so low in Germany that they need added protection, and—well, is it not logical to inquire as to why this American manufacturer did not close up his vanishing business in America, due to this 2 per cent competition from abroad and make all his goods in Germany and bring them into this country at the prevailing advantageous duty and save money, thereby, or was he inspired by patriotism not to do so?

Now, as a matter of fact, gentlemen, this labor cost as between Germany and America, is just a stock phrase and is put in to try to pull the wool over your eyes, but when boiled down and inquired into by practical minds, the difference is negligible.

Pencils before the war were dependent to some extent for nearly every operation on the efficiency of labor, but pencils, the same as most other products to-day, are not dependent so much on high-grade labor as high-grade automatic machinery. You gentlemen would be surprised to know that from the raw cedar to the finished product, the machine exercises all the brains and most of the brawn, so that is what is left in the factory end of a pencil plant of this country are a few specialists, a factory superintendent, and the rest the cheapest sort of labor, and at that mostly young girls. These girls see that the machines are properly fed with material and remove the same as the machine continuously sends forth its finished product, and labor hardly knows what it is all about.

The large item of expense in the manufacture of pencils is not labor but material added to overhead and sales costs, so all the duties you may care to favor this industry with do not help American labor one iota.

The cedar for German pencils, together with the rubber tips, and undoubtedly the brass that goes into the ferrules, come from America, the graphite from Mexico, and Ceylon, so with these items you can readily see that the German manufacturer is definitely at a great disadvantage as compared to the American manufacturer.

It must further be appreciated that the American pencil manufacturers do a larger bulk business than all the other pencil manufacturers in the world combined, and necessarily have a much lower production cost. What is this due to? American skill in mass production, superior machinery that enables them to eliminate skilled labor, and unlimited capital and resources to make improvements and take advantage of each new process as it presents itself.

Senator WALSH. I think that you will help up and help your case if you get down to showing us how the rates levied in the House bill work out as compared with these pencils.

Mr. MOETZLER. I will give you that. This pencil I will allude—

Senator WALSH. Will you show that to us and identify it?

Mr. MOETZLER. This is our Castell No. 9000.

Senator WALSH. What does that cost to import?

Mr. MOETZLER. The imported cost—I have the bills here.

Senator WALSH. Never mind. What does it cost?

Mr. MOETZLER. It costs \$8.95, less 25 per cent, less 3 per cent, or a net to us at the factory of \$6.50, and the duties are \$1.63, specific duty 25 cents, ad valorem 45 per cent, with the other charges, such as freight, packing, insurance, and so forth, 10 cents a gross, or a total of \$8.69.

Senator WALSH. That is the total cost to you of that pencil, including the foreign price and the other charges, overhead charges?

Mr. MOETZLER. That is the total sworn cost to us.

If allusion can be made to a cheaper pencil, I want to show you a cheaper pencil we import. This is known as the 5-cent pencil in the American market.

Senator KEYES. Will you mark that "Exhibit No. 2," so you will recognize it?

Senator WALSH. Will you tell us what the pencil you just talked about will have as duty, or what the rate is in the House bill?

Mr. MOETZLER. The new duty in the House bill will be 60 cents a gross, plus 35 per cent, which is \$2.28, plus some overhead for shipping, and so forth, making the cost to us \$9.49 as against \$8.69.

Senator WALSH. That is about a dollar gross increase.

Mr. MOETZLER. Yes, sir.

Senator COUZENS. You now refer to the cheap pencil, which you say is competitive?

Mr. MOETZLER. I think that is a real competitive pencil. I think the other gentlemen on the other side will acknowledge we have to carry that because we sold it years ago; it is one of our oldest sellers.

Here is a pencil that costs us laid down in this country \$3.50. We sell it for \$4, and to the wholesale trade for \$3.60. We sell very few at \$4, because that is the price of 1 gross to a man. The jobbers buy of the other American pencil manufacturers for \$3.60 or less. Those are the acknowledged prices in the trade.

Senator KEYES. The top pencil?

Mr. MOETZLER. The top pencil costs us, laid down in this country, \$3.50.

Senator KEYES. That is an imported pencil?

Mr. MOETZLER. That is an imported pencil also, and that pencil [indicating] is their standard 5-cent pencil. We do not import a cheap pencil; we could not import those pencils.

Senator COUZENS. How do they arrive at the same price?

Mr. MOETZLER. That is the acknowledged price in the business. On our higher priced pencil it is impossible to do that because we would be excluded from the market.

Senator COUZENS. You spoke of the "Big Four." Do they compete with each other?

Mr. MOETZLER. I think that they do. They are represented as a unit, but I think that they do compete with each other.

I do not want to impose on your time, Mr. Chairman, because I realize it is not wise to leave a bad impression and I want to leave the best impression I can.

I want to show you by a statement received from Bradstreet's and Dun's the progress and the increasing profits of these American companies, and also statistics do show that there were no failures in the wooden pencil manufacturing business in this country for a good many years.

I want to submit these statements on these four manufacturers who, it is said, are discriminated against, but who do 98 per cent of the business, practically, and yet they want protection for their lame industry. Here is one, for instance, that has a surplus of \$5,000,000, and every year they have increasing profits.

Senator THOMAS. They are all prosperous?

Mr. MOETZLER. They are very prosperous; their statements will show that. I have the statements here. One of them has a piece of property with a building on it which is assessed at \$1,377,000.

Senator THOMAS. Will you place those statements in the record?

Mr. MOETZLER. I will. According to their latest statement they do not owe any money, have no bills payable and no notes in the bank. One of them has an increase in capitalization of \$80,000 up to something like \$5,000,000—that is, during the course of the years they have taken the surplus out and have put it into capital, and they are paying these dividends continually.

The Eagle Pencil Co. was organized on February 6, 1885, with \$80,000 capital. They go along until 1926, when the report says their pencil factory in New York City alone is assessed for real-estate taxes at \$1,377,000, not figuring their other assets, together with their owning the Niagara Box Co, who started on July 24, 1913, with a capital of \$480,000, together with owning the Blaisdell Pencil Co., of Philadelphia, with a capital dating from March, 1892, of \$500,000.

The American Lead Pencil Co. was organized on October 14, 1894, with a capital of \$252,000, which was increased on April 1, 1909, to \$1,108,000, and on February 15, 1915, to \$2,200,000, and on November 18, 1920, to \$2,208,000.

The Joseph Dixon Crucible Co. were in the hands of a receiver in 1881. In 1890 the receivers turned back to the stockholders the business and the capital then outstanding was \$734,500, and a

bonded indebtedness of \$500,000. These bonds were retired from time to time and paid off. In January, 1907, on January 1, the capital was increased to \$1,000,000, and subsequently to \$5,000,000. The total assets as reported by Dun as of December 31, 1928, were over \$10,000,000, composed in part of capital of \$5,000,000, surplus and reserve, \$7,712,340.11, and reserve for depreciation, \$1,537,366.82. There were no bills payable and no accounts payable.

The Eberhard Faber Co. give no statement as to earnings. The record shows that the pencil company capital in 1898 was \$3,000,000, and the rubber company capital in 1923 was \$6,000,000.

Those are the concerns that say they are discriminated against.

Now, is this an infant and decaying industry that needs fostering, and are we to understand that it was these industries that President Hoover had in mind when he addressed the Congress on tariff revision?

At a hearing of the Senate Finance Committee on the tariff act of 1921, Mr. Lilley, representing the Joseph Dixon Crucible Co., and these other large manufacturers appearing before the committee—and I quote from his testimony on page 4266 of the hearings on the tariff act of 1921—said, in answer to this question from Senator Walsh:

Senator WALSH. Are you absolutely satisfied with this rate?

Mr. LILLEY. Yes, sir; we are absolutely satisfied with the rate. We are satisfied with the bill. We do not ask for any changes in it. It is adequate protection and I hope that the Senate Finance Committee and the Senate will continue that rate because it is just and fair.

The rate that Mr. Lilley referred to was 25 per cent ad valorem and 50 cents per gross.

In the final enactment of the bill, the 25 per cent ad valorem stood, but the 50 cents per gross was reduced 5 cents to 45 cents, which is the present rate. That was at the time when this No. 9000 Castell pencil cost us, laid down in New York City, \$5.86. Owing to the increased cost of labor in Germany, this pencil for the last three or four years has cost us \$8.69 laid down in New York City, and by the present bill, as passed by the House, through added duties, this would be increased to \$9.49 cost to us, or a selling price of \$11.80.

Now, it stands to reason if their declaration in 1921 was that they were fully protected with the present duty rate when we were competing with them on a comparative price of \$5.86, my contention is that instead of the tariff being increased on this item it should be materially reduced.

In conclusion, allow me to state that no American pencil manufacturer has come forward with a single item of an imported pencil which undersells the American pencil, and gentlemen, they can not do it. If it should be a fact, which it is not, that we undersell the American manufacturer, let them produce before this committee samples of these items and proof of their contention, or if they can not, it is positive proof that they are presenting a fictitious case and an acknowledgment that they are attempting to establish a monopoly.

Senator THOMAS. What is the financial condition of your company?

Mr. MOETZLER. It is very good. We depend upon rubber goods. We do not care what the duty is on rubber goods. We make the best in the world. We make quality goods but none for competition.

I think that the other houses will acknowledge that we do not compete with them on one item, not even in rubber goods. When we sell the United States Government rubber bands we get a few cents more a pound because our bands are better. We are a quality house, and our name on the material shows that it is as good as any material.

Senator WALSH. What is the cheapest imported price per gross on pencils?

Mr. MOETZLER. With the duties?

Senator WALSH. No; without the duties.

Mr. MOETZLER. They make very cheap pencils in Germany.

Senator WALSH. How cheap?

Mr. MOETZLER. As low as \$1.25 a gross.

Senator WALSH. What is the most expensive one?

Mr. MOETZLER. We do not import the others.

Senator WALSH. What is imported that is cheap? I want to see how these rates work out. They work out differently on the cheap pencils than on high-priced pencils?

Mr. MOETZLER. Yes, sir.

Senator WALSH. What are some of the top prices?

Mr. MOETZLER. I can give you the top prices. The cheapest pencils we have ever imported into this country are pencils that cost us \$2.

Senator WALSH. What is the highest?

Mr. MOETZLER. The highest price is the pencil I quoted, \$8.95.

Senator WALSH. There is a great variation in the ad valorem rate on those pencils and the other types of pencil?

Mr. MOETZLER. Yes, sir.

Senator WALSH. Can you work those figures out for us?

Mr. MOETZLER. I have it all worked out here.

Senator WALSH. Giving it in ad valorem terms?

Mr. MOETZLER. Yes, sir.

Senator THOMAS. Will you place that in the record also?

Mr. MOETZLER. Yes, sir.

(The statement referred to will be found at the conclusion of Mr. Moetzler's testimony.)

Senator KEYES. Is that all?

Mr. MOETZLER. I just want to say this one thing, gentlemen: I want to be very fair, and I want to present this question properly to you, and I think you will appreciate that.

This question of protecting American labor is just a phrase. I think that you will all agree with me that the manufacturer of pencils or any manufacturer, 10 or 15 years ago, had only the proposition of skilled labor handling an article.

To-day, the pencil manufacturing business, the same as every other line of manufacturing business, is a matter of automatic machinery. The machine is the brains and the brawn, and the rest of the labor is the cheapest kind of labor, usually girls. To-day the American pencil manufacturer has a few specialists, such as a superintendent, and, as I say, the rest of the help are a lot of girls who work the machines and take out the finished product.

Any protection that is given is not protection to American labor, but is protection to American capital.

Senator COUZENS. Of course, we do not all concur in that.

Mr. MOETZLER. I can prove to you that all pencils are made by automatic machinery.

Senator COUZENS. You applied it to all of the industries.

Mr. MOETZLER. Take a good many other industries. Take the brass industry, for instance, in the making of faucets, where a faucet comes from a machine a finished product, where before, I think, our machinists took 20 operations to make it. To-day the labor is the beef to take out the truckload of stuff.

Senator THOMAS. What is the beef?

Mr. MOETZLER. The strength of the man who has to move the truck.

(Mr. Moetzler submitted the following statements:)

R. G. DUN & Co. REPORT

BROOKLYN, N. Y., May 9, 1929.

Eberhard L. Faber, president.
Lothar W. Faber, vice president.
Edward L. Faber, treasurer.
Edward E. Huber, secretary.

RECORD

This business was originally established by Christopher Roberts in 1858 and later admitted Eberhard Faber, they continuing under the style of C. Roberts & Co. and on December 30, 1898, he became associated with others, and filed articles of incorporation under New Jersey laws as C. Roberts Rubber Co. (Inc.) with an authorized capital of \$150,000, which was all paid in, and took over the assets of the old firm.

On December 5, 1909, Christopher Roberts disposed of his interest in the concern to Eberhard Faber and the business was continued under the old style until September 20, 1913, when a certificate was filed changing the name to Eberhard Faber Rubber Co. (Inc.).

On June 28, 1918, a certificate was filed increasing the capital stock from \$150,000 to \$500,000 and on May 1, 1923, was increased to \$600,000 par value of shares \$100 each.

Eberhard L. Faber, president, is an elderly man, married, and is also vice-president and treasurer of the Eberhard Faber Pencil Co. (Inc.) at the above address, a New York corporation dating from April, 1898, with a capital of \$3,000,000, that concern succeeded to the business formerly established by his father, the late Eberhard Faber in 1879 by whom he had been employed, for a number of years.

He with his brother Lothar W. Faber were the principals at interest in Eberhard Faber (trade name) having operated under that style as a copartnership since 1911, discontinuing same about January 1, 1929, that business having been absorbed by the Eberhard Faber Pencil Co. (Inc.) and the Eberhard Faber Rubber Co. (Inc.), although the name Eberhard Faber (trade mark) appears on its products.

Eberhard L. Faber is a man of considerable means, looked upon as one of the dominating factors in the present concern.

About June, 1924, he moved his office to 200 Fifth Avenue, New York City, at which point he is now located where the subject company has a display room.

Lothar W. Faber, vice president, is a brother of the president is also vice president of the Eberhard Faber Pencil Co. (Inc.) and was a member of the firm Eberhard Faber (trade name) being associated with the latter concern since 1911, and prior to that was employed by his brother for a number of years.

Edward L. Faber, treasurer, also holds like position in the Eberhard Faber Pencil Co. (Inc.) and is the son of Lothar W. Faber, the vice president.

Edward E. Huber, secretary, also holds like office in the Eberhard Faber Pencil Co. (Inc.) and has been associated with Eberhard Faber since starting in business. He is also said to be vice president and a director of one of the local banking institutions.

STATEMENT

Records in the past showed that a financial statement has never been submitted by the company, inasmuch as it was not its policy to submit details in that regard.

A representative of the company recently interviewed, stated that the business continues as heretofore, no change having occurred in the personnel.

GENERAL INFORMATION

Reported to maintain substantial cash balances in the usual quarters, where the account is well regarded.

The company occupies good sized quarters in a 3-story concrete building, at 212-214 New Street, Newark, N. J., which is well equipped and credited with conducting a large volume of business, to which close attention is directed.

The company also shares quarters with the Eberhard Faber Pencil Co. (Inc.) at above address where large modern 6-story factory buildings are occupied, taking in an entire city square block in area, and the company is looked upon as one of the leading manufacturers in this particular line, and conceded responsible for ordinary business requirements.

The company maintains its display office at 200 Fifth Avenue, New York City, which is also the office of the president and secretary of this company.

Without the aid of a direct financial statement an estimate of the capital at the company's command is not determined.

TRADE REPORTS

Records show in the past that the account was found variously checked in amounts ranging up to \$20,000 payments generally reported discount and prompt.

Inquiry in the trade finds the account checked in one instance at this time on 30-day terms, high credit \$10,000, payments prompt.

Fire hazard.—The company maintains its office at above-captioned address, which also houses the Eberhard Faber Pencil Co. (Inc.) and operates from adequately equipped building, covering a city block in area.

FIRE RECORD

No fire loss.

[The Joseph Dixon Crucible Co.]

JERSEY CITY, N. J., May 6, 1929.

George T. Smith, president.

J. H. Schermerhorn, vice president.

Harry Dalley, secretary.

Henry W. Armstrong, treasurer.

John I. McComb, assistant secretary.

G. F. Mac Omer, assistant secretary and assistant treasurer.

Directors: Edward L. Young, George T. Smith, Harry Dalley, J. H. Schermerhorn, Geore F. Perkins, John Mulford Enright, Horace K. Corbin.

RECORD

Incorporated under the laws of New Jersey, March 11, 1868, and succeeded to the business established by the late Joseph Dixon in 1827. Continued until January 4, 1881, when the business was placed in the hands of Edward F. C. Young, as receiver, who operated until August 1, 1890, when all claims were paid with interest and the property returned to the stockholders. Following the reorganization Edward F. C. Young was elected president, and at that time it was represented that the outstanding capital was \$734,500 with \$500,000 bonds issued to create a working capital. These were retired from time to time, and the last redeemed in 1901. January 1, 1907, the capital stock was increased to \$1,000,000, and subsequently to \$5,000,000. Following the death of the president, December 6, 1908, his son-in-law, George T. Smith, was elected to that office. Death has brought about several changes among the officers, former

treasurer having died March 10, 1920, and succeeded by Henry W. Armstrong, former assistant treasurer; with this exception the management has been in the hands of the above for a number of years.

Sales offices are maintained at 68 Reade Street, New York City; 145 Second Street, San Francisco, Calif.; 1020 Arch Street, Philadelphia, Pa.; Atlanta, Ga.; Buffalo, N. Y.; Boston, Mass.; St. Louis, Mo.; and Baltimore, Md. The company also controls through stock ownership the American Graphite Co., which concern for a number of years has operated a plant and control valuable mine property at Ticonderoga, N. Y., headquarters at Jersey City, N. J.

Statements

| Date | Assets | Liabilities | Net worth |
|---------------------|----------------|----------------|----------------|
| April, 1926..... | \$9,476,858.88 | \$1,237,558.70 | \$8,239,300.18 |
| December, 1926..... | 10,027,724.06 | 1,322,533.69 | 8,705,190.37 |
| December, 1927..... | 9,881,920.95 | 1,411,910.82 | 8,470,010.13 |

The following is a copy of last published statement as of December 31, 1928:

ASSETS

| | | |
|------------------------------------|--------------|----------------------|
| Cash..... | | \$234,767.41 |
| Securities..... | | 480,000.00 |
| Investments..... | | 836,425.88 |
| Accounts and bills receivable..... | | 888,231.56 |
| Real estate: | | |
| Land..... | \$247,745.67 | |
| Buildings..... | 1,911,109.09 | |
| | | <u>2,158,854.76</u> |
| Machinery and equipment..... | | 2,143,266.11 |
| Products and materials..... | | 3,508,161.21 |
| | | <u>10,249,706.93</u> |
| Total..... | | 10,249,706.93 |

LIABILITIES

| | |
|--------------------------------|----------------------|
| Capital stock outstanding..... | 5,000,000.00 |
| Surplus and reserves..... | 3,712,340.11 |
| Reserve for depreciation..... | 1,537,366.82 |
| | <u>10,249,706.93</u> |
| Total..... | 10,249,706.93 |

GENERAL INFORMATION

Statements have always been accepted as correct, it being conceded that a steady, profitable business is conducted under capable management, with the personnel in excellent repute. Aside from a large property and plant investment, sizable inventories are carried, the concern has considerable in receivables, keeping very substantial bank balances, and for a number of years has been in very easy position for working cash capital, its obligations in the trade being represented by current items and in banking circles it has not been known as a borrower.

Fire hazard: The company occupies a number of three and four story brick buildings, extended over several blocks.

Trade report, January, 1929

| H. C. | Order | Owe | Pay | Remarks |
|-------------|-------|-------|------------------------|---|
| 10,000 | | | Discounts | Terms, 30 days; selling since November, 1918. |
| 4,817 | | | do | Terms, 30 days N; selling for several years. |
| 10,000 | | | Prompt | Terms, 30 days; selling for some time. |
| 290 | | | Discounts | Terms, 30 days; selling for years. |
| 800 | | 150 | Prompt | Terms, N 30 days; selling for 10-15 years. |
| 250 | | 160 | do | Terms, 30 days N; selling for 2 years. |
| (7) | | | Discounts | |
| 790 | | 758 | do | Terms, 30 days; selling for years. |
| 3,000 | 359 | 1,332 | Discounts to prompt | Terms, 30 days; selling for some time. |
| 4,500 | | 1,400 | Discounts | Terms, 30 days; selling since 1919. |
| 3,400 | 450 | | Prompt | Terms, 14 30 days; selling since 1926. |
| (12) | | | Discounts to prompt | |
| 6,338 | 2,667 | 2,677 | Discounts | Terms, 30 days; selling for years. |
| Not limited | | | do | Terms, 2 per cent 10 days; selling since 1914. |
| 258 | | | do | Terms, 30 days; selling for years. |
| 5,309 | 2,600 | 2,676 | do | Terms, 2 per cent 10 days; selling since 1914. |
| Not limited | | | do | Terms, 30 days; selling since 1907. |
| 24 | | | Prompt | Terms, 30 days; selling since 1927. |
| Not limited | | | Discounts | Terms, 30 days; selling over 50 years. |
| 2,400 | | 1,638 | do | Terms, 2 per cent 10 days; selling for a number of years. |
| 15,000 | | 2,700 | Discounts, anticipates | Terms, 30 days; selling for some time. |
| 817 | | 3,353 | Discounts | Terms, 1 per cent 10 days proximate; selling since 1920. |
| 10,000 | | | Discounts | |
| 115 | | | Discounts to prompt | Terms, 30 days; selling since February, 1927. |
| 8,900 | | 1,526 | do | Do. |

No fire record.

[Eagle Pencil Co. (Inc.)]

NEW YORK CITY, June 10, 1929.

Edwin M. Berolzheimer, president.
 Alfred C. Berolzheimer, vice president.
 Henry Berolzheimer, secretary and treasurer.
 Gus Zoll, assistant secretary.
 Edward Dinkel, assistant secretary.

RECORD

This company was organized under Delaware laws December 26, 1922, with an authorized capital consisting of 48,000 shares of no par value. The local registered office is with the Corporation Trust Co. of America, at Wilmington, Del.

The corporation was formed to take over a corporation of similar name which was organized under New York laws on February 6, 1885, with an authorized capital of \$80,000, all of which was originally held by Henry Berolzheimer.

The business was originally established as a partnership under the style of Eagle Pencil Co., which was succeeded in February, 1885, by the Eagle Pencil Co. (Inc.), with headquarters at 377 Broadway, where they continued until January 16, 1916, when they removed to 703 East Thirteenth Street.

Emil Berolzheimer was formerly president, so continuing until his death in January, 1920. New officers were subsequently elected, Phillip Berolzheimer becoming president; Edwin M. Berolzheimer, vice president; Alfred C. Berolzheimer, treasurer; and Henry Berolzheimer, secretary, they so continuing until early in May, 1925, when Phillip Berolzheimer, then president, severed his connection with the company, and the officers as first written were elected.

The Niagara Box Factory (Inc.), at 710-714 East Thirteenth Street, a New York corporation dating from July 24, 1913, with an authorized capital of \$180,000, is closely affiliated with the subject corporation.

Edwin M. Berolzheimer, Alfred C. Berolzheimer, and Henry Berolzheimer, respectively, president, vice president, and secretary and treasurer, are all sons of the late Emil Berolzheimer, and they have always been identified with the Eagle Pencil Co. (Inc.) in various capacities; also in the Niagara Box Factory

(Inc.) since starting their business careers. Henry Berolzheimer is also the president of the latter corporation.

Gus Zoll, assistant secretary, was formerly employed by the subject corporation for a number of years. He is also the secretary of the Niagara Box Factory (Inc.).

Edward Dinkel, assistant secretary, is also the cashier of the subject corporation and is also vice president and treasurer of the Niagara Box Factory (Inc.). He was previously employed by the Eagle Pencil Co. (Inc.) for a number of years.

Edwin M. Berolzheimer, Alfred C. Berolzheimer, and Gus Zoll are, respectively, president, vice president, and secretary of the Blaisdell Pencil Co. (Inc.), located at 141 West Berkely Street and 52 Church Lane, Philadelphia, Pa., a Pennsylvania corporation, dating from March 2, 1892, with an authorized capital of \$500,000.

STATEMENT

It has never been the policy of the officers to furnish financial information relative to the company's financial affairs.

Interviewed May 22, 1929, Edward Dinkel, assistant secretary, stated that no figures are available, it being the policy of those at interest to withhold financial details. He said, however, that the officers are as first written.

GENERAL INFORMATION

The company occupies several large buildings at the above given addresses, taking in practically the entire block.

The real-estate records show that the property located at 199-207 Avenue D, NW.; corner 733-741 East Thirteenth Street, running to 734-744 East Fourteenth Street, consisting of 3 and 7 story factory; also 725-731 East Thirteenth Street, running through to 726-732 East Fourteenth Street, 2 and 5 story factory; also 703-723 East Thirteenth Street; also 702-724 East Fourteenth Street; 3, 4, 5, and 10 story factory; also 383-385 Avenue C to East Thirteenth Street; also 222-228 Avenue C, SE.; corner 701 East Thirteenth Street, 5-story factory; also 710 East Fourteenth Street, a 5-story factory; also 214-220 Avenue C, northeast corner; also 710-712 East Thirteenth Street, 6-story factory; 714 East Thirteenth Street, 6-story factory, is in the name of the Eagle Pencil Co. (Inc.), a Delaware corporation, bought January 17, 1923, nominal consideration, encumbrances unknown, total assessment for 1926 being \$1,377,000.

The company is reported as transacting a large international business, employs hundreds, and in the usual channels maintains large average cash balances. It appears to be a close corporation, controlled by the Berolzheimer family.

TRADE REPORT

Investigation in the trade at this time finds the account checked as follows:

| H. C | Order | Owe | Pay | Remarks |
|-------|-------|-------|----------------|------------------------------|
| 6,300 | | 1,142 | Discounts..... | Terms, 3 per cent 15th prox. |
| 1,500 | 200 | 400 | do..... | Terms, 2 per cent 10-30. |
| 1,500 | | | do..... | Terms, 1-10-30. |
| 1,147 | | 515 | do..... | Terms, 2 per cent, 10 days. |

Fire hazard: Quarters occupied are several 3, 5, 7, and 10 story brick factory and loft buildings, occupying practically the entire block.

FIRE RECORD

The records of March 25, 1913, show that a fire occurred on the premises at 710 East Fourteenth Street, a settlement being effected for \$944. On June 3, 1917, a fire occurred on the premises at 731 East Thirteenth Street, causing slight damage. On July 12, 1923, a fire occurred on the premises at 733-739 East Thirteenth Street, causing slight damage.

No further record of fire loss.

[American Lead Pencil Co. (Inc.), manufacturers, 212 Fifth Avenue, formerly 220 Fifth Avenue]

NEW YORK CITY, *May 21, 1929.*

Located at first written address during September, 1928.
Maintain a sales office here, headquarters being at Hoboken, N. J., and to which point reference is made for full information.

[American Lead Pencil Co. (Inc.), manufacturers]

HOBOKEN, N. J., *May 25, 1928.*

Samuel J. Beckford, president.
John King Beckford, vice president.
Joseph S. Beckford, secretary and treasurer.
Murray L. Leonard, assistant secretary.
E. L. Ashton, assistant treasurer.
Jerome F. Schloss, assistant treasurer.

RECORDS

Also uses the style "American Lead Pencil Co." for trade purposes only. Headquarters until recently were at No. 220 Fifth Avenue, New York City, same now being located at the Hoboken, N. J., address although a sales office continues at the Fifth Avenue address.

Incorporated under New York State laws, October 14, 1894, capitalized at \$4,000,000, consisting of \$1,192,000 preferred and \$2,808,000 common stock, to which figures was increased on November 16, 1912, original capital having been \$252,000 which was increased on April 1, 1909, to \$1,108,000 on February 15, 1915, to \$2,200,000 and on November 18, 1920, to \$3,208,000.

Up to March 22, 1928, officials appear as: Louis J. Beckford, president, and Samuel J. Beckford, vice president; John K. Beckford, treasurer, and Joseph S. Beckford, secretary, on same date given Louis J. Beckford, formerly president died, and the officials are now as first written.

Louis J. Beckford, formerly president, was a son, and so is Samuel J. Beckford, of the late Joseph Beckendorfer, their names were changed to Beckford by permission of the court on May 1, 1918, and have been identified with the company since its inception, John J. Beckford and Joseph Beckford are sons of Louis J. Beckford, deceased, and were formerly connected with the company.

Byron B. Goldsmith appeared as vice president up to his death, which occurred September 8, 1927.

In February, 1928, the company transferred to Edwin L. Ashton, the 3-story brick office building, 500 to 504 Willow Avenue, the concrete factory building, at 506 to 510 Willow Avenue, and the 2 and 3 story brick factory buildings, at 506 Fifth Street, between Clinton Street and Willow Avenue, Hoboken, N. J.

Ashton secured from the Trust Co. of New Jersey a loan of \$150,000 on the properties. The loan calls for the payment of \$1,875 April 1, 1928, and quarterly, and the balance on February 20, 1932, with interest, at 6 per cent payable quarterly. Under the terms of the mortgage the loan may be paid off at any time on six months' notice. Ashton reconveyed the property back to the American Lead Pencil Co., subject to the 150,000 mortgage which under the conveyance it assumed and agreed to pay.

STATEMENT

Last statement obtained in detail was as of December 31, 1925, and indicated total assets of \$3,014,789.77, with liabilities of \$511,592.40, paid in capital, \$1,915,200, surplus, \$587,437.37.

Representative seen in April, 1928, gave officials as first written, stated that the capital stock was fully subscribed for and paid, the company also maintaining offices at Paris, France, and London.

GENERAL INFORMATION

The company has all along been looked upon as one of the leading houses in the line, and an active business is transacted in the usual quarters, substantial cash balances maintained.

Samuel J. Beckford, together with Louis J. Beckford, have reported to have inherited considerable means upon their mother's death.

Fire hazard.—They occupy in all about 21 brick and concrete buildings, extending along Willow Avenue, also Clinton Street, and from Fifth to Sixth Streets, the new plant at the Willow Avenue address being a 6-story brick and concrete building, all buildings efficiently equipped.

PAYMENTS

A high credit standing has always been maintained being sold in amounts upward of several thousand dolls, a prompt and discount method of meeting merchandise obligations being maintained.

FIRE RECORD

No fire loss.

APRIL 18, 1929.

A financial statement is not available; outside inquiry, however, indicates nothing new in the company's affairs to add to previous report. A large volume of business appears to be transacted under capable management; the corporation is still regarded entirely responsible for its requirements.

Dun's trade report

JULY 15, 1928.

| H. C. | Order | Owe | Pay | Remarks |
|-------|-------|-------|--------------------------|---|
| 2,270 | | 2,270 | Discounts..... | Terms, net 90 days; selling for 8 years. |
| 1,700 | | 100 | do..... | Terms, net 30 days; selling for years. |
| (3) | | | | Very satisfactory accounts. |
| 5,000 | | | Discounts..... | Terms, 2 per cent 10 days; selling since 1918; very satisfactory account. |
| 1,900 | | | Discounts to prompt..... | Terms, 2 per cent 10 days; selling for some time. |
| 3,000 | | | do..... | Selling since 1920. |
| 3,029 | | 200 | do..... | Selling since November, 1925. |
| 1,000 | 1,500 | | Prompt..... | Terms, net 30 days; selling since January, 1927; very satisfactory account. |
| 283 | | 140 | Discounts..... | Terms, 30 days; selling since March, 1928. |
| 2,800 | | 1,003 | Prompt..... | Terms, 30 days; selling since August, 1923. |
| 1,000 | | | Discounts to prompt..... | Selling for 15 years. |
| 1,534 | | 860 | Discounts..... | Terms, 30 days; selling for several years.] |
| 500 | | 350 | do..... | Terms, 30 days; selling for years. |
| 122 | | 5 | Slow..... | Terms, 30 days; selling for some time. |
| 900 | | 350 | Discounts to prompt..... | Terms, 3 per cent 10th; selling since 1905 to date. |

JULY 11, 1928.

Efforts made to secure a late financial statement have not been successful and outside inquiry would indicate nothing of interest in the company's affairs that would tend to alter full previous report. A profitable business is being conducted under practical management with the personnel as heretofore in good repute. The company has all along given evidence of having sufficient cash working capital; carrying satisfactory balances at several local and out-of-town banking institutions, and in the trade engagements have all along been discounted; the credit and standing of the corporation is quoted high as heretofore.

Trade report—June 5, 1928

| H. C. | Owe | Pay | Remarks |
|-------|-----|----------------|---|
| 390 | 340 | Discounts..... | Terms, 30-1-10; selling several years. |
| 95 | 70 | do..... | Terms, 1-10-net 30; selling years. |
| 176 | 95 | do..... | Terms, 1%-10-net 30 days; selling since 1905 to date. |
| 2,780 | 24 | do..... | Terms, 210th proximate; selling since 1923. |
| 1,800 | | do..... | Terms, 30 days; selling since 1925. |
| 2,300 | 512 | do..... | Terms, 30 days; selling for 3 years. |

| Commercial black lead pencils | 1923 | | | | | | | 1928 | | | | | | | American manufacturers competitive products and selling prices | | | | | | | | | |
|---|-------------|-----------------------|--------------------|------------------------|---------------------|---------------|------------|---------------|-------------|-----------------------|-------------------|------------|----------|---------|--|---------------|------------------|---------------|------------------|---------------|------------------|---------------|--------------------------|---------------|
| | German cost | Value after discounts | | Duties | | Final charges | Final cost | Selling price | German cost | Value after discount | | Duties | | Charges | Final cost | Selling price | Eberhard Faber | | Joseph Dixon | | Eagle Pencil Co. | | American Lead Pencil Co. | |
| | | 15 and 5 per cent | 15 and 2½ per cent | Ad valorem 25 per cent | Specific, per gross | | | | | 20, 3, and 5 per cent | 25 and 3 per cent | Ad valorem | Specific | | | | Catalogue number | Selling price | Catalogue number | Selling price | Catalogue number | Selling price | Catalogue number | Selling price |
| 1367, no tip..... | \$1.20 | \$0.97 | | \$0.24 | \$0.45 | \$0.10 | \$1.76 | \$2.25 | \$1.90 | \$1.40 | | \$0.35 | \$0.45 | \$0.10 | \$2.30 | \$2.50 | 390 | \$2.25 | 968 | \$2.25 | 216 | \$2.50 | 448 | \$2.25 |
| 1367-A..... | 1.60 | 1.30 | | .33 | .45 | .10 | 2.18 | 3.25 | 2.20 | 1.62 | | .41 | .45 | .10 | 2.58 | 3.25 | 395N | 3.25 | 720 | 3.25 | 321 | 3.25 | 438 | 3.25 |
| 1372, no tip..... | 1.25 | 1.01 | | .25 | .45 | .10 | 1.81 | 2.59 | 2.02 | 1.49 | | .37 | .45 | .10 | 2.41 | 2.75 | 370 | 2.50 | 737 | 2.50 | 112 | 2.50 | | |
| 1372-A..... | 1.65 | 1.33 | | .33 | .45 | .10 | 2.21 | 3.50 | 2.32 | 1.71 | | .43 | .45 | .10 | 2.69 | 1.70 | | | 722 | 3.50 | 384 | 3.50 | 439 | 3.50 |
| 1433, no tip..... | 1.40 | 1.13 | | .28 | .45 | .10 | 1.96 | 2.60 | 2.33 | 1.72 | | .43 | .45 | .10 | 2.70 | 2.80 | 370 | 2.50 | | | | | | |
| 1433-A..... | 1.80 | 1.46 | | .37 | .45 | .10 | 2.38 | 3.60 | 2.66 | 1.96 | | .49 | .45 | .10 | 3.00 | 3.60 | 465 | 3.60 | | | 376 | 3.60 | 451 | 3.60 |
| 5090..... | 1.70 | 1.38 | | .34 | .45 | .10 | 2.27 | 3.50 | 2.85 | 2.10 | | .52 | .45 | .10 | 3.17 | 3.60 | 696 | 3.60 | 151 | 3.60 | | | | |
| 5095..... | 2.10 | 1.70 | | .42 | .45 | .10 | 2.67 | 4.00 | 3.10 | 2.29 | | .67 | .45 | .10 | 3.41 | 4.00 | 342 | 4.00 | 1370 | 4.00 | | | 559 | 4.00 |
| 7411..... | 2.40 | 1.94 | | .48 | .45 | .10 | 2.97 | 4.00 | 3.20 | 2.36 | | .59 | .45 | .10 | 3.50 | 4.00 | 482 | 4.00 | 1386 | 4.00 | 174 | 4.00 | 556 | 4.00 |
| 7730..... | 2.75 | 2.22 | | .55 | .45 | .10 | 3.32 | 4.00 | 3.03 | 2.23 | | .56 | .45 | .10 | 3.34 | 4.00 | 6379 | 3.60 | 312 | 3.60 | 315 | 3.60 | 325 | 3.60 |
| Drawing pencil, Castell, 9000..... | 4.25 | Net. | Net. | 1.06 | .45 | .10 | 5.86 | 10.25 | 8.95 | | \$6.51 | 1.63 | .45 | .10 | 8.69 | 10.80 | 600 | 7.50 | (1) | 7.50 | 375 | 7.50 | 3900 | 8.00 |
| Colored pencils, polychromos, 9201..... | 4.20 | | \$3.48 | .87 | .45 | .10 | 4.90 | 10.00 | 7.86 | 5.80 | | 1.45 | .45 | .10 | 7.80 | 10.00 | | (2) | | (2) | | (2) | | (2) |
| Copying pencils, 2794..... | 2.40 | 1.94 | | .49 | .45 | .10 | 2.97 | 6.00 | 4.29 | 3.16 | | .79 | .45 | .10 | 4.50 | 6.00 | 863 | 6.30 | 2071 | 5.00 | 853 | 6.00 | 165 | 5.50 |
| Colored pencils, 2318..... | 1.70 | 1.41 | | .36 | .45 | .10 | 2.32 | 3.75 | 2.68 | 1.98 | | .49 | .45 | .10 | 3.02 | 3.75 | 665 | 2.75 | | | | | | |
| 5543..... | 2.50 | 2.02 | | .50 | .45 | .10 | 3.07 | 5.00 | 4.29 | 3.16 | | .79 | .45 | .10 | 4.50 | 5.00 | 635 | 5.00 | 357 | 5.00 | | | 1201 | 5.00 |
| 8509..... | 2.55 | 2.10 | | .52 | .45 | .10 | 3.17 | 7.50 | 4.29 | 3.16 | | .79 | .45 | .10 | 4.50 | 7.50 | | (2) | | (2) | | (2) | | (2) |

¹ Eldorado.

² No American manufacturing competitive product.

German cost less discount plus duties plus charges equals final cost delivered in Newark.

Above selling prices are for regular stationers. Wholesalers receive 10 per cent discount from above prices. Castell No. 9000 is sold to wholesalers at \$10.50 less 10 and 5 per cent or \$9.23 net. American manufacturers also give 10 per cent to wholesalers from above selling prices.

STATEMENT OF RAYMOND J. URMSTON, REPRESENTING J. S. STAEDTLER (INC.), NEW YORK CITY

[Including pencil leads, par. 1549 (b), and mechanical pencils, par. 1550]

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

Senator KEYES. You are one of the other two importers referred to by the last witness?

Mr. URMSTON. Yes.

Senator KEYES. There are only two importers of pencils?

Mr. URMSTON. There are about four.

Senator KEYES. Who are they?

Mr. URMSTON. The Kohinoor Pencil Co., A. W. Faber, Swan, and J. S. Staedtler.

Senator WALSH. How much of the imports do you handle?

Mr. URMSTON. I wanted to sum up the argument which is put forth by the American manufacturers before the Ways and Means Committee for their increase.

Senator WALSH. I wanted to know how much of the imports come within your control—what percentage?

Mr. URMSTON. Over 33 $\frac{1}{3}$ per cent.

Senator WALSH. The other two have 66 $\frac{2}{3}$ of the imports?

Mr. URMSTON. No; I would say 66 $\frac{2}{3}$.

Senator WALSH. You two have?

Mr. URMSTON. Yes.

Senator WALSH. The other two here represent one-third?

Mr. URMSTON. Yes. There is one other here, the Kohinoor Co. The American manufacturers' whole argument seems to be, we can not make a reasonable return on our investment. The witness who preceded me proves conclusively that the financial statement of each and every one of them shows that they are making more than a reasonable return on their investment. I will introduce as testimony a photostatic copy of a letter from the president of the American Pencil Makers Association, Mr. Eberhard Faber, written to his German factory in Germany regarding the tariff. Copy of this letter was sent to the people whom we import from.

Senator THOMAS. Will you read that letter?

Mr. URMSTON. I will read one extract from it. That is on the second page of this letter and it says:

Our firm—

The Eberhard Faber Co.—

being members of the Pencil Makers Association of the United States, and of which our Mr. Eberhard Faber is president, are particularly interested to maintain the present tariff that has existed for some time on pencils and to counteract any activities by outside parties in their recommendation to bring about a reduction of such duties that now exist, was obliged to present such points as bear on the subject to the delegates that were appointed by our association to appear at Washington before the Tariff Commission, and naturally this was done with the best of our knowledge and belief.

Senator KEYES. What is the date of that letter?

Mr. URMSTON. April 18, 1929.

Senator KEYES. You will put the whole letter in?

Mr. URMSTON. Yes.

(The letter referred to is as follows:)

EBERHARD FABER PENCIL CO.,
Brooklyn, N. Y., April 18, 1929.

BLEISTIFTFABRIK NEUMARKT,
MESSES. BARENSELD & Co.,
Neumarkt-Oberpfalz, Bavaria.

GENTLEMEN. This will acknowledge the letter of Mr. F. B. of March 28 and which refers particularly to the interview had with Dr. Kreutzer in reference to the matter of tariff readjustment, which at present is being undertaken by our government and in which the American pencil manufacturers are interested.

It seems that Doctor Kreutzer was very much exercised over the fact that our firm here seemed to take an antagonistic attitude over foreign competitors, and principally against German factories, in presenting testimony before the committee in Washington, and which appeared in a pamphlet recently issued and which has come to the notice of Dr. Kreutzer.

While Mr. Barenfeld undoubtedly has assured Dr. Kreutzer that we have no inclination on the part of our firm to enter into any violent and unfair competition with other manufacturers in Germany, but on the contrary are most anxious to see that the present keen competition might be adjusted to the advantage of all manufacturers, both here and abroad, we would state the following facts in regard to the letter in question as presented to the Tariff Commission in Washington in the early part of this year.

Our firm, being members of the Pencil Makers Association of the United States, and of which our Mr. Eberhard Faber is president, are particularly interested to maintain the present tariff that has existed for sometime on pencils and to counteract any activities by outside parties in their recommendation to bring about a reduction of such duties that now exist, was obliged to present such points as bear on the subject to the delegates that were appointed by our association to appear at Washington before the Tariff Commission, and naturally this was done with the best of our knowledge and belief.

No member of our firm was personally present at the interview had in Washington and it is extremely doubtful whether the present tariff on various imported articles will be changed, either upward or downward.

Naturally all American manufacturers are anxious to see that the present tariff be at least maintained as it is to-day, and we, as members of the association must to some extent aid them that this may be accomplished.

We would like to have you explain further to Doctor Kreutzer our desire to continue as far as possible in the most friendly spirit in competing in any market with the manufacturers in Germany, and we would like to see, in the near future, if it is at all possible, an arrangement made whereby we may be able to avoid such drastic competition, especially in the lower grades of pencils, that is now existing in supplying foreign countries with our goods; so that even such low grades instead of being sold at a loss may be shipped to our foreign trade on a profitable basis.

Yours very truly,

EBERHARD FABER PENCIL CO.
EBERHARD FABER.

Senator KEYES. Proceed.

Mr. URMSTON. It refers to the present Fordney-McCumber Act, because they have in that act the possibility of shutting out 70 per cent of the competition with their own line.

We manufacture a little different line from the man who spoke before me. We import some of the cheaper pencils. I have some samples here to present as evidence to illustrate my point. This we will mark "Exhibit No. 1," a pencil called Marigold, 1188, line 2, sold by the Eberhard Faber Co. in very large quantities, one order which I am familiar with being 3,000 gross to the American Chicler Co. at \$1.80 per gross, less 2 per cent cash. That is the nearest comparable to that which we import, which is the cheapest rubber tipped

pencil goods used, landed in New York at \$2.21 a gross, as compared to their selling price of \$1.80.

Senator COUZENS. How can you sell in competition with that price?

Mr. URMSTON. We do not. They are selling a pencil which is comparable.

Senator COUZENS. You say you imported it. What do you do with it?

Mr. URMSTON. We sell it at \$2.75, one that has just a little better polish on it and is a little more attractive a pencil. The quantity which we import does not amount to anything very much, but it is the cheapest rubber tipped pencil we can offer. When it comes to the question of quality in the lead pencil industry, practically all of the wood that is used in the German pencils that are imported into America, must be made of American cedar, whether it is western cedar or southern cedar. There is some reference to a cheap wood in Germany called alder wood, that can not be used in the American market because the sharpeners that are used here will not sharpen that wood.

Senator WALSH. Have any of these American factories branch factories in other countries?

Mr. URMSTON. Yes; three out of the big four maintain factories abroad.

Senator WALSH. Where?

Mr. URMSTON. Eberhard Faber at Neumarkt, Germany; the Eagle Pencil Co. have a factory in London; and the American Lead Pencil Co. own a factory also in London.

Senator WALSH. Are there any factories in Canada?

Mr. URMSTON. At the present time there are no pencil factories in Canada.

Senator WALSH. Do those companies export their pencils also?

Mr. URMSTON. You mean from the foreign factory?

Senator WALSH. Yes.

Mr. URMSTON. Yes; each one of these companies has a big export business.

Senator WALSH. Your German companies are in competition with these American German plants in selling pencils in Germany?

Mr. URMSTON. Precisely. If German pencils were made as cheaply as these people say, there would be no reason in the world why they should not import them here. They compete in Canada and other foreign countries with products made in America, with the German pencil at a lower price. There are some types which are sold from Germany which may be cheap.

Senator WALSH. Are the foreign factories growing or expanding?

Mr. URMSTON. Evidently the one owned by Eberhard Faber in Germany is since the war and has been, as far as I know, and Mr. Faber's business in Canada has increased tremendously with the help of that factory.

Senator WALSH. Are they reducing their American output and increasing their foreign?

Mr. URMSTON. That I can not say. I have a few other pencils I would like to exhibit here to show the fact that pencils made in America are made more cheaply than in Europe. I have here one

pencil which has a plain blue polish, no stamp, nickel tip, white eraser, made by the Wallace Pencil Co., of St. Louis. This pencil is \$1.10 per gross to the dealer. Another one made by the same company is \$1.25 to the dealer. Another pencil, which has a white metal finish, gilt tip, red rubber, is \$1.25 to the dealer. Gentlemen, we could not purchase and bring here pencils of this character for that money. It is utterly impossible. They make a pencil that we could not buy in the factory abroad. They have in this country a tremendous mass production so that the production of the pencils in America more than exceeds the total production of pencils of all the other manufacturers in the world. The profits and assets of the American pencil manufacturers exceed that of all the other 22 pencil manufacturers throughout the world, and all this money has been made right in the pencil business.

Senator WALSH. Do these raw materials shipped from America to Germany have to pay a duty in that country?

Mr. URMSTON. We ship over to the people we buy pencils from rubber plugs. There is a duty on rubber plugs into Germany.

Senator WALSH. How about the graphite and the wood?

Mr. URMSTON. The wood is duty free, as far as I know. The graphite, I believe, also is free. We buy our graphite from the United States, from American graphite producers; it comes from Mexico in here and is refined and shipped abroad. We buy our wood from the United States and buy our rubber plugs from the United States.

Senator WALSH. Are you financially interested in the German factory?

Mr. URMSTON. No. J. S. Staedtler (Inc.) is entirely owned by American capital. We have been in the business seven years and we have never been able to compete on the pencil line as a whole. We also buy American-made goods.

Senator WALSH. Is this German factory from which you purchase pencils and sell them here owned by American capital?

Mr. URMSTON. The factory in Germany?

Senator WALSH. Yes.

Mr. URMSTON. No.

Senator WALSH. Your concern here is an American manufacturer?

Mr. URMSTON. We are J. S. Staedtler (Inc.), entirely owned by Americans.

Senator WALSH. These German concerns are controlled and owned by Germans?

Mr. URMSTON. Yes. I have another illustration in the city of Detroit. The General Motors Co. found that they could buy, if they would get all their orders coming from their subsidiary companies, pencils considerably cheaper or considerably lower than they have been getting them. The first of this year they decided to call on the manufacturers of the country and have pencils made up for them. It included pencils made by the big four, the Eagle, Faber, and Dixon. They specified they wanted imprint pencils only, 10,000 gross, with General Motors executive department on them. A contract was awarded to an American manufacturer at \$3 a gross delivered east of the Mississippi and 10 per cent off, a 2 per cent cash discount, so these American pencil manufacturers got \$2.70 a

gross, less 2 per cent for cash, for a pencil the equivalent to their 5-cent pencil, and a pencil which sells at that price \$2.75, means that they still make a large profit at prices considerably below the import cost.

Senator WALSH. They might have done it for advertising purposes.

Mr. URMSTON. I have not yet mentioned the fact that of the pencil manufacturers in the United States, there are at least eight small ones that must buy leads from the larger factories if they are to exist.

Senator WALSH. Did the importers bid on this contract?

Mr. URMSTON. We bid \$3.80 a gross.

Senator WALSH. What was the price to whom the bid was awarded?

Mr. URMSTON. The General Motors price of \$3, but to the dealer who handled them, a price of \$2.70.

Senator THOMAS. Less two per cent for cash?

Mr. URMSTON. Less 2 per cent for cash. One of these small factories I know has turned down an offer of \$500,000 for their plant, asking \$800,000, and when asked why he wanted \$800,000 he said the profit was \$100,000 a year and he was entitled to three years' profits, if he was going to sell out?

Senator THOMAS. What plant was that?

Mr. URMSTON. The General Pencil Co. in Jersey City. They undersell the larger American factories. We can not, of course, even attempt to compete with them. We have to get along selling on a quality basis.

Senator COUZENS. Is that all?

Mr. URMSTON. That covers the lead pencils. I want to begin now on pencil leads.

Senator COUZENS. What schedule?

Mr. URMSTON. 1549 (b).

Senator WALSH. Six cents per gross. There are no changes made.

Mr. URMSTON. What we requested, incidentally, before the Ways and Means Committee, on pencils, was the removal of the specific duty, back to the 25 per cent ad valorem. Each pencil regardless of its cost would pay a duty in proportion to its cost. This can not be with a prohibitive specific duty, and we can not import in competition with the American manufacturers as a whole. At least we want the present rate retained and ask that you will maintain the present provision in the Fordney-McCumber Act and refer pencils and leads to the Tariff Commission for a thorough investigation, and those who desire can appeal to the President for a change.

On the question of the pencil leads there has been no change. We ask that a 10 per cent ad valorem duty be placed on leads because, in the first place, out of these small factories there are very few of them who make the leads themselves. They are dependent entirely on the manufacturers in the United States to supply them with the lead that goes in the pencils.

Senator WALSH. Where the duty is now 6 cents per gross you want a duty of 10 per cent ad valorem?

Mr. URMSTON. Yes.

Senator WALSH. Do you want the duty of 10 cents per gross changed?

Mr. URMSTON. To 10 per cent ad valorem. There are no black leads coming in under that paragraph.

Senator WALSH. How about the colored leads?

Mr. URMSTON. The colored, copying, and indelible leads the same.

Senator WALSH. Ten per cent.

Mr. URMSTON. That whole line, 10 per cent.

Senator WALSH. Have you an amendment along these lines drafted?

Mr. URMSTON. We have two suggestions in the brief, in which we have requested that change. One point I want to bring out is that the manufacturer who sells leads to the small companies, if he had a fire and were burned out, or if he received a flattering offer for the lead factory from some of the big pencil companies, that the little pencil companies would then be practically out of business, because they would depend on the large domestic factories for these leads.

Senator COUZENS. What difference does it make with you? That is, as to the ad valorem rates existing in the proposed bill?

Mr. URMSTON. In one of the items, leads, commonly known as re-fills, as under the present import duty we can buy them in America for less than the present duty.

Senator COUZENS. In the House bill what change does it make in the ad valorem rates?

Mr. URMSTON. It is 6 cents a gross on leads, and 10 per cent, and we would want 2 cents on a gross instead.

Senator COUZENS. Do you want it reduced from 6 cents to 2 cents specific?

Mr. URMSTON. That is true.

Senator WALSH. That is on pencil leads?

Mr. URMSTON. Yes; for use in manufacturing these pencils, and that is for this reason, that there is only one factory here, at Atlanta, Ga.

Senator COUZENS. Controlled by whom?

Mr. URMSTON. M. A. Furst.

Senator COUZENS. Are they in connection with the Big Four?

Mr. URMSTON. No; he is an independent.

Senator COUZENS. Does he sell to the Big Four?

Mr. URMSTON. He sells only to the small people. The Big Four make their own leads. If some one should decide to go into the making of pencils they have only one source of supply. Take the small factories. They are unable to-day to make indelible pencils or colored pencils—we sell them—because the 40 per cent ad valorem makes their cost prohibitive; they buy their indelible and colored pencil leads in the United States.

Senator WALSH. Are there any imports of pencil leads?

Mr. URMSTON. The imports of pencil leads are very little.

Senator WALSH. It is one manufacturer that supplies the independents, who has a monopoly of the pencil leads in America, outside of the big four?

Mr. URMSTON. Quite so. And we ask your committee in the case of leads, if you cannot see your way clear to give us what we ask in the changes in the ad valorem, to refer that to the Tariff Commission for a thorough investigation, and then we may appeal to the President, if he sees fit to give us a change.

Senator WALSH. Is this factory in Georgia an infant industry or in financial distress so that it needs a tariff duty?

Mr. URMSTON. No; it is a concern that is said to be quite prosperous. They have been manufacturing these 0465 leads of 1 3/8 on which they have 10 cents per gross specific on certain sizes.

Senator THOMAS. Where does the Atlanta concern get its raw graphite?

Mr. URMSTON. From the Dixon Company, one that has a large factory.

Senator THOMAS. Is it not a fact that there is a large factory producing graphite in Alabama.

Mr. URMSTON. I am not familiar with the graphite end of it, but they tell me that American graphite is not as satisfactory for manufacturing leads for pencils.

Senator THOMAS. This bill proposes to protect these people by a provision of that kind, an ad valorem for the lead in pencils?

Senator THOMAS. It will amount to little because the graphite that enters into the finished product is a small proportion. I understand that the American manufacturers were heard to have the duty removed from all imported graphite, although the total amount of graphite used in making these pencils is an insignificant part of it.

Senator KEYES. Is that all?

Mr. URMSTON. I have just finished leads. I will now discuss mechanical pencils.

Senator WALSH. What paragraph?

Mr. URMSTON. 1550.

Senator WALSH. You want the present duties lowered, I assume.

Mr. URMSTON. The present duty on mechanical pencils as in the Fordney-McCumber act is satisfactory to us, but the duty which was recommended by the Eagle Pencil Company, brings it from the mechanical pencil over into the paragraph with fountain pens, under that duty, which would constitute an increase of 1840 per cent in the specific rate plus ad valorem, making a total of 1880.

Senator WALSH. On what?

Senator THOMAS. A total increase of what?

Mr. URMSTON. 1880 per cent.

Senator THOMAS. Can you illustrate that?

Mr. URMSTON. The tariff to-day is 20 per cent ad valorem, and in addition there is a specific of 45 cents a gross. The new duty recommended is 40 per cent ad valorem and 72 cents per dozen, or \$8.64 per gross.

Senator COUZENS. Have you a sample of the mechanical pencils?

Mr. URMSTON. I am sorry to say that I have not, although I refer you to the Tariff Commission, as we gave them samples of ours.

Senator THOMAS. What do you mean by mechanical pencils?

Mr. URMSTON. A pencil which has a separate lead which is put into the pencil and propels mechanically.

Senator THOMAS. Like this?

Mr. URMSTON. That would be a mechanical pencil.

Senator WALSH. Mechanical pencils were formerly in paragraph (a) of 1550, and by being transferred to paragraph (b) they get this higher duty.

Mr. URMSTON. In the 1922 tariff, paragraph 352 contained mechanical pencils made of base metal and not plated with gold, silver, platinum, or other metals, and then under paragraph 1451, mechanical pencils, not specially provided for. Their argument was that the fountain pen and mechanical pencil fit in the same pockets, and therefore, mechanical pencils should be assessed at the same rate of duty as fountain pens. I think the transfer was perfectly all right, when we transfer the pencil that is gold plated. I venture to say that most of the large pencil manufacturers here make mechanical pencils and they do not make fountain pens, but there is one company that makes these cheap fountain pens and they make quite a profit. They do over a million dollars annually.

The domestic manufacturers would not mislead the committee, I presume, but we realize that the Ways and Means Committee did not intend to raise the duty 1,880 per cent on the classes of merchandise in that particular section. We are interested primarily in maintaining the present duty, as I said before, on mechanical pencils at 25 per cent ad valorem and 45 cents a gross.

Senator WALSH. Do you not think the duty on fountain pens is pretty high here, anyway?

Mr. URMSTON. We do not make fountain pens and I do not know anything about them, and I could not say.

Senator WALSH. As between the consumer and one who has same public interest in the matter, have you given any thought to it?

Mr. URMSTON. I have seen some of the cheap fountain pens that are sold at the chain stores for 10 cents, and that is all that it is worth. The fountain pen sells for 25 cents and up, of American manufacture, without any foreign competition, as far as I have seen. But we are not in that business and I am not familiar with it. We recommend to this committee that the mechanical pencil end of it be transferred into the pencil paragraph, 1549 (a), with the following words "mechanical pencils of whatever material composed" to be inserted after the word "material," and we ask that the 45 cents per gross and the 25 per cent ad valorem assessed under the tariff act of 1922 be retained.

Senator THOMAS. Did you say who made these pencils?

Mr. URMSTON. The Eagle Pencil Co. is one company making them; in fact, they are the largest pencil factory in the world, and here is one of their ads which I brought here, clipped from a trade paper, which says: "The largest pencil factory in the world, Eagle Pencil Co., New York-London." I will leave this and my brief with the committee.

(The brief referred to is as follows:)

BRIEF OF J. S. STAEDTLER (INC.), NEW YORK CITY

[MECHANICAL PENCILS]

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

Under the tariff act of 1922, Schedule 3, paragraph 352, mechanical pencils made of base metal and not plated with gold, silver, or platinum pay a duty of 45 cents a gross and 20 per cent ad valorem, and under Schedule 14, paragraph 1451, mechanical pencils n. s. p. f., 45 cents a gross and 25 per cent ad valorem. Therefore the rate of duty as fixed in the Hawley bill, which is identical with the

rate proposed by the American manufacturers, constitute an increase of 1440 per cent in the specific rate and 50 per cent respective 40 per cent in the ad valorem rate.

The reason given by the domestic manufacturers for their request for such a radical advance in the rate of duty on mechanical pencils is expressed by Mr. Frank W. Lilley, the spokesman for the domestic industry, page 7931 (House T. R. 1929) as follows:

"We wish to impress on your committee that the mechanical pencil industry of this country is faced with a real emergency in this matter. Imports of mechanical pencils made of base metal and dutiable under paragraph 352 have increased a little over 200 per cent from a value of \$30,208 in 1924 to a value of \$91,304 in 1927. There were \$117,267 additional imports of mechanical pencils in 1927 which paid duty under paragraph 1451, this amount being 7 per cent greater than the imports for 1926."

When the brief containing said statements was submitted to the House committee there was available to Mr. Lilley the statistics of importations of mechanical pencils as a public record in Foreign Commerce and Navigation of the United States. These figures may be quoted from a table of imports contained in a brief of pencil importers filed with the House committee (House T. R. 1929, p. 7918) and compared with American exports:

| Year | Imports | | | Exports, refillable pencils and pencil leads |
|-----------|---|--|----------|---|
| | Paragraph 352, Schedule 3, mechani- cal pencils of base metal, e'tc. | Paragraph 1451, Schedule 14, mechani- cal pencils, n. s. p. f. | Total | |
| 1922..... | \$12,074 | \$11,318 | \$23,394 | \$303,465 |
| 1923..... | | 97,212 | 97,212 | 341,373 |
| 1924..... | 30,208 | 132,246 | 162,454 | 682,652 |
| 1925..... | 40,325 | 144,620 | 184,945 | 726,106 |
| 1926..... | 79,993 | 109,352 | 189,345 | 819,198 |
| 1927..... | 91,308 | 117,267 | 208,575 | 711,438 |
| 1928..... | 101,360 | 100,546 | 201,906 | 851,463 |

An examination of the above table of imports shows clearly the interrelation between the two classes of mechanical pencils. Whereas the importations of mechanical pencils made of base metal have increased during the said period, mechanical pencils n. s. p. f. have decreased. While Congress separated the two classes of mechanical pencils for technical reasons and assessing different rates of duties, yet if the article is merely viewed as an instrument of writing, it certainly does not matter whether the barrel of the pencil is manufactured of base metal or a composition material. Therefore, the said total imports must be considered as one class containing two subdivisions of mechanical pencils made of different material. If this is done, we find that the actual increase in importation between 1924 and 1927 is \$46,121, or 28½ per cent; that the year 1928 shows a decline of 4 per cent over 1927, thus revealing an actual increase of 24½ per cent over 1924. During the same period exports increased \$163,811, or four times as much as the increase in imports. A comparison of total imports and exports shows clearly that the former have constituted throughout this period consistently about 25 per cent of the latter.

The imports for the first four months of 1929 record \$47,127 for mechanical pencils made of base metal and \$21,961 for mechanical pencils n. s. p. f. If these figures are accepted as showing the trend of imports of the article, we find that the aforementioned shifting process from one class to the other still continues, the former rising to an estimated annual amount of \$141,000 and the latter declining to an estimated annual amount of about \$66,000, and a total of about \$207,000. These figures allow us also to conclude that total imports will probably be somewhat less in 1929 than in 1927 and to confirm that annual imports of the article are limited to about \$200,000 as they have been for the past five years.

If a normal increase in the consumption of pencils generally has to be expected due to a steady increase in the population of this country, a gradual

advance in imports of mechanical pencils of 24½ per cent over a period of five years surely can not be recorded as so destructive to the domestic industry as creating the real emergency, as is contended by Mr. Lilley. However, those are the methods of deductions of the domestic manufacturers in their efforts to mislead the committees and to serve their own selfish purposes.

The request of the domestic manufacturers for a change in paragraphs and in the rate of duty was not opposed before the House committee by the undersigned, because the supporting reasons given by the domestic manufacturers were so contrary to the actual facts and conclusions reached so erroneous on the face thereof that we felt confident no change would be made. However the most unexpected has happened and we now appeal to your honorable committee to correct an intolerable situation which was brought about by a wholly unwarranted classification of mechanical pencils with fountain pens.

We submit that there is no similarity between mechanical pencils and fountain pens by reason of the fact that occasionally they are placed in the same vest pocket. While both are instruments of writing, yet one does it by means of pen and ink, whereas the other effects it by means of a pencil lead. The probabilities are that an ordinary lead pencil is far oftener put next to a fountain pen than a mechanical pencil. It will be noted that under paragraph 1550 B of the Hawley bill the specific rate of duty of 72 cents is per dozen unit. Whereas fountain pens are by trade usage sold in wholesale quantities in dozen lots, yet the wholesale unit of pencils, lead as well as mechanical, has always been and still is the gross unit. This is recognized in the pencil paragraph 1451 of tariff act of 1922. Expressed on the basis of a gross the proposed specific rate on mechanical pencils would read \$8.64, and would reveal at a glance the enormity of the demands of the domestic manufacturers, whereas 72 cents per dozen (the present specific rate being 45 cents per gross under par. 1451) does not sound as a very high rate in itself, and this is in our opinion the reason why the domestic manufacturers requested a transfer of mechanical pencils to a fountain pen paragraph providing for a specific duty rate on the dozen unit basis.

If for the sake of simplification, clarification, and import statistics it is desired to classify mechanical pencils under one heading and under one paragraph, they certainly should remain in the pencil paragraph, where mechanical pencils n. s. p. f. are to-day, and where they belong. Such a reclassification would have our full approval. At the hearings before the House committee Mr. Lilley exhibited certain foreign-made mechanical pencils retailing at 10 cents each. As he failed to state the name of the foreign manufacturer and the number of the article, we are unable to say whether his allegations are correct. However, American-made mechanical pencils can be purchased retail at 10 cents each. Their wholesale price is \$7.20 per gross less 10 per cent, or \$6.48 per gross net, which is the average price of the American manufacturers for a mechanical pencil to retail at 10 cents each. This class of cheap pencil made in the United States possesses mechanical features surpassing by far those of any mechanical pencil made abroad.

What the proposed rate of duty will actually amount to can be best illustrated by the following example. Assuming for the sake of argument that a mechanical pencil could be purchased in Germany for \$6.48 per gross net, equal in quality and mechanical features to the American manufactures, it would be assessed under the proposed rate an ad valorem duty of 40 per cent or \$2.59 plus the specific duty of 72 cents per dozen, or \$8.64, making a total duty of \$11.23 per gross, which equals 173.3 per cent on the cost of \$6.48. If freight charges and additional expenses are figured at 20 cents per gross, the landed cost of the article would be \$18 per gross and the pencil could not be sold profitably as a 25-cent retail item against the 10-cent seller of the American manufacturers, which at said \$6.48 per gross net leaves a generous margin of profit.

As there is little or no difference between the cost of raw material in the United States and Germany, therefore the total of the aforesaid \$11.23 would constitute supposedly the difference of the cost of labor assessed to equalize the cost of production between the two countries. Your honorable committee may conclude without any further investigation that such alleged differences in the cost of production as will work out 173.3 per cent on the American wholesale selling price does not exist and is in error on the face thereof.

If the facts as alleged by Mr. Lilley regarding the much cheaper cost of production abroad due to low-labor costs are correct, it would be interesting

to know why the firm which he represents, the Eagle Pencil Co., which owns a factory in England, and the Parker Fountain Pen Co., which has a subsidiary company in Germany, do not take advantage of these cheap manufacturing conditions, make mechanical pencils abroad and import them into the United States. It would seem that the domestic manufacturers, realizing that they have no argument in support of their request for an increased rate of duty, resort to the doubtful tactics of attempting to reclassify the article, placing it under a paragraph where, in its very nature, it does not belong.

In different briefs submitted by pencil importers the cost of labor in the lead-pencil industry in Germany was set forth in detail. The cost of labor on mechanical pencils imported by us is exactly the same. Reference has also been had to the enormous mass production of American factories, labor-saving machinery largely absent in German plants, greater efficiency of American labor generally, and the consequential saving in cost of production which, to a large extent, if not entirely, offsets any differences in wages of labor existing between the two countries.

We have furnished to the United States Tariff Commission the actual cost of mechanical pencils, the sale of which constitutes more than 66 $\frac{2}{3}$ per cent of our importations and leaving us a margin of profit so small that if the proposed duty under the pencil paragraph 1540 were applied, to wit, 60 cents per gross and 35 per cent ad valorem, instead of the present rate of 45 cents per gross and 25 per cent ad valorem, it would make impossible their importation.

The consumption value of mechanical pencils made in the United States is not available for the reason that pencil and fountain pen manufacturers are also producing them and census returns are not reported separately. The annual domestic consumption value is estimated at \$10,000,000, of which imports at about \$200,000 represent 2 per cent. It is general trade knowledge that the American-made 10-cent mechanical pencil constitutes a large share of the 98 per cent of the total business of the domestic mechanical pencil manufacturers, although it would appear from the testimony of Mr. Lilley before the House committee that the American manufacturers emphasize the 25-cent and higher quality pencils selling as high as \$5 and more. The fact that the domestic manufacturers compete successfully with the foreign product is proof in itself that a 10-cent mechanical pencil can be and is being made successfully and profitably in the United States. However, it would seem that in order to make out a case for a higher rate of duty the domestic manufacturers include in their costs extraordinary items as sales and advertising expense as well as overhead charges which have nothing to do with the cost of production and must be disregarded in fixing the rates of duty intended to equalize foreign and domestic cost of manufacturing.

The mechanical pencils imported by us are handled solely on a turnover basis. There is nothing similar in design or mechanical features manufactured in the United States. We do not import fountain pens, and therefore do not know whether the request of the domestic manufacturers for additional protection on fountain pens is justified, but we do assert without fear of contradiction that 90 per cent of all mechanical pencils made in the United States are without competition from abroad. So unique are design, quality, and mechanical features of the American brands, that they are sold all over the world, and particularly in Europe, at very high prices. If Germany imports American-made mechanical pencils it is proof sufficient that her manufacturers can not make anything which can match the superior American product.

While the brief of the American manufacturers expresses the fear that with the running out of certain patent rights in the near future, the market would be thrown wide open, we should like to observe that inventions in mechanical pencils are now made so frequently that many new models are bought out annually. Styles several years old are usually considered out of season and the period of seventeen years, which is the protection afforded under the United States patent law would necessarily make a mechanical pencil obsolete.

The mechanical-pencil industry in the United States as a whole has been prosperous as may be seen from the financial condition of such a well-known company as the Parker Pen Co., of Janesville, Wis., making fountain pens as well as mechanical pencils. In the trade magazine, Office Appliances, June, 1929, issue, there appears this interesting notice regarding this company's increase in business for the first four months of 1929 over those of 1928:

"Retail stationers and others who are stockholders in the Parker Pen Co. will be interested in sales figures covering the first four months of 1929. The

net sales for that period were 21.32 per cent ahead of the same period in 1928. All three subsidiary companies (Canada, Great Britain, and Germany) are running at an increased rate of net sales, averaging an increase of about 30 per cent. Export sales from the home office at Janesville, Wis., for the first four months of 1929 increased 38.75 per cent over the same period in 1928.

"The net profits of the parent company in Wisconsin for the first four months of 1929 exceed the net profits of the first seven months in 1928. This is an increase of 69 per cent over the first four months of last year. The net profits of the company for 1928 were the largest in its history, exceeding \$1,000,000."

Surely such conditions do not tell a story of depression in the industry. We might cite other companies, as for instance, the Sheaffer Fountain Pen Co., of Fort Madison, Iowa, also making mechanical pencils, reporting profits for the fiscal year ending February 28, 1929, as \$1,209,204.88. Further we believe that the Eagle Pencil Co., which does not specialize in the manufacturing of mechanical pencils, does a business in mechanical pencils approximating the total imports of the article from Germany.

In the brief submitted by the domestic manufacturers (House T. R. 1929, p. 2170) it is boldly maintained, that the requested rate of 72 cents per dozen and 40 per cent ad valorem on mechanical pencils would give them only a fighting chance to hold the American market and that it would still leave the foreign manufacturers with a distinct advantage. The undeniable facts submitted in this brief leads unquestionably to but one conclusion, which is that the proposed rate if enacted into law will automatically place an embargo on all imports of mechanical pencils.

We believe in a protective tariff as an instrument of national economic policy for the benefit of the American people as a whole, and that it can not be the intent of Congress to apply it for the purpose of annihilation of all foreign competition and especially in a manufacture like mechanical pencils, which, due to the unexcelled quality of the American make, enjoys exports four times our imports of the low-grade article made abroad.

Under paragraph 1549 A we have asked that the rate of duty of 45 cents per gross and 25 per cent ad valorem as at present assessed under the tariff act of 1922, be retained on lead pencils and we respectfully request that mechanical pencils, including those made of base metal, not plated with gold, silver, or platinum, be included therein. Said rate of duty can be retained without any injury to the American industry, as we believe we have clearly set forth in this brief.

Therefore we respectfully ask your honorable committee that mechanical pencils be eliminated from paragraph 1550 B and be classified with paragraph 1549 A by inserting after the word "material" "mechanical pencils of whatever material composed."

Respectfully submitted.

J. S. STAEDTLER (INC.),
RAYMOND J. URMSTON,
Vice President.

STATEMENT OF IRVING P. FAVOR, REPRESENTING THE KOH-I-NOOR PENCIL CO. (INC.), NEW YORK CITY

[Including pencil leads, par. 1549 (b)]

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

Senator KEYES. Is your company an importer or manufacturer?

Mr. FAVOR. The Koh-I-Noor Pencil Co. (Inc.) is an importer. I will be very brief, but there are one or two points which have not been presented, which I would like to present to you. As I say, we import the Koh-I-Noor pencil, which is a pencil of very high quality. I have samples of it here which I will give you.

Senator COUZENS. Where is it made?

Mr. FAVOR. In Czechoslovakia, by L. C. Hardtmuth.

Senator WALSH. Are all of these colored imported pencils?

Mr. FAVOR. No; just the one at the bottom.

Senator WALSH. The top one is an American made pencil?

Mr. FAVOR. The three top ones in these I am showing you. We do not undersell the highest priced domestic pencil. The price of the highest priced domestic pencil in wholesale quantities is \$6.75 per gross. The price of the Koh-I-Noor pencil in the usual wholesale quantity is \$9.60 per gross, giving the domestic manufacturer a price advantage of \$2.85, a price advantage of 42 per cent. The present duty is 25 per cent ad valorem and 45 cents a gross specific.

Senator WALSH. How can you sell your pencils in this market in view of the fact that your price is so much higher than the domestic pencil?

Mr. FAVOR. Because of the quality of the pencil.

Senator COUZENS. In what respect is the quality high?

Mr. FAVOR. The quality of the lead, the grade of the lead in particular. These pencils are used practically exclusively by architects, draftsmen, engineers, artists, and students in technical schools, where they require the very best obtainable for their work. The pencil is made of 17 different degrees of hardness, as the architects and engineers must have a pencil of high quality for the hard work which it is to do.

Senator COUZENS. That is, it is a harder pencil?

Mr. FAVOR. Yes. As I said, it has 17 degrees, from a soft to a very hard, finely graduated between the two extremes. This pencil is made of American cedar wood, southern red cedar, and this cedar is sold to L. & C. Hardtmuth for the manufacture of the pencils. This American cedar is purchased in a semimanufactured condition. I do not know whether you have ever seen any of that cedar wood, as it is shipped from this country, but here are some samples of it.

Senator WALSH. Cut in that size?

Mr. FAVOR. Cut in that size, in assorted and graded slats, ready to be made into pencils. The samples here are similar in width.

Senator WALSH. That is the material that is to be used for pencils?

Mr. FAVOR. Yes. That slab in its present form is ready to go into the machine, and when the machine gets through with it there is nothing further to be done with it. We export about \$2,000,000 worth of cedar per annum from this country. The cedar comes from Tennessee and Florida, and there is a cedar from California, which is called California incense cedar.

Senator WALSH. It is just used for making pencils?

Mr. FAVOR. Yes.

Senator WALSH. How many of these pencils do you import of this particular high grade you speak of?

Mr. FAVOR. We import about 20,000 gross.

Senator WALSH. That is the extent of that business, just that one class of pencils product?

Mr. FAVOR. Yes. We have only the one class. We have a line of colored pencils, but they are also of the same class and sell at practically the same price.

Senator WALSH. What does your importation represent in dollars?

Mr. FAVOR. Our importations would run about \$200,000, whereas the total importation of all pencils this year, 1928, were \$835,000, against exportations of red cedar wood from America of two million

dollars, and in addition graphite is exported from this country, by a concern in Saginaw, Mich. They refine the graphite so that it is ready to go into a mixed clay and ground to go into the lead.

Senator CORZENS. What do you want us to do?

Mr. FAVOR. We are asking for a rate of 25 per cent ad valorem on lead pencils, and it is a fact that that rate has been applied against lead pencils for many years and the American manufacturers have been able to expand, and foreign competition has been held firmly in check. The domestic manufacturers admitted in their testimony before the Ways and Means Committee that their business amounted to approximately \$30,000,000 per annum. They have corrected that, stating it was \$24,000,000, the difference being made up in making pencils, and the \$835,000 worth of imported pencils also includes mechanical pencils, so that we have a comparable basis for including domestic business also. The domestic manufacturers also export over \$2,000,000 worth of their finished product so that they are exporting from two to three times the total amount of imports.

Senator WALSH. We have that evidence before us.

Mr. FAVOR. The foreign manufacturers are purchasing their raw materials in this country.

Senator WALSH. Where does the clay come from that mixes with the graphite?

Mr. FAVOR. The clay comes from various places. Some of it is coming from the United States.

Senator WALSH. It is exported from here?

Mr. FAVOR. Exported to the foreign factory; yes. I will file this brief.

(The brief referred to is as follows:)

BRIEF OF THE KOH-I-NOOR PENCIL Co (INC.)

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

The Koh-I-Noor Pencil Co. (Inc.), a New York corporation, with its place of business at 34 East Twenty-third Street, New York City, and with an ownership and management which is now and always has been 100 per cent American born, respectfully presents its protest against the rates of duty which are now assessed against pencils and pencil leads in the Fordney Tariff Act, and against the rates proposed in paragraph 1549 of the new tariff bill (H. R. 2667) as passed by the House of Representatives.

The Koh-I-Noor Pencil Co. (Inc.) is the exclusive importer into the United States of Koh-I-Noor lead pencils, Koh-I-Noor leads, etc., which are made by L. & C. Hardtmuth, of Budweis, Czechoslovakia. The Koh-I-Noor products are famous for their exceedingly high quality, and are the working tools of architects, draftsmen, engineers, artists, and others similarly engaged.

KOH-I-NOOR COMPETES IN QUALITY, NOT PRICE

The Koh-I-Noor pencil, it was admitted by domestic pencil manufacturers in their testimony before the House Committee on Ways and Means (p. 7903), sells for a higher price than the highest priced domestic pencil. The prices per gross of the highest-priced American-made pencils, as compared with the Koh-I-Noor, are:

| | |
|----------------------------------|--------|
| Dixon's Eldorado..... | \$6.75 |
| Eberhard Faber's Van Dyke..... | 6.75 |
| American Pencil Co.'s Venus..... | 6.75 |
| Koh-I-Noor..... | 9.60 |
| Domestic advantage: | |
| Price..... | 2.85 |
| Per cent..... | 42 |

THE KOH-I-NOOR PENCIL DOES NOT UNDERSSELL THE HIGHEST PRICED DOMESTIC PENCIL

It is not even sold on the same price level, but sells at a present price which is 42 per cent higher. It has never undersold the highest priced domestic pencil, and it would be impossible for the Koh-I-Noor to do so, for its basic cost at the factory of L. & C. Hardtmuth, in Czechoslovakia, is such that if there were no duty at all imposed on imported pencils, the Koh-I-Noor would still have to be sold at a price in excess of the highest priced domestic pencil made. To increase the tariff over present rates will therefore not give the domestic manufacturers greater profits unless they raise their present selling prices. Their problem is not a question of being undersold, but a question of meeting a competition in quality.

DOMESTIC MANUFACTURERS SUPPLY 96 PER CENT TO 98 PER CENT OF PENCILS SOLD

According to Foreign Commerce and Navigation Reports, which contain the most reliable figures obtainable, the exportation of pencils, leads and pencil products since 1921 has consistently amounted to about \$2,000,000 annually, and in 1928 the value of such exports amounted to \$1,967,563, as compared to but \$625,548 in 1913. On the other hand, imports—including leads imported by domestic pencil manufacturers—were \$707,495 in 1927 and \$857,322 in 1928. As the domestic manufacturers admitted, in their testimony before the House Ways and Means Committee (p. 7925), that their annual business was about \$30,000,000, the imports represent only between 2 per cent and 3 per cent of that amount. Domestic manufacturers, in their brief, later claimed that the total domestic production of pencils is less than that figure, because it includes mechanical pencils and articles other than lead pencils, so that imports would be over 4 per cent of the total sales of lead pencils in the United States. Even admitting the claim, the domestic industry controls 96 per cent of the business. Import figures, however, also include mechanical pencils.

Seventy per cent of American-made pencils retail for 5 cents or less, and there is actually no foreign competition in that class of pencils. The competition comes in the higher priced pencil, and it is not a competition of price, caused by underselling, but a competition of quality, in which no tariff can aid the domestic producer unless it be by prohibitive rates which eliminate the superior product. This, we submit, is not the function of a tariff.

AMERICAN CEDAR SUPPLIES THE WOOD FOR KOH-I-NOOR PENCILS

First quality southern red cedar from the States of Tennessee and Florida, which commands the highest price in the American market, is used in the manufacture of the Koh-I-Noor pencil. This American cedar is purchased in a semimanufactured condition, in assorted and graded slats, ready to be made into pencils.

All of the money paid for Koh-I-Noor pencils in this country is held in New York on deposit by L. & C. Hardtmuth to pay the purveyors of cedar and is inadequate to supply the full payment for their purchases of American cedar wood. In addition to the southern red cedar, large quantities of incense cedar from the State of California are also purchased. L. & C. Hardtmuth alone purchased in 1927 over \$872,000 worth of American cedar wood, while during the same period, 1927, the total value of pencils and leads which all foreign manufacturers, including L. & C. Hardtmuth, sold in this country amounted to only \$707,495. From 1920 to 1928 over \$2,835,000 worth of American cedar wood has been purchased by L. & C. Hardtmuth alone. In the semimanufactured form in which it was purchased, this cedar represented the output of American mills employing large numbers of men engaged in working the logs and rails up into the assorted and graded slats. Any serious curtailment of sales would necessarily result in cancellation of buying orders for this domestic wood.

USE OF THE KOH-I-NOOR NAME IS PENALIZED

If the proposed law is not amended by the Senate, the Koh-I-Noor pencils will be directly penalized because of the presence of the Koh-I-Noor name on the product. These same pencils would be taxed less if not labeled so as to identify them to the artisans who seek quality tools.

Under the present terms of paragraph 1540 of the tariff bill there would be no change in the rate of duty on pencils which do not bear the manufacturers' name, trade name or trade-mark, but when the manufacturers' name, trade name or trade-mark is shown, the rate of duty would be 10 cents higher per gross and 10 per cent higher ad valorem. This provision appears to give protection against quality, not price. It is a well-known fact that it is only the cheaper grades of goods which the manufacturer is willing to put out without bearing his name, trade name or trade mark. The result of this proposed change, therefore, would be to bar goods of quality sold under a well established trade-mark and with an established reputation. It is not an attempt to eliminate price competition, which is a proper basis for a protective tariff, but is an unjustifiable attempt to eliminate a competition of quality. The American consumer who is now willing to pay more for the best should not be prevented from securing it by the erection of a prohibitive tariff wall.

THE PROPOSED RATES ARE PROHIBITIVE

It is the artisan, the engineer, the architect, the draftsman, and the artist who use the Koh-I-Noor pencil, and it is for them an essential tool. These pencils are also much used in the technical schools and the art schools. The Koh-I-Noor pencil is now selling for \$2.85 per gross higher than the highest-priced domestic pencil made. The proposed increase in duty would add another 75 cents to this price difference, and the artisan who now prefers it in his work must either pay that additional cost or turn to a pencil which he now deems less desirable even at a much lower price. The increased rate proposed in the House bill is practically prohibitive because the present tariff rates have already made the cost of the Koh-I-Noor pencil in this country exceedingly high.

SUCH "PROTECTION" IS NOT NECESSARY

America to-day makes more pencils than all of the other countries of the world combined. The industry is of long standing in this country, and can not be called an infant industry. As in all lines of business, there may be some recently established factories which are struggling to become firmly established. It is not foreign competition, however, which is their problem, but domestic competition between the great manufacturers of this country. Any domestic manufacturing business which produces 96 to 98 per cent of goods sold in this country, which exports two to three times the value represented by imports, and which has a 42 per cent price advantage, is in a happy position and does not need more tariff "protection" than it now has. The business of the domestic pencil manufacturer continued to increase and prosper when protected by the 25 per cent ad valorem rate of duty imposed by the tariff act of 1913. That rate held foreign competition firmly in check and was ample to protect domestic interests. Higher rates are only an added burden on the American consumer, for underselling is impossible under a rate of 25 per cent ad valorem.

Domestic manufacturers have claimed that their business has shown a decrease of 2.2 per cent. If admitted at face value, this statement indicating such an infinitesimal decrease would not warrant the proposed increase in tariff rates. Even if the decrease was as alleged, it is not shown that the 2.2 per cent reduction of business is due to any condition arising from inadequate tariff protection. It will be noted, however, from a study of the figures which were released by the Department of Commerce on October 9, 1928, under the heading, "Census of Manufacturing, 1927, Lead Pencils for the Year 1927," that an increase of 2.8 per cent over the year of 1925 for wooden and mechanical pencils is actually shown, and an increase from \$768,019 in the year of 1925 to \$1,069,057 in 1927 for pencil leads is also shown. This amounts to an increase of 39.2 per cent for pencil leads. The falling off in the business mentioned by the domestic manufacturers will be found in the figures listed under the heading "Pencils and Other Products Not Separately Reported." This heading includes such items as wooden pencil boxes, school sets, etc., which were at one time used quite extensively by American school children. Thus the fluctuation in domestic business is not due to foreign competition but is solely due to the change in the demand of the public, particularly the school children, for items which formerly figured largely in the pencil manufacturers'

domestic business. In other words, because of change in the demands of the buying public certain products have become obsolete. No tariff can protect against such conditions.

RECOMMENDATION

In view of the foregoing we respectfully suggest that the paragraphs pertaining to pencils and leads be as follows:

"PAR. 1549. (a) Pencils of paper, wood, or other material not metal, filled with lead or other material, pencils of lead, crayons, including charcoal crayons or fusains, and mechanical pencils, not specially provided for, 25 per centum ad valorem; pencil point protectors and clips, whether separate or attached to pencils, 25 cents per gross; pencils stamped with names other than the manufacturer's or the manufacturer's trade name or trade-mark, 25 per centum ad valorem; slate pencils not in wood, 25 per centum ad valorem.

"(b) Leads, black, colored, or indelible, crayons and chalks intended for use in the manufacture of pencils or as fillers for clamping pencils, or refills for mechanical pencils, and exceeding six one-hundredths of one inch in diameter, 10 per centum ad valorem but not more than 10 cents per gross. Leads, black, colored, or indelible, intended as refills for mechanical pencils not exceeding six one-hundredths of one inch in diameter and not exceeding two inches in length, 10 cents per gross, and longer leads shall pay in proportion in addition thereto. Colored or crayon leads, copying or indelible leads not specially provided for, 40 per centum ad valorem."

The Koh-I-Noor Pencil Co. (Inc.) earnestly requests the committee to recommend to the Senate the above rates so that L. & C. Hardtmuth may be permitted to continue to purchase American cedar wood, manufacture it into pencils, and ship a portion of these pencils back into this country, under their own name, upon the payment of a reasonable duty which will permit competition upon a basis of quality.

Respectfully submitted.

KOH-I-NOOR PENCIL CO. (INC.),
IRVING P. FAVOR, *President*.

STATEMENT OF J. H. SCHERMERHORN, JERSEY CITY, N. J., REPRESENTING THE PENCIL MAKERS ASSOCIATION OF THE UNITED STATES

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

Mr. SCHERMERHORN. I have submitted a brief for this committee, representing a production of over 90 per cent of the wooden pencils made in the United States.

Senator KEYES. Who are the companies that signed it with you?

Mr. SCHERMERHORN. American Lead Pencil Co., Hoboken, N. J.; Blaisdell Pencil Co., Philadelphia, Pa.; Eagle Pencil Co., New York City; the Essex Lumber Co., Stockton, Calif.; M. A. Ferst (Ltd.), Atlanta, Ga.; Eberhard Faber Pencil Co., Brooklyn, N. Y.; General Pencil Co., Jersey City, N. J.; Houston & Liggett (Inc.), Lewisburg, Tenn.; Hudson Lumber Co., San Leandro, Calif.; Musgrave Pencil Co., Shelbyville, Tenn.; Rite-Rite Corporation, Chicago, Ill.; Springfield Cedar Co., Oakland, Calif.; United States Pencil Co., Philadelphia, Pa.; Wahl Co., Chicago, Ill.; Wallace Pencil Co., St. Louis, Mo.; and American Crayon Co., Sandusky, Ohio.

Senator KEYES. What are you asking for in your brief?

Mr. SCHERMERHORN. I am just asking that you put the imprint pencils out—cut the words "imprint pencils" out of the bill, as proposed by the House because of the fear, or the opportunity that people would have to use the same name. For instance, we will take two companies whose representatives spoke before me. They have the same name, the foreign and the United States, such as the A. W. Faber, also the J. S. Staedtler Co. (Inc.). Both are United States

corporations and the companies in Germany are the same name. If you will simply cut the words "imprint pencils" out, as proposed in the House bill, it will have a great deal of work on the part of the customs. We are satisfied.

Senator COUZENS. Even though the imprint is not there, the country of origin is on the imported pencil.

Mr. SCHERMERHORN. It does not make any difference. While I am speaking on this subject, one of the previous speakers spoke about a peculiar situation, that the United States Pencil Co., of Philadelphia, which is a very small company, were unable to get their supply of pencil lead from the regular source of supply. My company furnished them with over 10,000 gross of pencil leads, and then they said they could pay us whatever was a fair price. We were willing to charge them cost, but they came back and said, "We will pay you the same price we are paying for our company's leads."

That is the attitude of the pencil industry in everything. If we had a fire to-day, the little fellows and the big fellows would come forth and help us out with wood pencil lead.

Senator COUZENS. You are one of the big four?

Mr. SCHERMERHORN. We are one of the houses of the big four that they talk about.

Senator WALSH. You say the imprints of these pencils show that there two companies, foreign companies abroad?

Mr. SCHERMERHORN. No; I did not mean that.

Senator WALSH. Two companies of the same name, a foreign company and an American company?

Mr. SCHERMERHORN. Yes.

Senator WALSH. Do you mean by that the American company has a plant abroad?

Mr. SCHERMERHORN. No.

Senator WALSH. There are two companies owned by foreigners bearing the same name, one of them an American company.

Mr. SCHERMERHORN. I do not know about that, but I know they are the same name.

Senator WALSH. They are not the same ownership and management?

Mr. SCHERMERHORN. I do not know.

Senator WALSH. Is the American company's use of the name an accident or deliberate?

Mr. SCHERMERHORN. I do not know.

Senator WALSH. How long has it gone on?

Mr. SCHERMERHORN. Since the war.

Senator WALSH. Show that you are meeting in the American market here with imported pencils that bear the exact name of the American-made pencil, of high quality and with long stand reputation.

Mr. SCHERMERHORN. I do not say that. I say, under the interpretation that could be put on it, under the ruling on imprint pencils, I think, the United States customs court would decide, for instance, that if the J. S. Staedtler Corporation and the A. W. Faber Pencil Co. of the United States of America—if I might buy pencils from the company of the same name in Germany, and bring them in with some other trade name or some other trade

number, those would come in under the present law as imprint pencils. Permit me to say that the meaning of imprint pencils is this: If we make a pencil with your name and I want to use a name other than the Joseph Dixon Crucible Co., that is classed in the common language of the pencil industry, as an imprint pencil. There are many pencils of the cheaper grade of the foreign pencils that do not even carry the manufacturer's name. Most of the cheap pencils put out by the American pencil companies, by the way, are real pencils. If we deliberately start to make a high-grade pencil and start to make 10,000 gross, we would never get 10,000 gross of the finished high-grade pencils. There would be imperfections in the wood or the lead or in the finish, so that they have to get down lower and lower, and all these have to be charged against the high-price grade.

Senator COUZENS. Just why do you want that increase in the duty?

Mr. SCHERMERHORN. I was very much interested in the statement on prosperity by the previous speaker. He alluded particularly to our company, losing sight of the fact that our business is in graphite products. We may be large manufacturers of pencils, but we import brushes, crayons, paint brushes, and everything that graphite is made of. My company has been in business for 102 years.

Senator COUZENS. Why do you ask for an increased duty?

Mr. SCHERMERHORN. We need the duty.

Senator COUZENS. For what reason?

Mr. SCHERMERHORN. I can go into that.

Senator COUZENS. Is that all in the House testimony?

Mr. SCHERMERHORN. Yes.

Senator COUZENS. If the importations are such a small percentage of the whole, how does it affect your business?

Mr. SCHERMERHORN. Will you permit me to say that the pencil industry has suffered depression and unemployment as the result of foreign competition.

Senator COUZENS. How much is the foreign competition that has affected your industry?

Mr. SCHERMERHORN. The price of German pencils brought into this country is what establishes the price of our pencils. Pencils are not commonly sold, except the very high grades, as you would sell automobiles, on the name and reputation. Price is a big factor in selling the pencil, a very big factor. A buyer will say, I want a thousand gross of penny pencils, a thousand gross of two-penny pencils, three for five, or two for five, or five cents apiece. If you will permit me to tell you, that to me is quite interesting.

Senator COUZENS. What do you estimate is the volume of imports as related to the whole industry?

Mr. SCHERMERHORN. Four per cent.

Senator COUZENS. That includes the high priced ones which you claim do not compete?

Mr. SCHERMERHORN. Yes. They claim they do not. Take our pencils at \$6.75, as an instance, the Eldorado, and that is more accurately graded than any foreign pencil that comes into this market, which American draftsmen use, and Germans with a German accent. They have been educated to the Koh-i-noor drawing pencil, which was practically the first drawing pencil put out in the

world market. Our foreign sales representative, L. G. Sloan, of England, put the Koh-i-noor pencil on the world's market, but in the war he lost a boy in the service, and he let the foreign countries go and took up our line. He must have been well satisfied with our Eldorado as being as good as the Koh-i-noor.

Senator WALSH. Do you make a pencil comparable to Czechoslovakia's?

Mr. SCHERMERHORN. Yes.

Senator WALSH. That is the one you are talking about?

Mr. SCHERMERHORN. Yes.

Senator WALSH. You claim your pencil is as good, if not superior?

Mr. SCHERMERHORN. Yes.

Senator WALSH. But their pencil sells for more than yours?

Mr. SCHERMERHORN. They say so. I do not recall just what their price is. They can charge the American houses any price they will pay.

Senator COUZENS. On your theory that the 4 per cent of imports sets the price for the American producer, the figure on which we must base the tariff, then it may be said that every prison in the country which manufactures any commercial product, is a competitor with the private manufacturer, no matter if he only sells one per cent of the volume for consumption, and that theory has been advanced many times as the reason for abolishing prison labor, because it competes with free labor. Now, I understand that if any product, no matter how small it may be, sells for a lower price than this, we must raise the tariff to prevent competition?

Mr. SCHERMERHORN. I would not say that; even though the United States Government has been buying German pencils, we have not been able to compete with the prices, and permit me to advise you of that. The inability of the lead pencil industry of the United States to compete with the lead pencil industry of Germany is demonstrated by our testimony before the Ways and Means Committee, on wage scales, etc., and according to the statistics which we believe absolutely reliable, the exports of pencils from Germany to the markets of the world in 1928, total 3,000,000 gross. The exports from Germany totaled 3,000,000 gross in the same year the exports of cedar pencils from the United States were less than 500,000 gross.

Senator COUZENS. You contend you are not making any money on these pencils—you are not making any money on that volume of pencils?

Mr. SCHERMERHORN. Only the advertised brands, like the Eldorado and the Ticonderoga.

Senator COUZENS. What is the difference between the advertised brands and the others?

Mr. SCHERMERHORN. The others are price propositions. The others are sold entirely on the question whether you buy them three for 5 cents, per the gross.

Senator COUZENS. The quality is not the same?

Mr. SCHERMERHORN. Right here I would say that to a certain extent the quality may be the same because many of the cheap pencils are culls of the better ones. If we deliberately started to make

a cheap pencil from the start, and if you sell them at that price we could not stay in business.

Senator COUZENS. Have you submitted in your brief, either here or to the House, figures to show the difference in cost of production here and abroad?

Mr. SCHERMERHORN. Yes.

Senator THOMAS. I did not get your statement along the line of this duty. It says here that a certain class of foreign made pencils is selling in the American market for \$2-plus a gross more than the comparable article which you manufacture. I want to know if you admitted that statement is correct?

Mr. SCHERMERHORN. I do not for this reason. We have a pencil at 90 cents and one at \$6.75 a gross, and it is likely that our comparable article is not the class they buy.

Senator THOMAS. The samples I hold in my hand were submitted by the witness second before yourself, showing that foreign pencils sold in this country wholesale at \$9.60, retail price, 15 cents.

Mr. SCHERMERHORN. Our Eldorado pencil is a comparable article to that which he sells.

Senator THOMAS. \$6.75.

Mr. SCHERMERHORN. \$6.75, and it retails at 10 cents, and it is the largest selling pencil in the American market.

Senator THOMAS. Here is what I can not understand. If your Eldorado pencil is as good a pencil as the Koh-I-Noor pencil, your pencil selling for \$6.75, and the Koh-I-Noor pencil at \$9.60 a gross, how is it that these foreign pencils can compete with your product?

Mr. SCHERMERHORN. It is the popular demand.

Senator THOMAS. You attribute it to the demand?

Senator COUZENS. You do not want any more tariff on that?

Mr. SCHERMERHORN. On that pencil, no.

Senator THOMAS. What is the condition of the business of your concern? Are you a prosperous institution?

Mr. SCHERMERHORN. We are very strong financially. For a great many years we did not pay our stockholders any dividends.

Senator THOMAS. But you are not prosperous?

Mr. SCHERMERHORN. Yes.

Senator THOMAS. Yet you come here asking for an increased duty on the things you produce?

Mr. SCHERMERHORN. Yes.

Senator THOMAS. How do you justify that?

Mr. SCHERMERHORN. That is not the profitable end. We only started in the pencil business a little over 50 years ago. Our company was started as a graphite industry and stove polish business. Stove polish was refuse from grindings of the graphite plant.

Senator THOMAS. In other words, you want Congress to make your institution 100 per cent prosperous?

Mr. SCHERMERHORN. I would not put it that way. I would like Congress to keep me in the position of paying the wages we pay in our factory.

Senator THOMAS. Is it not a fact that all factories that make general lines of goods and do a general business experience at certain times every year losing money on some of their output or ac-

tivities, but on the whole run of business, if the whole is prosperous, they are satisfied to carry some lines that are temporarily embarrassed?

Mr. SCHERMERHORN. No; not with us, for this reason: We try to regulate our production to get a proper distribution, an equitable distribution of overhead in such a way that we have a balanced production. We have what we call seasonal sales, which helps that materially. In other words, we ship out in the spring, and the jobbers and dealers pay us for it in the fall. We ship out in the fall, and they turn around and pay us in the spring.

Senator THOMAS. That is true quite generally of all large concerns.

Mr. SCHERMERHORN. I do not know. It only applies to one end of our business.

Senator KEYES. What percentage of the total business is pencils?

Mr. SCHERMERHORN. Less than half.

Senator KEYES. I will ask you again about your original request. You requested to strike out of paragraph 1549 the present duty of 50 cents a gross and 25 per cent ad valorem on "pencils stamped with names other than the manufacturers' trade name or trademark."

Mr. SCHERMERHORN. Yes.

Senator KEYES. In the present law pencils are in two classifications: One, plain pencils, which is given a duty of 45 cents a gross and 25 per cent ad valorem; and the other is classified as stamped pencils under the present law, given a duty of 50 cents per gross and 25 per cent ad valorem. For some reason, in the present law it was thought that the stamped pencil ought to bear a higher duty than the nonstamped pencil. Is that true?

Mr. SCHERMERHORN. Yes; that is covered in the brief I have here.

Senator KEYES. The House, on that class of pencils that are not stamped, has increased the duty from 45 cents to 60 cents a gross and from 25 per cent ad valorem to 35 per cent ad valorem, but the House did not change the class of pencils that are called pencils stamped with the trade name or a name other than the name of the manufacturer. The result is that what is now bearing a heavy duty, stamped pencils, under the House bill, has a lower duty than the House proposes for a plain pencil.

Now, to obviate that situation, you ask that we eliminate stamped pencils and put stamped pencils in the section with plain pencils, which bears this increased duty?

Mr. SCHERMERHORN. Yes. I cover that in my brief.

Senator THOMAS. What is the value of the exportable surplus?

Mr. SCHERMERHORN. Of the Dixon Co. or generally?

Senator THOMAS. Both.

Mr. SCHERMERHORN. Approximately a million dollars.

Senator THOMAS. Where do those goods go?

Mr. SCHERMERHORN. All over the world. I am of the opinion that three of these American factories who own factories in England export some of their goods to their foreign factories.

Senator THOMAS. The evidence here shows that you are selling pencils in America for less than the foreign imported article sells for, which you deny, but you now testify that you are selling pencils throughout the world in competition with foreign manufacturers.

Mr. SCHERMERHORN. Our principal market of the Dixon Co. is Canada and England—England through a former representative of L. & C. Hardtmuth.

Senator THOMAS. England is a free-trade country in the main on pencils.

Mr. SCHERMERHORN. Yes.

Senator THOMAS. They buy pencils where they can buy cheapest.

Mr. SCHERMERHORN. Yes.

Senator THOMAS. They buy large quantities from Russia and France and wherever else they can buy cheap.

Mr. SCHERMERHORN. Mr. Sloan is recognized as the old pencil king of England and he sells our pencils to large institutions in that country.

(Mr. Schermerhorn submitted the following brief:)

BRIEF OF THE PENCIL MAKERS ASSOCIATION OF THE UNITED STATES

HON. HENRY W. KEYES,

United States Senator,

Senate Office Building, Washington, D. C.

DEAR SIR: The testimony and briefs of our association with respect to the tariff on lead pencils are printed on pages 7902 to 7913 of the 1929 Tariff Readjustment Hearings before the Committee on Ways and Means, House of Representatives. All the statements made in this present brief are in substance new matter.

In H. R. 2667, as well as in the tariff law of 1922, special provision is made for "pencils stamped with names other than the manufacturers' or the manufacturers' trade name or trade-mark." The United States Tariff Commission correctly describes these pencils as being "generally ordinary lead pencils stamped with the names of the users or with advertising matter." In the pencil trade these pencils are known as "imprints" while the general run of pencils, being those on which the manufacturer stamps his name, trade name, or trade-mark, are known as "factory brands." We will hereafter refer to these two classes of pencils as "imprint" pencils and "factory brands."

It is important to keep in mind the following facts about "imprint" pencils:

1. The value of "imprint" pencils imported in 1928 was less than 6 per cent of the total value of importations of lead pencils for that year, and although the figure was higher than for any previous year under the present tariff law, it was only \$29,295.

2. Under the 1922 tariff law, paragraph 1451, the duty on "imprint" pencils is 5 cents per gross more than on "factory brands."

3. Congress placed this higher duty on "imprint" pencils because of the greater amount of hand labor involved in their production, since the business on "imprint" pencils comes to the manufacturer in relatively small units and each lot is usually made with a special finish and other special features in addition to the special stamping. The volume and variations per unit of manufacture do not permit efficient machine production to the same extent as "factory brands." Using American labor, the cost of producing "imprint" pencils is much more than the 5 cents per gross compensatory duty in the present tariff law. This compels American manufacturers generally to make an additional charge of 20 cents per gross for "imprint" pencils.

In H. R. 2667 the House of Representatives, satisfied of our need for greater protection on lead pencils, granted part of the increase which we asked for on "factory brands," which comprise over 94 per cent of the imports, but made this increase ineffective by leaving the duty on "imprint" pencils unchanged at a lower rate, while the paragraph is so worded that all kinds of pencils can be imported as "imprint" pencils, as you can readily see from the following:

The wording of paragraph 1549 (a) is very broad in respect to "imprint" pencils. It does not limit these to "pencils stamped with the names of the users or for advertising purposes," as they are defined by the United States Tariff Commission. The only condition is that they shall be "stamped with names other than the manufacturers' or the manufacturers' trade name or trade-mark." Foreign manufacturers will surely be tempted to evade the

higher duty provided for their "factory brands" by simply stamping these pencils with the names, trade names or trade-marks of agents, importers, jobbers or middlemen and leaving their own names and trade-marks off. The Government will lose more than the revenue that is thus evaded, because the undervaluation of "imprint" pencils is very easy, while the undervaluation of "factory brands," for which the trade prices are broadly published, is very difficult.

We are sure that it was only by an oversight on the part of the Ways and Means Committee that the relation of duties between "imprint" pencils and "factory brands" was reversed without anything being done to close up the hole through which all pencils might come in as imprints. We are sure that the Ways and Means Committee would have corrected this could we have brought it to their attention after the proposed duties were decided on, but we had no opportunity of doing this. We now bring the matter to your attention, assuring you that the American lead pencil industry, of which over 98 per cent is represented by the companies whose names are appended to this brief, would not take up your time for the revision of a duty on imports of "imprint" pencils valued at under \$30,000 last year, excepting to eliminate a technicality which involves the total imports of pencils and which constitutes a real danger to our industry.

We therefore earnestly petition your committee to adjust this matter, and we recommend as the simplest way of doing it that the following words, beginning on line 24, page 205, paragraph 1549 (a), "pencils stamped with names other than the manufacturers' or the manufacturers' trade name or trade-mark, 50 cents per gross and 25 per cent ad valorem," be eliminated, when paragraph 1549 (a) will read:

"PAR. 1549. (a) Pencils of paper, wood, or other material not metal, filled with lead or other material, pencils of lead, crayons (including chalk crayons and charcoal crayons of fusains), not specially provided for, 60 cents per gross and 35 per centum ad valorem; pencil-point protectors and clips, whether separate or attached to pencils, 25 cents per gross; slate pencils not in wood, 25 per centum ad valorem."

We consider the adjustment proposed above to be absolutely fair and thoroughly practical. While it deprives the American manufacturer of the additional protection on "imprint" pencils, which he has in the present tariff law and to which he is still entitled, it will help him by making effective the increased rate on "factory brands" provided in H. R. 2667. It will simplify the tariff by having one rate for pencils regardless of how they are stamped, which will make evasion and undervaluation impossible.

Respectfully submitted.

J. H. SCHERMERTORN,
Jersey City, N. J.

Representing American Lead Pencil Co., Hoboken, N. J.; Blaisdell Pencil Co., Philadelphia, Pa.; Joseph Dixon Crucible Co., Jersey City, N. J.; Eagle Pencil Co., New York City; the Essex Lumber Co., Stockton, Calif.; M. A. Ferst (Ltd.), Atlanta, Ga.; Eberhard Faber Pencil Co., Brooklyn, N. Y.; General Pencil Co., Jersey City, N. J.; Houston & Liggett (Inc.), Lewisburg, Tenn.; Hudson Lumber Co., San Leandro, Calif.; Musgrave Pencil Co., Shelbyville, Tenn.; Rite-Rite Corporation, Chicago, Ill.; Springfield Cedar Co., Oakland, Calif.; United States Pencil Co., Philadelphia, Pa.; Wahl Co., Chicago, Ill.; Wallace Pencil Co., St. Louis, Mo.; American Crayon Co., Sandusky, Ohio.

SUPPLEMENTAL BRIEF OF THE PENCIL MAKERS ASSOCIATION OF THE UNITED STATES

Hon. REED SMOOT,
*Chairman Committee on Finance, U. S. Senate,
Washington, D. C.*

DEAR SIR: Supplementing our appearance before your committee in the matter of tariff on pencils and pencil leads, may we submit for your consideration the following facts arranged in the order stated: (1) Factual errors in testimony given by importers, (2) interpretation of the Eberhard Faber letter, (3) what we believe to be the controlling facts.

Factual errors in testimony of importers: Certain misstatements of facts were made in the testimony of Mr. Robert J. Metzler, representing A. W. Faber (Inc.), and by Raymond J. Urmston, representing J. S. Staedtler (Inc.), pre-

sumably intended to create certain impressions upon your minds. Whether or not they did create these impressions, we feel that in justice to ourselves, we should submit a statement of these factual errors, viz:

TESTIMONY OF ROBERT J. METZLER, REPRESENTING A. W. FABER (INC.)

(a) The statement is made that imported pencils comprise less than 2 per cent of the pencils consumed in this country, and he estimates the United States consumption at \$30,000,000. Importations of cedar pencils total about \$500,000, and we estimate the United States consumption of cedar or wooden pencils (not including mechanical pencils and other products) at less than \$15,000,000 at manufacturers' selling prices.

(b) The statement is made that American manufacturers "have no inspection system for pencils; they run pencils through automatic machines and never inspect the product after it is made." We invite any representative of the United States Government to visit our factories and see how utterly false this statement is.

(c) The statement is made that there is only one pencil manufacturer in the United States that he knows of outside of the four larger companies. Following is a list of pencil manufacturers in the United States: American Lead Pencil Co., Hoboken, N. J.; Eagle Pencil Co., New York, N. Y.; Eberhard Faber Pencil Co., Brooklyn, N. Y.; Joseph Dixon Crucible Co., Jersey City, N. J.; Richard Best Pencil Co., Irvington, N. J.; General Pencil Co., Jersey City, N. J.; Empire Pencil Co., New York, N. Y.; Blaisdell Pencil Co., Philadelphia, Pa.; United States Pencil Co., Philadelphia, Pa.; Wallace Pencil Co., St. Louis, Mo.; American Crayon Co., Sandusky, Ohio; Musgrave Pencil Co., Shelbyville, Tenn.; Houston & Liggett, Lewisburg, Tenn.; Ozark Pencil Co., St. Louis, Mo. (semi-manufacturers).

(d) The statement is made that the proposed new tariff rates "tend to promote a monopoly for the four larger pencil manufacturing companies who now control practically all of the business, not only in this country, but throughout the world." The statement is also made that four manufacturers do "98 per cent of the business practically." We have submitted above a list of the smaller manufacturers of pencils in the United States, and while most of them have sprung up since the outbreak of the war they are doing approximately 25 per cent of the total business. The suggestion that the American manufacturers also control practically all of the business throughout the world is absurd. We have elsewhere pointed out that the German exports amount to about three million gross of pencils per year, while the American exports amount to five hundred thousand gross of pencils per year, and many of these are seconds not suitable for the domestic market. In addition there are important pencil manufacturers in Czecho-slovakia, England, France, Italy, Japan, Russia, and other countries. The value of American exports of cedar pencils is only about \$1,000,000, not including mechanical pencils.

(e) The statement is made that the difference in labor costs between Germany and America is just a "stock phrase." The report of the Bureau of the Census shows that the lead-pencil industry in 1927 was employing 5,300 wage earners (not including other types of employees) receiving wages totaling \$5,941,583. This is certainly a large outlay for wages in a small industry like the lead-pencil industry, and it clearly demonstrates how unfair it is to undervalue the need and importance of labor, aside from the use of automatic machinery.

(f) The statement is made that the American Lead Pencil Manufacturers do a larger bulk business than all the other pencil manufacturers in the world combined. We estimate the total production of pencils in the United States at probably less than 5,000,000 gross per year. According to information we believe reliable, Germany alone exported over 3,000,000 gross of pencils in 1928. England alone probably produces 1,000,000 gross of pencils annually. The statement is an absurdity.

(g) In regard to the increase in assets of American pencil manufacturers, it must be remembered that during the war, pencil shipments from Germany and Austria, being cut off from a large part of the world, there was a tremendous temporary artificial demand on the American manufacturers, which brought about the same type of expansion in the American lead-pencil industry as took place in many of our other industries during that period. During that time existing pencil manufacturers gained considerable strength and a number of new pencil factories sprung up in this country. But what we are confronted with is the normal state of affairs which now exists and has existed since the termination of the war.

TESTIMONY OF R. J. URMSTON, REPRESENTING J. S. STAEDTLER (INC.)

(h) With regard to the statement that the pencil manufacturers are making more than a reasonable return on their investment, it is respectfully suggested that inquiry be made from the Treasury Department as to the reported earnings of the pencil manufacturers in recent years, to be measured against a total investment in the industry that would approximate \$30,000,000. It should be considered, too, that part of the profits of these companies accrue from products other than pencils.

(i) Reference has been made elsewhere to the letter written by the Eberhard Faber Pencil Co. to their German factory.

(j) With regard to the suggestion that three American manufacturers could import pencils from their European factories, all of these manufacturers operate their largest and principal factories in this country and they have large investments to protect. And the only reason why American manufacturers operate plants in Europe is because of their inability to compete for the foreign markets from their domestic factories.

(k) We quote as follows a letter from the General Pencil Co., definitely denying the statement that their profits ever amounted to \$100,000 a year. This letter reads as follows:

JERSEY CITY, N. J., July 18, 1929.

Mr. J. H. SCHERMERHORN,
Chairman Tariff Committee,
Pencil Manufacturers Association,
Jersey City, N. J.

MY DEAR Mr. SCHERMERHORN: I do not know whether or not you can deny for me the statements made by Mr. R. J. Urmston of the Staedtler Pencil Co. of New York when he appeared in Washington recently before the Committee on Finance of the United States Senate, but I wish to register my disapproval of his attempting to give figures relating to profits of our company, when he knows nothing about our affairs.

I refer particularly to his statement to the committee that our profits ran as high as \$100,000 for a 12-month period. This figure is so grossly exaggerated, that I can not allow the remark to pass without comment, and I wish to deny that at no time have our profits approached any such amount.

You have my authority therefore to use this letter as you see fit.

Very truly yours,

GENERAL PENCIL Co.,
R. A. WEISSENBORN, *President.*

Of course, in addition inquiry from the Income Tax Bureau will reveal the true facts.

(l) The statement is made that there is only one pencil-lead manufacturer in this country, exclusive of the four larger pencil manufacturers. This is not correct. There are three manufacturers of leads for pencils, one in Atlanta, one in St. Louis, and one in Nitro, W. Va. And in addition there are two manufacturers of thin leads for mechanical pencils in Chicago. The statement is made that the manufacturer of pencil leads in Atlanta purchases its raw graphite from the Joseph Dixon Crucible Co. This is not true.

Interpretation of the Eberhard Faber letter:

Mr. R. J. Urmston representing J. S. Staedtler (Inc.), presented to your committee copy of a letter written by the Eberhard Faber Pencil Co. to their German factory, operating under the title "Bleistiftfabrik Neumarkt, Baronsfeld & Co.," reading as follows:

BROOKLYN, N. Y., April 18, 1929.

BLEISTIFFFABRIK NEUMARKT,
MESSRS. BARONSFELD & Co.,
Neumarkt, Oberpfalz, Bavaria.

GENTLEMEN: This will acknowledge the letter of Mr. F. B. of March 28, and which refers particularly to the interview had with Doctor Kreutzer in reference to the matter of tariff readjustment, which at present is being undertaken by our government and in which the American pencil manufacturers are interested.

It seems that Doctor Kreutzer was very much exercised over the fact that our firm here seemed to take an antagonistic attitude over foreign competitors and principally against German factories, in presenting testimony before the committee in Washington, and which appeared in a pamphlet recently issued and which has come to the notice of Doctor Kreutzer.

While Mr. Baronsfeld undoubtedly has assured Doctor Kreutzer that we have no inclination on the part of our firm to enter into any violent and unfair competition with other manufacturers in Germany, but on the contrary are most anxious to see that the present keen competition might be adjusted to the advantage of all manufacturers, both here and abroad, we would state the following facts in regard to the letter in question as presented to the Tariff Commission in Washington in the early part of this year.

Our firm, being members of the Pencil Makers Association of the United States, and of which our Mr. Eberhard Faber is president, are particularly interested to maintain the present tariff that has existed for some time on pencils and to counteract any activities by outside parties in their recommendation to bring about a reduction of such duties that now exist, was obliged to present such points as bear on the subject to the delegates that were appointed by our association to appear at Washington before the Tariff Commission, and naturally this was done with the best of our knowledge and belief.

No member of our firm was personally present at the interview had in Washington and it is extremely doubtful whether the present tariff on various imported articles will be changed, either upward or downward.

Naturally all American manufacturers are anxious to see that the present tariff be at least maintained as it is to-day, and we, as members of the association must to some extent aid them that they may be accomplished.

We would like to have you explain further to Doctor Kreutzer our desire to continue as far as possible in the most friendly spirit in competing in any market with the manufacturers in Germany, and we would like to see, in the near future if it is at all possible, an arrangement made whereby we may be able to avoid such drastic competition, especially in the lower grades of pencils, that is now existing in supplying foreign countries with our goods; so that even such low grades instead of being sold at a loss may be shipped to our foreign trade on a profitable basis.

Yours very truly,

EBERHARD FABER PENCIL CO.

Permit us to emphasize that the Eberhard Faber Pencil Co. is the only American manufacturer operating a pencil factory in Germany. They provided definite figures which you will find on page 7906, volume 14, covering hearings on Tariff Readjustments, under Schedule 14. These figures definitely and specifically show that labor costs in their Brooklyn, N. Y., factory are about three and one-half times those in their German factory, even though they pay higher wages in their German factory than other manufacturers in that country.

These authentic and specific figures were of course in violent opposition to claims of importers of foreign pencils to the effect that the lower labor cost in Germany is only a "stock phrase"—and this statement was emphasized before your committee by Mr. R. J. Metzler, representing A. W. Faber (Inc.), about 10 days ago.

You can see, therefore, how much incensed the J. S. Staedtler Co. and other German manufacturers were over the presentation of these figures by the Eberhard Faber Pencil Co., and the letter in question written by Mr. Eberhard Faber of the Eberhard Faber Pencil Co. was an effort to conciliate them, especially as his letter shows that he is striving to relieve a competitive situation with German manufacturers which is costly.

In further evidence that our interpretation of the letter sent by Mr. Eberhard Faber is correct, we submit as follows a letter dated July 3, 1929, signed by L. W. Faber, president of the Eberhard Faber Pencil Co., of which we ask your careful consideration.

BROOKLYN, N. Y., July 3, 1929.

MR. ALFRED BERELZHEIMER,
Eagle Pencil Co., New York City.

MY DEAR ALFRED: In response to the tariff commission controversy, and the letter that my brother wrote on April 18, 1929, to our factory in Neumarkt which we are operating under the title "Bleistiftfabrik Neumarkt, Baronsfeld & Co.," I am sending you a copy of this letter which, in my opinion, in no way can be considered antagonistic to the stand that the pencil makers of this country are taking in the question of the proposed new tariff schedule on lead pencils.

I trust that you will find this letter of some service to refute the testimony recently given by Mr. R. J. Urmston before the committee.

Naturally, you will understand that our position as manufacturers of lead pencils in Germany, as well as in this country, is somewhat different from that of the other American pencil manufacturers, and we do not desire to appear too antagonistic to their interests.

I am, yours very sincerely,

L. W. FABER, *President.*

WHAT WE BELIEVE TO BE THE CONTROLLING FACTS

In all disputed questions, there is naturally difficulty in weighing one expression of opinion against another since they are very apt to be influenced by self-interest, but it does seem to us that the controlling facts in the question of American tariff on pencils and pencil leads (and these are not simply expressed opinions) are the following:

First. Wages paid to the approximately 6,000 employees engaged in the lead-pencil business in the United States are about three and one-half times those paid in Germany and other European factories.

Second. The machinery and equipment used in the American lead-pencil factories, except as to minor considerations, is the same as the machinery and equipment used in the European factories. In fact, most of the machinery in use in the American factories was originally designed in Germany and the American manufacturers still look to the German manufacturers of pencil-making machinery for improved up-to-date machines.

Third. Without statistics to prove the fact, we believe that the pencil factories in American produce more pencils than those in any other country of the world; Germany being the second largest producer of pencils. Furthermore, it is a fact that the lead-pencil factories in this country could probably produce 25 per cent more pencils than they are making to-day if they had the orders. Yet in the face of these facts, the total exports of pencils from the United States in 1928 totaled about 500,000 gross. According to information we believe reliable, the exports of pencils from Germany in 1928 totaled about 3,000,000 gross. Is not this prima-facie evidence of the inability of the American pencil manufacturers with their very high wages to compete for the markets of the world with the European pencil manufacturers with their very low wages. The American pencil industry with its 6,000 employees is dependent for its existence upon the home market and a large tariff is imperative.

Fourth. The importation of pencils from Germany into the United States amounts to several hundred thousand dollars per year. The exports of pencils from the United States to Germany amount to less than \$1,000 per year, and this would consist largely of special items shipped from the Eberhard Faber Pencil Co. to their German factory.

The imports from Czechoslovakia into the United States amount to upwards of \$200,000 per year. The exports of pencils from the United States to that country amount to less than \$1,000 per year.

Fifth. The Bureau of Census figures show that the lead-pencil industry in the United States in 1927 produced less than in 1925 and even less than in 1923. The Department of Commerce figures show that from 1923 to 1927 the importations of pencils increased 88 per cent. Furthermore, the imports in 1928 increased 10 per cent over 1927, whereas it is the general opinion that the American production in 1928 did not gain over 1927. It is evident, therefore, that the present tariff on lead pencils is encouraging a growth in importations and has greater possibilities than have yet been realized, while at the same time, the American production is, to say the least, at a standstill.

Sixth. Another danger on the horizon, not yet experienced in this country, is the product of the Japanese pencil manufacturers. They are at the present time shipping many thousands of gross of pencils into Canada at prices which we believe not even the European manufacturers can compete with.

Seventh. It should also be borne in mind that competition in the lead-pencil industry in the United States is very keen—much more so than at any previous time—and that therefore the American public is assured of receiving pencils at the lowest prices consistent with American costs of production. Furthermore, the American manufacturers produce every type of pencil required by the public, including the fine quality drawing pencils required by artists, draftsmen, architects, engineers, etc.

Respectfully submitted.

J. H. SCHERMERHORN,
Jersey City, N. J.

Representing: American Lead Pencil Co., Hoboken, N. J.; Blaisdell Pencil Co., Philadelphia, Pa.; Joseph Dixon Crucible Co., Jersey City, N. J.; Eagle Pencil Co., New York City; the Essex Lumber Co., Stockton, Calif.; M. A. Ferst (Ltd.), Atlanta, Ga.; Eberhard Faber Pencil Co., Brooklyn, N. Y.; General Pencil Co., Jersey City, N. J.; Houston & Liggett (Inc.), Lewisburg, Tenn.; Hudson Lumber Co., San Leandro, Calif.; Musgrave Pencil Co., Shelbyville, Tenn.; Rite-Rite Corporation, Chicago, Ill.; Springfield Cedar Co., Oakland, Calif.; United States Pencil Co., Philadelphia, Pa.; Wahl Co., Chicago, Ill.; Wallace Pencil Co., St. Louis, Mo.; American Crayon Co., Sandusky, Ohio.

STATE OF NEW JERSEY,
County of Hudson:

I, J. H. Schormerhorn, do hereby affirm and swear that the aforesaid facts are, to the best of my knowledge and belief, true and correct.

J. H. SCHORMERHORN.

Subscribed and sworn to before me, a notary public for the State of New Jersey.

HENRY W. ARMSTRONG,
Notary Public, State of New Jersey.

PENCIL LEADS

[Par. 1549 (b)]

BRIEF OF M. A. FERST (LTD.), ATLANTA, GA.

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: We respectfully appeal for a revision of paragraph 1549(b) of H. R. 2669 (the tariff bill of 1929), formerly paragraph 1452 of the tariff act of 1922, on pencil graphite leads, pencil copying leads, and pencil colored crayon leads, as follows:

1549 (b) (1). Black graphite pencil lead strips, not in wood or other material, six one-hundredths of 1 inch in diameter or more, $7\frac{1}{4}$ inches long or less, 8 cents per gross; and longer leads shall pay in proportion in addition thereto.

(2) Black graphite pencil lead strips, not in wood or other material, less than six one-hundredths of 1 inch in diameter, 2 inches long or less, 8 cents per gross, and longer leads shall pay in proportion in addition thereto.

(3) Colored or crayon pencil lead strips, copying or indelible pencil lead strips, and all pencil lead strips other than black, not in wood or other material, six one-hundredths of 1 inch in diameter or more, $7\frac{1}{4}$ inches long or less, 8 cents per gross and 40 per cent ad valorem, and longer leads shall pay in proportion in addition thereto.

(4) Colored or crayon pencil lead strips, copying or indelible pencil lead strips, and all other pencil lead strips, other than black, not in wood or other material, less than six one-hundredths of one inch in diameter, 2 inches long or less, 8 cents per gross and 40 per cent ad valorem, and longer leads shall pay in proportion in addition thereto.

REASONS FOR APPEAL

First. Paragraph 1452 in the tariff act of 1922, as well as paragraph 1549(b) of H. R. 2667, appears to be clear, but upon close examination it is confusing and can be misinterpreted. The wording of the above will eliminate any misunderstanding and any possibility on the part of the appraisers to apply the wrong rate of duty.

Second. The small increases requested are to help equalize (A) the low wages paid in foreign factories; (B) lower raw material costs in foreign countries due to the import duty levied on the materials imported into this country; (C) the low overhead costs in foreign factories.

(A) The foreign labor, from the unskilled labor up to the superintendent, also the clerical help as well as the management, are paid approximately one-third the amount that the same labor is paid in this country. Upon checking

up the personal service costs (wages and salaries, etc., not including selling costs), we find that there is a difference of not less than 5 cents per gross.

(B) The material costs in this country are greater, first, because of the duty levied on the raw material that is imported; second, because the material is in a crude state on arrival, it has to be refined and the costs of this refining are considerably higher than in the foreign countries. In the case of black graphite lead strips, the duty on the raw materials, such as graphite, clay, etc., and the additional costs of refining will amount to approximately 1 cent per gross more in this country; in the case of colored crayon lead strips and copying lead strips, dry colors and aniline dyes are the major costs in addition to the other higher costs, and paragraph 28 of the House bill under the heading "Coal-tar products" covers colors and aniline dyes in detail and carries a duty of 45 per cent and 7 cents per pound. It is for this reason that we have asked for 40 per cent ad valorem in addition to the 8 cents per gross specific duty to apply on the colored crayons and copying lead strips.

(C) The overhead costs (not including selling) will run in about the same proportion as the labor costs in this country does to labor costs in foreign countries. Rent, power, light, repairs, supplies, depreciation, taxes, etc., cost two or three times as much in this country as in foreign countries. The difference in overhead costs would not be less than 2 cents per gross.

Third.—The increases requested will not only mean an increase in revenue to the Government, but no increase of price to the American consuming public.

SUMMARY

The higher costs (A) labor (wages and salaries) of not less than 5 cents per gross, (B) materials in the case of black graphite lead strips of 1 cent per gross, and (C) overhead of not less than 2 cents per gross, make a total of 8 cents per gross, which is the amount of duty we are asking on the black graphite lead strips. In the case of colored crayon and copying lead strips, we have asked for the above 8 cents per gross plus 40 per cent ad valorem to help cover the duties as listed in paragraph 28 of the House bill. We feel that we are only asking for a fair equalization of costs and that your committee will recognize the fairness of this appeal. Furthermore, your attention has been called to the possible misinterpretation of the wording of the present act, paragraph 1452, and of paragraph 1549(b) of the pending bill. We feel that the wording as outlined above will to great extent eliminate any misunderstanding.

CONCLUSION

This appeal is not only recommended by M. A. Ferst (Ltd.), but higher duties were recommended by the pencil manufacturers (the purchasers of the pencil lead strips covered in this appeal) throughout the country in their appeal to the Ways and Means Committee of the House of Representatives in February, 1929.

Any appeal made in opposition to this was made by two or three American representatives or importers of well-known foreign manufacturers, and they fail to take into consideration the innumerable other foreign manufacturers who manufacture very cheaply and who now ship direct, eliminating selling and handling costs in this country, to some of the pencil manufacturers here. With the above duties in force, these manufacturers will still be able to ship on a competitive basis and the importers can still bring their leads in, in bulk, and repack for sale on a profitable basis. If, however, the duty is made less than recommended above, the foreign manufacturers will be able to take some more of the business away from the American manufacturers which will automatically increase American factory costs and make it impossible for the American factories to compete. This would leave a large portion of the American pencil manufacturers dependent on foreign leads to continue operations, a condition that existed before the war and was nearly disastrous to them.

Quite a few of the pencil manufacturers realize this and therefore are anxious to see a continuation of American manufacture of pencil leads, but at the same time do not wish to be placed at a disadvantage in competition with the pencil manufacturers who import their leads at a lower price. The American pencil manufacturers who purchase American-made leads as well as the American pencil lead manufacturers therefore recommend duties as outlined above which will equalize costs.

Respectfully submitted,

M. A. FERST (LTD.),
M. A. FERST.

FOUNTAIN PENS AND MECHANICAL PENCILS

[Par. 1550 (b)]

**STATEMENT OF I. COHEN, REPRESENTING THE NEW YORK
MERCHANDISE CO., NEW YORK CITY**

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

Mr. COHEN. I represent the New York Merchandise Co., 27 West Twenty-third Street, New York City.

Senator COUZENS. You had a representative by the name of Mr. Shaw?

Mr. COHEN. Yes.

Senator COUZENS. What is his office in the New York Merchandise Co.?

Mr. COHEN. He is manager of the notions department, which takes in foreign notions articles, smokers' articles, and a great variety of articles generally known as notions, elastic braids, garters, etc.

Senator COUZENS. Is he a member of the firm or a stockholder?

Mr. COHEN. He is a stockholder, but not a member of the firm.

Senator COUZENS. What do you mean by that?

Mr. COHEN. Our stock is listed on the New York Curb. Anybody can buy the stock.

Senator WALSH. He is a stockholder but not an officer?

Mr. COHEN. Yes.

Senator COUZENS. What are you incorporated at?

Mr. COHEN. In figures?

Senator COUZENS. Yes.

Mr. COHEN. I believe our capital structure is a thousand shares preferred at 100 and 75,000 shares common.

Senator COUZENS. What is the selling price?

Mr. COHEN. On this market, 35½; came out at 25.

Senator COUZENS. Does Mr. Shaw draw a salary?

Mr. COHEN. Yes.

Senator COUZENS. A substantial salary?

Mr. COHEN. I could not say whether you would call it substantial.

Senator COUZENS. What is it?

Mr. COHEN. Ten or twelve thousand dollars a year.

Senator COUZENS. You heard the controversy excited here when he testified before, did you not?

Mr. COHEN. I heard some part of it afterwards.

Senator COUZENS. He was the last to testify. Why did he not come back to testify?

Mr. COHEN. I believe Mr. Shaw was back here, I believe, in the morning. Beyond that I do not know whether he was required to be here.

Senator COUZENS. He works all the year around on this particular job?

Mr. COHEN. Yes; for a good many years.

Senator COUZENS. He is a lawyer?

Mr. COHEN. As far as I know, Mr. Shaw studied law during his spare time in the evening. I believe he passed the bar examination but has never practiced.

Senator KEYES. Are you not appearing in his place, as a matter of fact, on this schedule?

Mr. COHEN. No.

Senator KEYES. He was down on the printed calendar to appear here later.

Mr. COHEN. On smokers' articles.

Senator KEYES. His name seems to be eliminated from the calendar.

Mr. COHEN. I do not know why. I am only appearing on pens and pencils.

Senator KEYES. What is your connection with your company?

Mr. COHEN. I am manager of the novelty department, which takes in fancy goods, gift goods, stationery goods, and various other items.

Senator COUZENS. Is he a subordinate of yours?

Mr. COHEN. No.

Senator COUZENS. Are you a subordinate of his?

Mr. COHEN. No. He heads one department and I head another. We happen to carry a general line of goods and we have 22 executives running these various departments.

Senator KEYES. How long have you been with this company?

Mr. COHEN. Ten years.

Senator KEYES. We will hear what you have to say on pencils.

Mr. COHEN. The previous witnesses on pencils have covered an entirely different line than ours. We are importers of mechanical pencil types that are not made in this country. This proposed duty which to-day runs from 32 to 41 per cent ad valorem equivalent, the specific and the ad valorem, raises this equivalent to 148 and 328 per cent ad valorem equivalent. This particular type of merchandise is sold by advertising, to a premium trade, and we do not believe there is anything that is comparable to that type of goods made in this country. This proposed bill absolutely eliminates this type of merchandise because people who buy this kind of goods for advertising specialties will not buy these very high priced articles.

Senator COUZENS. What manufacturer in America sells these?

Mr. COHEN. I do not know of any.

Senator COUZENS. Who sells mechanical pencils in this country? Who makes them?

Mr. COHEN. Wahl makes a better grade, a high-class pencil and we have here samples.

Senator COUZENS. As you refer to these various samples indicate them by exhibit numbers and mark them.

Senator WALSH. Does the representative of the Dixon company claim that they make mechanical pencils?

Mr. SCHERMERHORN. No, sir.

Senator WALSH. Are there any manufacturers in this country but Mr. Dixon in the mechanical pencil industry in this country?

Mr. SCHERMERHORN. Yes.

Senator WALSH. Very large quantities? By whom?

Mr. SCHERMERHORN. The American Lead Pencil Co

Mr. COHEN. We have here mechanical pencils that are made in this country, by the Rite-Rite Corporation, and some by the South-

ern Pencil Co., of Petersburg, Va. These pencils are offered at such a price that it is practically impossible to bring in imported pencils to compete with them. Therefore, the imported line of mechanical pencils has shown such a variation of a novelty nature that there is not sufficient demand here in this country.

Senator COUZENS. What is the volume of the imports?

Mr. COHEN. The volume of imports of mechanical pencils has practically remained stationary in the past three years, around \$200,000, and the volume of exports in 1926, 1927, and 1928, \$800,000.

Senator THOMAS. Of a comparable line of goods?

Mr. COHEN. No; because the exports are usually the so-called advertised brands of pencils, the Parker, Wahl, Eversharp. These pencils, of which I have exhibits here, sell at the same price, \$2 or \$5, whatever the price may be. This type of pencil [indicating] does not compare with or compete with this class, not in any way at all.

We simply appear here to show how unjustified these proposed rates of 6 cents each and 40 per cent actually are, because the mechanical pencils of the cheaper class do not need protection, as it only excludes the novelty pencil, pencils that do not compete in any way with the article made in this country.

Senator COUZENS. You want the rate left the way it is in the Fordney-McCumber bill?

Mr. COHEN. If necessary. We have suggested a little different working out of that paragraph.

Senator WALSH of Massachusetts. In this Exhibit No. 1 I observe the cheapest mechanical pencil imported, which must sell for 16 cents or less, would bear, under the new rates, an ad valorem duty of 328 per cent?

Mr. COHEN. That is correct.

Senator WALSH of Massachusetts. While the most expensive mechanical pencil in Exhibit No. 1, which must cost three times as much as the cheapest pencil, would bear only an increased duty of 148 per cent ad valorem.

Mr. COHEN. That is correct. As the first cost goes up the equivalent ad valorem actually goes down.

We are also importers of cheap fountain pens. Fountain pens under the present tariff are the same as they propose now—6 cents each and 40 per cent. But due to the wording of the paragraph in regard to celluloid articles, paragraph No. 31, it specifically states that, whether or not an article is provided elsewhere in the act, if it is composed in chief value of celluloid it comes under the paragraph providing 60 per cent.

Due to this provision fountain pens are being brought into this country, but up to that time I don't believe a 10-cent fountain pen was ever in existence. But since the appearance of these articles domestic manufacturers have made fountain pens.

Senator THOMAS of Oklahoma. Identify the boards which you are using, please.

Mr. COHEN. This is Exhibit No. 3. These two fountain pens, Nos. 70 and 62, were sold for 10 cents. But due to the manufactured products these articles here are now being sold for 10 cents and have practically eliminated the foreign article.

Senator COUZENS. That is Exhibit No. 3, which you refer now?

Mr. COHEN. Yes, sir.

Senator COUZENS. When did the American manufacturer begin the manufacture of those?

Mr. COHEN. About two years ago, at least.

Senator COUZENS. So now he is competing with the foreign pencil?

Mr. COHEN. Well, if you would call it that. There is no imported article to compete with it. This article here [indicating] costs \$12 a gross to import. The domestic manufacturer is selling this article to the chain stores for \$12.25 a gross, and it retails for 10 cents. If any of these articles get out of order—and naturally they are not so good—the chain store can send it back and have it replaced or repaired. They can not do this with the imported articles. Therefore, they have practically eliminated the purchase of the very cheap imported fountain pen.

Senator COUZENS. That is concrete evidence as to the value of foreign competition, isn't it?

Mr. COHEN. Yes. Importers are continuously bringing out various articles and then domestic manufacturers, by mass production, just push them out of the picture.

Senator WALSH of Massachusetts. In other words, under the present duty the domestic manufacturers of mechanical pencils have been able to copy the imported mechanical pencil and drive the cheap imported mechanical pencil out of the market.

Mr. COHEN. Absolutely.

Senator WALSH of Massachusetts. And I suppose imports of mechanical pencils are confined very much to the better class of pencils?

Mr. COHEN. On the contrary, only to the novelty type pencils.

Senator THOMAS of Oklahoma. What you have just said applies to practically all imported articles of this character, doesn't it?

Mr. COHEN. Anything that can be produced in mass production.

Senator THOMAS of Oklahoma. The foreigners devise or invent some article and ship one consignment to America and, as a rule, that is all they ever expect to ship, is it not?

Mr. COHEN. Unless the importer has a sufficient distributing organization to give it a very wide distribution. In that case, showing that the demand is for a large quantity of this article, no doubt you could interest an American manufacturer who by mass production could practically eliminate the foreign article, no matter what the tariff is.

I was in Japan during the early part of this year. There is a rubber mouse being made there with a long tail. This article is controlled by one of the chain stores. It can not be brought into America except by them. In this little mouse there is a little celluloid whistle, and when you squeeze it it squeaks. This article looked very high to us and we had it made here right in Stamford, Conn.

There is no other chain store in the country that can get this particular article unless we supply them with the one we are having made here.

This little whistle costs to import about 55 cents a gross, and we can sell it to the other competing chain stores to retail for 10 cents. Under the proposed act the duty on this little whistle, which costs in Japan about 22 cents, would be, I believe, \$1.83 a gross. Therefore, we have to eliminate the domestic manufacturer because the difference between 55 cents and \$1.83 is probably the profit we are making out of it.

Senator WALSH of Massachusetts. By the way, we had one of the representatives of the chain stores up here on the witness stand who stated that they made no contracts for exclusive control of any commodity.

Mr. COHEN. This article is registered. Nobody else can make it. It is just like a patent. If you have an article registered in Japan you can not get the article out of the country. You can have it made, probably, but they will not ship it out of the country. You can only have it made in Japan. So it is practically the same exclusiveness.

Senator COUZENS. What was the name of the chain store to which you referred?

Mr. COHEN. F. W. Woolworth.

Senator WALSH of Massachusetts. Chain stores go to a factory and say, "If you make this article for me I will take your output, but you can not sell it to anybody else."

Mr. COHEN. I can not give definite information on that.

Senator COUZENS. I will say that it was the Kress Co. representatives who testified to that fact.

Senator THOMAS. Do you understand that Woolworth was responsible for having the duty on this little whistle raised?

Mr. COHEN. No, sir; the celluloid interests, in the wording of the article in paragraph No. 31. I think Mr. Haywood submitted that as evidence. You have that exhibit with all the facts.

Senator WALSH of Massachusetts. Have you finished with pencils?

Mr. COHEN. I just want to show you what we consider one of the finest lines of cheap pens and pencils.

Senator COUZENS. What exhibit is that?

Mr. COHEN. Exhibit No. 5. I will mark it Exhibit No. 5.

Senator THOMAS of Oklahoma. For what does that class of goods sell?

Mr. COHEN. This class sells for 25 cents retail. These prices are the prices at which they sell to the trade. Naturally all important costs, such as overhead, depreciation, selling expense and profit—

Senator THOMAS. Is there any foreign concern who can make an article comparable to that and sell it at the same price?

Mr. COHEN. So far this is the nearest imported article to sell for 25 cents [indicating].

Senator THOMAS of Oklahoma. From the standpoint of appearance you would not say that it was comparable, would you?

Mr. COHEN. I should say not. You would find it more so if you tried to go out and sell it.

Senator COUZENS. Is that all, Mr. Cohen?

Mr. COHEN. That is all.

Now, I would like to submit a brief with our recommendations.

Senator Keyes, may I have a moment of your time on paragraph 1513 and submit this for Mr. Haywood? Mr. Haywood could not be here. This is representing a group of importers of favors and souvenirs.

Mr. Coleman, of the National Toy Association, a domestic organization, appeared here, I believe, and asked that there should be included in the toy paragraph the words "toy favors and souvenirs."

He showed various articles which should be classified as toys were being brought in as candy containers, and so forth.

This group brings in articles that are actually toy containers for favors. Nobody could call this a toy [indicating]. This is just a little article, and most of these articles open up, as most of us know.

This [indicating] is for Thanksgiving, this [indicating] is for St. Patrick's Day, and some are for Hallowe'en, and so forth. Nobody imports toys for any specific holiday. They might be in chief value of paper and classified as such. This one [indicating] might be in chief value of cotton, and so forth, let us say. There are a few pieces of candy put into this place here [indicating], and it may be that after the original use of this article it may be handed over to a child. Whether that makes a toy of it or not is a question.

Senator COUZENS. I shall go through that very thoroughly on the toy question. I am covered that in the brief you are filing, have you not?

Mr. COHEN. Yes, as we know, a pennant, a pennant, an ash tray, a piece of wood, a piece of wood, and so forth. If that would be included under the first paragraph at 70 per cent, that would be the cotton article, and various other things. I really do not know. I have a clarification of the paragraph somewhere. The classification would take in four or five or six different classifications. It would be brought back to paragraph 1550, making it 70 per cent.

I would like to call your attention.

Senator COUZENS. Do you suggest in your brief the clarification that you are suggesting?

Mr. COHEN. Absolutely. I have brought in that article that had on it "Washington, D. C." and they contain a piece of burnt wood, which, as you say, is dutiable at 45 per cent because it would be under the classification of "souvenir." It would go under the toy paragraph at 70 per cent.

Senator WALSH. Do these souvenirs pay a duty of around 40 per cent now?

Mr. COHEN. Yes, sir.

Senator WALSH of Massachusetts. If put under toys, they would be subject to 70 per cent?

Mr. COHEN. Yes, sir.

I would like to submit this brief.

(Mr. Cohen submitted the following brief:)

BRIEF OF THE NEW YORK MERCHANDISE CO.

Recommendations for change in paragraph 1550, section B, page 206, beginning with line 16: "Fountain pens, mechanical pencils, fountain pen holders, stylographic pens and parts thereof, valued up to \$0.50 per dozen, 40 per cent; valued over \$0.50 and not over \$1 per dozen, 1 cent each and 40 per cent; valued over \$1 and not over \$1.50 per dozen, 2 cents each and 40 per cent; valued over \$1.50 per dozen, 6 cents each and 40 per cent. *Provided*, That the value of cartons and fillers shall be included in the dutiable value."

The cheap fountain pen and mechanical pencils which are imported have been a distinct boon to school children, particularly as they have enabled them to purchase for a low price an article which is chiefly distributed through the medium of so-called chain stores such as Woolworth, Kresge, Kress, Newberry, McLellan, and others.

This type of pen surely does not compete, nor is it comparable with fountain pens known as Parker, Wahl, Schaeffer, Conklin, or Waterman, whose products range from \$2 to \$10 each, retail. The average school child can not afford to pay these prices for a fountain pen or mechanical pencil.

The use of fountain pens and mechanical pencils is being encouraged more and more in our public schools, because of the tendency of school children to put pencils in their mouths, and thus cause infection.

Mr. Lilley, of the Eagle Pencil Co., who submitted the brief to the Ways and Means Committee of the House of Representatives for the group of domestic manufacturers, specifically states that the domestic manufacturers need protection on mechanical pencils from 25 cents to \$5 each (par. 1, p. 7930, vol. XIV, of hearings before Ways and Means Committee), obviously intimating that mechanical pens that sell up to 25 cents are not in need of additional protection.

Among the samples of mechanical pencils we are submitting are some that are made by the Eagle Pencil Co. at prices that amply prove his statement.

We also submit various other types of mechanical pencils made by various manufacturers which we believe will prove to your honorable committee that this industry has flourished and is flourishing and progressing under present tariff conditions. The increased rate they are asking will not give them additional protection, because they do not need it. A virtual monopoly will actually be created for these manufacturers of cheap mechanical pencils under the proposed rate.

We also submit samples of imported mechanical pencils, most of them types that are not made in this country, and are chiefly used by the advertising and souvenir trade. This entire line will be eliminated under the proposed new tariff, as the articles would cost too much for that trade.

We ask your honorable committee to consider that the prices on the domestic pencils are the prices to the trade, and include such important items in their calculations as overhead, depreciation, profit, and selling expense.

The cost of the imported pencils are actual landing costs, and do not include such important items as overhead, depreciation, profit, and selling expense.

To further prove to your honorable committee that this industry is not only enjoying a healthy business in this country but is exporting mechanical pencils to various countries we give below a record compiled by the section of customs statistics, Department of Commerce, customhouse, New York City, of the imports and exports of mechanical pencils for the years 1926, 1927, and 1928:

| Year | Imports | Exports |
|-----------|-----------|-----------|
| 1926..... | \$189,345 | \$819,198 |
| 1927..... | 208,575 | 711,438 |
| 1928..... | 210,731 | 851,463 |

Mr. Lilley, of the Eagle Pencil Co., was very careful not to mention the amount of mechanical pencils and fountain pens which are exported, although it seems to us that to be consistent with the figures that he presented of the imports of mechanical pencils he should have given the export figures for comparable purposes. (Par. 4, p. 7931, Vol. XIV, of hearings before the Ways and Means Committee.)

Fountain pens are virtually prohibited under the present tariff. While there have been some importations under the celluloid division, on the whole the imports are practically nothing.

We submit samples of fountain pens made by David Kahn Co., of North Bergen, N. J., and the Townsend Pen Co., New York City. The prices which we have marked under each item are their selling prices to the trade. In these prices are included such important calculations as overhead, depreciation, profit, and selling expenses.

We also submit samples of imported pens, showing actual landing costs, that do not include such important calculations as overhead, depreciation, profit, and selling expense.

To further prove to your honorable committee that this industry is enjoying a healthy growth, we give below the import and export figures compiled by the section of custom statistics, Department of Commerce, customhouse, New York City, for the years 1926, 1927, and 1928:

| Year | Imports | Exports |
|-----------|----------|-------------|
| 1926..... | \$31,498 | \$1,339,508 |
| 1927..... | 4,322 | 1,482,604 |
| 1928..... | 3,146 | 1,846,196 |

We hope with these facts before the committee that the paragraph will be changed as we have suggested, because we believe our domestic manufacturers will be amply protected under it, and at the same time allow the importation of cheap mechanical pencils and fountain pens. To further enable the committee to understand what the proposed new tariff means, we give below the comparative rates showing the differences in percentages on samples of articles imported under the present tariff and under the proposed tariff:

PRESENT TARIFF ON MECHANICAL PENCILS

| | Article | | | | | | | |
|--|---------|--------|--------|--------|--------|--------|--------|--------|
| | No. 1 | No. 2 | No. 3 | No. 4 | No. 5 | No. 6 | No. 7 | No. 8 |
| First cost..... | \$3.00 | \$3.75 | \$4.00 | \$4.25 | \$4.50 | \$7.50 | \$7.60 | \$8.00 |
| Duty, 25 per cent..... | .75 | .94 | 1.00 | 1.06 | 1.13 | 1.88 | 1.90 | 2.00 |
| Specific duty, 45 cents per gross..... | .45 | .45 | .45 | .45 | .45 | .45 | .45 | .45 |
| Clip, 25 cents per gross..... | | | .25 | .25 | .25 | | | .25 |
| Expense..... | .30 | .40 | .45 | .45 | .45 | .25 | .80 | .85 |
| Total..... | 4.60 | 5.54 | 5.90 | 6.46 | 6.81 | 10.88 | 10.75 | 11.55 |
| Approximate duty (per cent)... | 40 | 37 | 36 | 41 | 47 | 35 | 31 | 34 |

PROPOSED TARIFF ON MECHANICAL PENCILS

| | | | | | | | | |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| First cost..... | \$3.00 | \$3.75 | \$4.00 | \$4.25 | \$4.50 | \$7.50 | \$7.60 | \$8.00 |
| Specific duty, 6 cents each..... | 8.64 | 8.64 | 8.64 | 8.64 | 8.64 | 8.64 | 8.64 | 8.64 |
| Ad valorem, 40 per cent..... | 1.20 | 1.50 | 1.60 | 1.70 | 1.80 | 3.00 | 3.04 | 3.20 |
| Expense..... | .30 | .40 | .45 | .45 | .44 | .80 | .80 | .85 |
| Total..... | 13.14 | 13.89 | 14.69 | 15.04 | 15.42 | 19.94 | 20.09 | 20.69 |
| Approximate duty (per cent)... | 328 | 270 | 256 | 243 | 232 | 155 | 153 | 148 |

We give below the comparative rates showing the differences in percentages on samples of fountain pens imported under the present tariff and under the proposed tariff.

PRESENT TARIFF—CELLULOID

| | Article | | |
|-------------------------|---------|--------|---------|
| | No. 70 | No. 62 | No. 23 |
| First cost..... | \$5.25 | \$7.00 | \$11.00 |
| Duty, 60 per cent..... | 3.15 | 4.20 | 6.60 |
| Expense..... | .42 | .80 | 1.00 |
| Total..... | 8.82 | 12.00 | 18.60 |
| Percentage of duty..... | 60 | 60 | 60 |

PROPOSED TARIFF—FOUNTAIN PENS

| | | | |
|----------------------------------|--------|--------|---------|
| First cost..... | \$5.25 | \$7.00 | \$11.00 |
| Specific duty, 6 cents each..... | 8.64 | 8.64 | 8.64 |
| Ad valorem, 40 per cent..... | 2.10 | 2.80 | 4.40 |
| Expense..... | .42 | .80 | 1.00 |
| Total..... | 16.51 | 19.24 | 25.04 |
| Percentage of duty..... | 205 | 152 | 130 |

Respectfully submitted.

NEW YORK MERCHANDISE CO.

STATEMENT OF E. K. WILLIAMS, REPRESENTING S. H. KRESS & CO., NEW YORK CITY

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

Senator KEYES. And whom do you represent?

Mr. WILLIAMS. Representing S. H. Kress & Co.

I think most of the points as to the mechanical pencils have been covered. The purchase of domestic mechanical pencils amounts to in excess of \$150,000 a year. That is the domestic, the 10 and 25 cent articles. We are importing no foreign fountain pens to-day. In other words, we can supply our demands from domestic manufactures.

Senator WALSH of Massachusetts. Mechanical pencils or fountain pens?

Mr. WILLIAMS. Both of them, except pencils or novelty items, such as these [indicating].

Senator WALSH of Massachusetts. What per cent of those do you import?

Mr. WILLIAMS. Our importations of these particular items last year were \$14,000. So we are not down here for the purpose of protecting a large item, or anything like that. It is just a matter of principle.

Senator WALSH of Massachusetts. What do they sell for?

Mr. WILLIAMS. These are all 10 cents.

Senator WALSH of Massachusetts. If this duty is levied what will you have to sell them for?

Mr. WILLIAMS. They would have to be sold at about 25 cents.

Senator WALSH of Massachusetts. One hundred and fifty per cent increase in cost to the public?

Mr. WILLIAMS. Yes, sir.

As soon as this bill was printed and we went over it we immediately traced out to find who was instrumental in effecting this transfer of mechanical pencils from the one paragraph to the one in which it was put, and we found it was the Eagle Pencil Co., Mr. Lilly. So we had them in the office and discussed the matter with them. They stated then that they did not intend to exclude this class of items, that they were only interested in getting the mechanical pencils under one paragraph. Of course, they did not take care of the terrific increase in the other. So I thought I would present the case just as it is.

We made a suggestion as to what is considered a satisfactory change.

Senator KEYES. Has your suggested change been submitted to the Eagle Pencil Co.?

Mr. WILLIAMS. It has.

Senator KEYES. Did they object to it?

Mr. WILLIAMS. They agreed to it.

Senator KEYES. They did?

Mr. WILLIAMS. Yes. We thought that was the best way of working out the problem. I have covered that in my brief.

There is one other point I wanted to call to your attention.

There should be added "with or without clips." As it now stands, if you bring in a mechanical pencil with a clip such as that one there

[indicating] you have a duty on the pencil and a separate duty on the clip. Of course, it is really one item. I think our brief brings that out.

Senator THOMAS of Oklahoma. What is the purpose of having a double duty?

Mr. WILLIAMS. That just increases the rate, so far as I can see, in that particular line. It is excessive.

Senator THOMAS of Oklahoma. You get more duty?

Mr. WILLIAMS. It is an excessive ad valorem. I would like to submit this, which discusses the reasons:

(Mr. Williams submitted the following brief:)

FOUNTAIN PENS AND MECHANICAL PENCILS—SUGGESTED CHANGES AND REASONS

The following changes in this paragraph are suggested:

This paragraph as it stands reads:

"* * * * Fountain pens, mechanical pencils * * * 72 cents per dozen and 40 per centum ad valorem." * * *

We suggest the following changes:

After the words "* * * * And parts thereof * * *" insert "* * * * With or without clips, valued at not more than \$8 per gross, 12 cents per dozen and 40 per centum ad valorem; valued above \$8 a gross and at not more than \$15 per gross, 24 cents per dozen and 40 per centum ad valorem; valued above \$15 per gross." * * *

REASONS

Under the tariff act of 1922 the majority of fountain pens and mechanical pencils were imported under Schedule No. 1, paragraphs 31 and 33, or, as brought out in the brief submitted by the Eagle Pencil Co., New York, Schedule No. 3, paragraphs 352 and 353, and in some instances under Schedule No. 14, paragraph 1451, the rate of duty varying from 25 cents per gross and 25 per cent up to 60 per cent ad valorem.

In making this transfer of fountain pens and mechanical pencils the new duty imposed is 72 cents a dozen and 40 per cent ad valorem and places an embargo on all items that were retailed at 10 and 15 cents each, which are practically the only type that are being imported at the present time and which items are not and can not be produced by the domestic manufacturers, principally items of a novelty nature made of compositions which the manufacturers in this country are not equipped to work in.

The tariff act of 1922, paragraph 353, was intended to protect the higher-priced fountain pens selling at \$1 each and upward, but since 1922 there have been developed fountain pens and mechanical pencils retailing as low as 10 cents each. These have been dutiable at various rates, according to the brief submitted by the Eagle Pencil Co., depending upon the material they were composed of. While it is undoubtedly less confusing to place them all under one classification, it is likewise very unfair to place them under such a duty which is discriminatory against the types imported.

The items imported consist principally of novelty items. It is necessary to change them frequently, and in order to do this it is necessary to buy from sources of supply that furnish the world in general, otherwise the tool charges, etc., would be prohibitive in this price field. These items are used principally by school children, and the proposed duty would represent an increase in duty alone of approximately 800 per cent. For example:

| | Present duty | Proposed duty |
|--------------------|--------------|---------------|
| Foreign cost..... | \$3.00 | \$3.00 |
| Specific duty..... | .25 | 8.64 |
| Ad valorem..... | .75 | 1.20 |
| Total..... | 4.00 | 12.84 |

Immediately upon the publication of the proposed increase we got in communication with the one manufacturer who presented the brief before the Ways and Means Committee and who is the largest and practically the only producer in this country of a similar class of merchandise in wood and metal items. They state that it was not their intention to place a total embargo on this class of merchandise, and while they feel it is advisable and necessary to have protection and that protection be definite in so much as it would be classified under one classification. They now realize that the duties as proposed in paragraph 1550 B, i. e., of 72 cents per dozen and 40 per cent ad valorem, would eliminate entirely certain classes of mechanical pencils that are not produced in this country. They admit that our changes as suggested above would be a fair increase in duty and would be acceptable to them.

According to the Summary of Tariff Information, 1929, yearly total imports in 1926 to 1923 were less than \$120,000, 1928 showing a decrease as compared with 1927 and 1926, whereas the quantities produced by the American manufacturers have substantially increased, principally in the higher price items. The same report states that the number of establishments producing these articles has more than tripled and that the use of mechanical pencils has grown rapidly in recent years. From a statement made by the Department of Commerce, dated June 12, the exports of refillable pencils and pencil leads 1927 was \$711,438, 1928 was \$851,463, and the export of fountain pens for the same years were \$1,482,604 and \$1,846,196, respectively. It would appear that there is no need for any substantial increase in the tariff on these particular items.

Practically all mechanical pencils are imported with clips or rings, and it would simplify and clarify and be less confusing to specifically include the clips on the item, as there is always a possibility of controversy and confusion in reading paragraph 1540 A.

E. K. WILLIAMS

(For S. H. Kress & Co. and S. S. Kresge Co.).

PHOTOGRAPHIC DRY PLATES

[Par. 1551]

STATEMENT OF F. W. BARTA, REPRESENTING NORMAN WILLETS PHOTO SUPPLY CO, CHICAGO, ILL.

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

Mr. BARTA. Mr. Willets is president and I am vice president of the Norman Willets Photo Supply Co.

My main purpose in coming here is because there is a discrimination on photographic plates, referring to paragraph 1551. The rate was 15 per cent, but it is raised to 25 per cent ad valorem. Even with the rate at 15 per cent, that is high. The reason for that is this, that a competitive plate sells for \$2.80 a dozen. There are about 30 to 40 different sizes of plates, but I will mention one size to bring it down to one item.

The plate we are selling sells for \$6.40. There is a difference of about $2\frac{1}{2}$ to 1. In other words, even if the duty were 50 per cent, we would still sell that plate.

This particular photographic plate is a highly technical or chemical plate. There is an emulsion that we might say is very special to this particular process that is used by photoengravers and lithographers, and they use that for making colored prints where you might distinguish them from regular black and white prints.

These prints are in competition with colored photographs that come in from across the seas. That makes it a hardship upon the photoengraving industry.

Senator WALSH of Massachusetts. Are there photoplates made in this country?

Mr. BARTA. Yes.

Senator WALSH of Massachusetts. Other than the type you have been describing as that which you import?

Mr. BARTA. That do compete with this particular plate.

Senator WALSH of Massachusetts. They do not compete?

Mr. BARTA. They do. They do not really compete with them, because the quality is not in them at all. If they had any quality at all as compared with the plate I have reference to that we are importing and selling, we could not possibly sell it for \$6.40 in competition with the American plate which sells for \$2.80.

Senator WALSH of Massachusetts. Is there a class of imported plates that do compete with the American plate?

Mr. BARTA. Yes, sir.

Senator WALSH of Massachusetts. You think the duty should be levied to protect the American photographic plate upon that class of goods but not upon the special class to which you refer?

Mr. BARTA. That is right.

Senator WALSH of Massachusetts. But you think 5 per cent would be enough upon any class of plates?

Mr. BARTA. Yes; I think it would. On this particular plate to which I have reference—the panchromatic plate, which is a special plate for a special purpose, I would recommend that the duty be taken off entirely.

Senator WALSH of Massachusetts. Can you distinguish that from the other plates?

Mr. BARTA. Yes, sir. It is just the name on the package, and it could not be sold as a regular plate. Take, for instance, a photograph of a freckled face, and the ordinary plate would show that as pure black spots, whereas if taken with the panchromatic plate they will appear as very light spots as they appear to the eye.

Senator WALSH of Massachusetts. Have you prepared an amendment separating your plate from the other plates imported?

Mr. BARTA. No, sir. I intend to submit a brief. This came to us all of a sudden and I have not had a chance to prepare any paper, but I intend to submit a brief on the whole thing.

Senator WALSH of Massachusetts. How large is the importation?

Mr. BARTA. There are two firms in the country who import it, the Fitzsimmons and us. We import about \$25,000 worth a year and resell them at about \$36,000. The Fitzsimmons people import a like quantity.

Senator THOMAS of Oklahoma. What other good purpose do these plates serve except to fail to show freckles?

Mr. BARTA. I just mentioned the purpose of a panchromatic plate. There is no competition in imported panchromatic plates with domestic panchromatic plates because they can not be sold to the photographer. I have reference to the panchromatic plates which are used by the photoengraving industry, and they must use a plate of that character in order to produce colored photographs. Otherwise, they have to spend more than three or four times the amount of the cost for labor in retouching the photograph. It is cheaper to use a higher priced plate, such as we import, than to use the

American plate with the low cost and then spend probably three or four times the amount of the cost in retouching to bring it up to the result from the imported.

Senator WALSH. Have you taken up this matter with the domestic producer to see if there is any objection to your suggestion?

Mr. BARTA. No; I have not.

Senator KEYES. You will file your brief?

Mr. BARTA. Yes.

Senator KEYES. Because we are about to conclude the hearings and are about to go to press.

Mr. BARTA. When shall I have these in?

Senator KEYES. Can you have it in to-morrow?

Mr. BARTA. Yes; I can.

(Mr. Barta submitted the following brief:)

BRIEF OF NORMAN WILLETS PHOTO SUPPLY (INC.)

This brief is filed by Norman Willets Photo Supply (Inc.), an Illinois corporation of Chicago, independent distributors of photographic equipment and supplies. We desire to have a portion of paragraph 1453 (new No. 1553 or 1551) as passed by the House of Representatives reading:

"Photographic dry plates, not specially provided for, 25 per cent ad valorem," to read "Photographic dry plates, not specially provided for, except panchromatic dry plates, 15 per cent ad valorem."

You will note that there are two changes requested from the bill as passed by the House. First, the 25 per cent rate is changed to 15 per cent, and, second, panchromatic dry plates are not included in this paragraph, which we request be put on the free list.

In the first instance our recommendation from 25 to 15 per cent is made because the importation of all photographic plates is very small as compared to their manufacture in this country (less than 3 per cent), hence their importation does not affect domestic prices or manufacture.

Our percentage of total sales of plates follow:

| | |
|---|-----|
| Domestic panchromatic dry plates..... | 1/4 |
| Other domestic plates (not panchromatic)..... | 4 |
| Imported panchromatic dry plates..... | 8 |
| Other imported dry plates..... | 1/2 |

Moreover, we as independent distributors believe that the complete elimination of foreign competition in dry plates is not desirable, although should not be allowed to get large, and as long as imported plates can not be sold in larger quantities than at present, because of the present high rate of 15 per cent, this rate should be allowed to remain, as the larger rate will cut off practically all imports on them.

The reports of domestic manufacturers regarding decreases in their sales and increases in imports as reasons for an increase in duty are misleading, inasmuch as the largest photographic manufacturer in this country has been recommending film to its customers to replace dry plates; and, moreover, it has sold the manufacture of most of its popular brands to another firm by order of the Federal Trade Commission.

This does not apply to imported panchromatic dry plates.

In regard to panchromatic dry plates, domestic manufacturers are not making them in quality approaching those imported. This is evidenced by the fact that imported plates are selling to the trade at nearly three times the price of domestic ones. For example, compare the price of size 8 by 10 inches:

| | |
|--------------------------------------|--------|
| Domestic plates.....per dozen, net.. | \$2.80 |
| Imported plates.....do..... | 6.40 |

This large variation is true of all other sizes, of which there are over 20.

The photoengraving and lithographing industry in the United States prefer to buy these imported plates and pay these high prices because they can obtain better results and at a lower cost than that obtained by the use of domestic

plates. This is also true of the trade in England, Germany, France, and other European countries. The American photoengravers' products come in direct competition both in quality and price with the products of European engravers, and any additional cost, such as a tariff, makes it harder for them to compete.

It will be at once apparent to you that any increase in the duty on this class of plates will not give added protection to the American manufacturer, but will directly burden the American photoengraving industry, which will in many cases pass this increase along to the ultimate consumer, especially when no competition with foreign color engravings or their products is met.

We feel secure in the belief that having pointed out to you the above facts that you will place the panchromatic dry plates on the free list, as they are indispensable to the engraving industry.

Respectfully submitted.

NOBMAN WILLETS PHOTO SUPPLY (INC.),
By T. W. BARTA, *Vice President.*

**STATEMENT OF PERCIVAL H. CASE, REPRESENTING THE
GEVAERT CO. OF AMERICA, NEW YORK CITY**

[Including photographic and motion-picture films]

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

Senator KEYES. In what business are you engaged?

Mr. CASE. I am engaged in the importing of photographic plates and photographic motion-picture films. I represent the Gevaert Co.

These two branches are so distinct and separate one from the other that I beg leave to consider them distinctly.

In the first place, photographic dry plates have been carrying a duty of 15 per cent ad valorem. The House bill raised that duty to 25 per cent ad valorem. It would naturally follow that there is a reason, an economic reason, for increasing the duty, that being that the domestic manufacturer is having a hard time to make a profit and to sell plates.

The Eastman Kodak Co., a large and very well-known organization, submitted a brief on that subject in which they stated that their importations of photographic plates were decreasing and that the importations of photographic plates were increasing.

They did not mention, however, that for the past ten or more years they have been discouraging the use of photographic plates. They make a film. Up to about two years ago they had a monopoly on it.

I wish to submit this as an exhibit. It is the front page of a well-known trade journal of June 15, 1929, and the Eastman Kodak Co. speaking:

Few film users would consider going back to the heavy, fragile, and bulky glass plate, as well as it may have served them, because film is so much more convenient.

They are decrying the use of the plate. Naturally their plate business has dropped.

Notwithstanding this pushing of the film their manufactures in 1927 were still about 140 per cent of all imports put together.

On top of that, the Eastman Co. in 1924, I believe it was, were directed by the Federal Trade Commission to dispose of several of their more popular brands of dry plates because of a decision rendered against them as to operating a monopoly in restraint of

trade. That has caused them to be even less of a factor in the photographic dry-plate industry than ever before.

There is no monopoly as such in the photographic dry-plate industry in this country. There are three or four manufacturers. They are all rather prosperous. The imports of European plates, if all added together, would be but a small fraction—I do not have all of the figures—of the domestic manufacture.

Senator COUZENS. What fraction?

Mr. CASE. I would say 15 per cent or 20 per cent, possibly. I think I am stating it generously, too.

Senator WALSH of Massachusetts. The glass used in making dry plates is imported?

Mr. CASE. Yes, sir. I believe no American manufacturer is using domestic glass.

Senator WALSH of Massachusetts. Such duty was raised in this bill?

Mr. CASE. I believe it has been in this bill a little bit.

Senator WALSH of Massachusetts. Is that an explanation for this increase?

Mr. CASE. I do not believe so. It was their contention in the briefs filed before the House Ways and Means Committee. There were two important contentions made, one by each of the two independent companies, let us say, the Kramer and the Hammer, to which I wish to take exception.

In the first place, the Kramer Co. made a very serious charge against a well-known Belgian manufacturer dumping in this country. The Gevaert Co., the manufacturers from whom we buy the plates, is obviously the one referred to. We would like to have them submit evidence of dumping, and we would like to have them called upon to submit evidence of dumping.

I submit here a letter from one of the largest buyers at that time on lantern-slide plates, which were the articles under discussion on the dumping, in which he says to us:

The writer, who was president of the Excelsior Illustrating Co. prior to the latter's amalgamation with two other photographic concerns under the name of National Studios (Inc.), can hardly see any foundation for such a statement, since the prices for lantern-slide plates quoted by the Gevaert Co. were generally higher than those at which lantern-slide plates could be obtained.

The reason why the Excelsior Illustrating Co. stopped buying Gevaert lantern-slide plates in 1924 was that the price quoted by your company was much higher than the price at which we were buying from a local manufacturer.

The American Photo Products, Verona, N. J., was supplying us at the time with lantern-slide plates at 21 cents net per dozen, and they even absorbed the war tax of 5 per cent which was assessed on this article.

Two years later, after the war tax of 5 per cent had been repealed, your company met this 21-cent price, but only for bulk packing in full case lots.

We make the statement deliberately that wherever a price quoted has been in any sense different from the published list prices and discount that such has been made in order to enable the customer to continue to buy from us at prices, terms, and equalities comparable with previously quoted prices by our competitors.

I also want to cover the question of certain figures quoted by the Hammer Dry Plate Co. to show that Belgian plates could be imported at a price which is unfavorable to them.

They state that the price of a dozen 5 by 7 single-coated plates in Belgium is \$0.648 and that the landed cost in the United States is \$0.6844, exclusive of duty. Plates are normally converted to that uniform size. With 15 per cent ad valorem assessed on the price in Belgium of \$0.648, the duty would be \$0.0972 per dozen, which, when added to the landed cost of \$0.6844, would bring the total cost, inclusive of duty, to \$0.7816.

Under a 25 per cent ad valorem as requested the landed cost inclusive of duty would be \$0.8464.

The list price quoted by the Eastman Kodak Co. is 87 cents.

Senator WALSH of Massachusetts. This is wholesale price?

Mr. CASE. This is all sold at wholesale, sold to photographers and newspaper press men, and so forth.

The Hammer Dry Plate Co. price is 91 cents. These are less cash discount, naturally.

Under the proposed duty of 25 per cent we would have less than 3 per cent covering the handling and selling expenses in this country. The margin is not large now, and if the margin goes to 25 per cent we are practically out of the market, because 3 per cent is not enough to handle and sell the merchandise at a profit in this country.

As a matter of fact, the cost of plates has gone up, so where 15 per cent in 1922 was a fair duty, possibly offsetting the reduced labor cost there—labor cost does not enter into the manufacture of photographic plates a great deal—to-day the duty is higher in actual amount than it was at that time and, therefore, we are submitting an amendment which we believe will bring the economic situation back about to 1922, the 10 per cent ad valorem.

I wish to address myself now to another subject.

Senator WALSH of Massachusetts. Are you familiar with the photographic dry plate to which the previous witness testified?

Mr. CASE. In general.

Senator WALSH of Massachusetts. Is it true that he has a dry plate that is exceptionally different from the common plate used in the American market?

Mr. CASE. Yes, sir; in this way. The panchromatic plate is different in photographic quality from any other. It gives the equivalent rendition of color that the eye sees. For that reason it is used for highly specialized purposes. For example, my company imports no plates of that kind at all.

Senator WALSH of Massachusetts. Do you think his contention is a sound one, that his plates should be separated from the other plates in this paragraph?

Mr. CASE. I do not believe that I can qualify as an expert on that phase because I have not given it any study. We are not interested in that plate, and I wouldn't care to go on record.

Senator WALSH of Massachusetts. It is enough different from the common plate?

Mr. CASE. It is essentially very different.

Senator WALSH of Massachusetts. What is the next paragraph you want to talk about?

Mr. CASE. Photographic motion picture film.

In the tariff act of 1922 photographic motion-picture films were taken from the free list and placed upon a special duty of 0.4 cents

per linear foot of the width of $1\frac{3}{8}$ inches, all other widths in proportion.

The photographic motion-picture film business has been for many years in this country essentially a monopoly, and a high-profit monopoly. You gentlemen are all aware of the position of the Eastman Kodak Co. with reference to the production of motion-picture films. It has always constituted the great bulk of all manufactures.

Shortly after the war the monopolistic position of the Eastman Kodak Co. was challenged by some domestic manufacturers and there were a few imports, amounting at most to possibly 12 per cent or 15 per cent of the total domestic production.

This tariff was designed to give protection to the Eastman Kodak Co. and other domestic manufacturers. It amounted on the articles of sale which constitutes the bulk to about 18 per cent ad valorem.

After the duty was placed on films the Eastman Kodak Co. saw fit to reduce their price from \$2.25 per 100 feet gradually and in successive stages until it is now a dollar a hundred feet. That gives some idea of the position that they have occupied by reason of being able to manufacture and sell at about their own price.

In their brief before the Ways and Means Committee they claim they were able to reduce this price through improved methods of manufacture.

I contest this statement, because we know that the material which is bought on the world market—silver, gelatine, cotton, and camphor—has not changed in price very much, if at all, and the materials constitute a great percentage of the finished product, because it is all manufactured by automatic machinery, continuous line runs, and there has been no revolutionary or even major change in manufacturing methods. We know that because we are very close to the subject, and if any great change has taken place we would certainly know about it.

Senator WALSH of Massachusetts. Did you ask for a higher duty in the House?

Mr. CASE. Well, I want to come to one point before that.

When the price went to a dollar a hundred feet we were out of the market. We imported at one time a fair amount, possibly 3 per cent of the total production. To-day we are out of the market on that item entirely. We have not sold a foot in 1929, except, perhaps, for experimental purposes, I believe.

Senator WALSH of Massachusetts. And nobody else?

Mr. CASE. There is one large German concern who will eventually be manufacturing in this country, having taken over the Ansco Co. at Binghamton. They have a vast capital behind them, and I believe they are importing, and eventually will manufacture in this country. They can take that chance. We can not take it. We can not sell for a dollar a hundred feet.

The Canadian Kodak Co. (Ltd.) are manufacturing a lot of film, which is imported into this country for subsequent exportation. There is a drawback on the duty.

If the figures are studied carefully it will be seen that a very great percentage of the total imports from the Canadian Kodak Co. into the United States and out again. That gives the figures a false significance.

The Eastman Kodak Co. have expressed themselves as being satisfied with this present duty of 40 per cent, 0.4 cents a foot, where selling for a cent a foot. That is 40 per cent. They would like to have the duty on their films raised to a comparable amount.

Taking that as a premise, the present duty having excluded foreign films entirely where it has gone to 40 per cent, they now want an ad valorem duty of 25 per cent placed upon the other films, which will likewise exclude the other films, and a continuous monopoly will exist.

The reason that it takes only 25 per cent to exclude the other films as against the 40 per cent required to exclude the motion-picture film is the fact that motion-picture films are sold by the hundreds of thousands of feet to the big film laboratories, where the roll films are sold by the dozen rolls to the corner drug store, and the selling expense is a very material item.

In motion-picture films the selling expense as compared with the package films is very much smaller.

So we know that history will repeat itself, and if the duty goes to 25 per cent ad valorem we will be out of the market, undoubtedly, the same as we were in motion-picture films.

Senator WALSH of Massachusetts. What is that duty now?

Mr. CASE. A specific duty of four-tenths cent per linear foot.

Senator WALSH of Massachusetts. About 18 per cent ad valorem?

Mr. CASE. It runs from 12 per cent to 18 per cent.

We make a statement in our brief which I want to substantiate by a photostatic copy of some press reports.

In 1923 the Eastman Kodak Co. took steps for a reduction in price and raise in duty to eliminate competition. Those steps went so far that the Federal Trade Commission ordered certain practices discontinued.

I mention that fact in the brief, and I wish to submit as an exhibit the clipping from the Herald-Tribune of New York, of April 21, 1924.

Senator COUZENS. You are just repeating all of this in your brief, are you not?

Mr. CASE. I am taking this up from a different point.

The conclusions we set out in our brief are:

1. The present duty is so high as to prevent importation of the variety of films which constitutes the bulk of the sales, and as to render the sale of the other varieties relatively unprofitable.

2. If the duties as proposed in H. R. 2667 become law, they will seriously affect the importation of all varieties of films.

3. The Federal Trade Commission in 1924 filed a complaint of conspiracy in restraint of trade against the Eastman Kodak Co. who were accused of having thus established a film monopoly.

4. The domestic manufacturers have demonstrated that their plea is not for protection but for the continuance of the monopoly which they hold.

5. A reduction of duty on semifinished film would encourage those importing film to commence manufacturing operations in the United States.

6. Such encouragement of the film industry would not demoralize any existing industry nor cause it to be unprofitably operated.

We therefore respectfully suggest to your committee that paragraph 1551 (II, 4-10, p. 207) of H. R. 2667 be amended to read as follows:

* * * sensitized photographic and motion-picture films in bulk (rolls or sheets not less than twenty-five inches wide and two hundred feet long), one-tenth of 1 per cent per linear foot of the width of one and three-eighths inches, and all widths shall be subject to duty in proportion thereto; sensitized photographic and motion-picture films, cut and packed in final containers ready for sale, including such containers, not exposed or developed, two-tenths of 1 cent per linear foot of the width of one and three-eighths inches, and all widths shall be subject to duty in proportion thereto; * * *

We feel that such a request is not a letting down of the bars. The duty is high on this low-profit merchandise, and other manufacturers do not enjoy the low costs of the domestic company, and we feel that we are in a sound position to ask for a decrease of the duty.

Senator WALSH. How much of a decrease does your amendment provide for?

Mr. CASE. It cuts the duty right in two.

Senator WALSH of Massachusetts. The present duty?

Mr. CASE. Yes.

Senator WALSH of Massachusetts. Against the request of the Eastman Kodak Co. for the increase?

Mr. CASE. Yes, sir.

Senator WALSH of Massachusetts. Is that all?

Mr. CASE. Yes, sir.

(Mr. Case submitted the following brief:)

BRIEF OF THE GEVAERT CO. OF AMERICA (INC.), NEW YORK CITY

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

This brief is filed by the Gevaert Co. of America (Inc.), of New York, to present to your committee certain facts concerning the photographic dry plate and the photographic and motion-picture film industries, and to request that, in view of these facts, the language of the proposed paragraph 1453 of H. R. 2667 be revised, and the rates of duty changed, in accordance with the recommendations which we make herein.

PHOTOGRAPHIC DRY PLATES

Paragraph 1453 of the tariff act of 1922 reads in part as follows: " * * * Photographic plates, not specially provided for, 15 per centum ad valorem; * * * "

Paragraph 1551 (II, 2-3, p. 207) of H. R. 2667 reads in part as follows: " * * * Photograph dry plates, not specially provided for, 25 per centum ad valorem * * * "

The increase in duty from 15 per cent to 25 per cent ad valorem which is shown in H. R. 2667, would seem to recognize that the domestic photographic dry-plate industry is suffering great losses as a result of foreign competition. That this is not the case may best be proved by the figures contained in the brief submitted by the Eastman Kodak Co. to the Committee on Ways and Means of the House of Representatives, which figures show that in the year 1927 that company sold 663,000 dozen plates (equivalent 5 by 7 sizes) as against total imports for that same year from all countries of only 462,000 dozen.

It is a matter of record that the Federal Trade Commission in 1924 directed the Eastman Kodak Co. to dispose of several of their popular brands of photographic dry plates, and that, as a consequence thereof, they have not been so great a factor in the American dry-plate industry during recent years. Not only that, but the Eastman Kodak Co. have consistently, for a

period of 10 or more years, seriously discouraged the use of photographic dry plates. By advertising and through the efforts of their vast selling organizations, the Eastman Kodak Co. have been urging the photographer to adopt, as a substitute for plates, films, on which they had, until two years ago, a complete monopoly. It has been with serious design on their part, therefore, that their sales of plates have dropped. Yet, notwithstanding their ceasing to further the sale of plates, the voluntary business, which has come to them despite their efforts to convert the trade to films, still amounted, as late as 1927, to over 140 per cent of all imports from all foreign countries combined.

It is worthy of note that while the Eastman Kodak Co. saw fit to submit figures in the brief, which they filed with the Committee on Ways and Means of the House of Representatives, tending to show a reduction in the sale of their plates, they made no statement of the fact just mentioned, that they have been advocating films as a substitute for plates, which could not help but be detrimental to their plate business.

On the other hand, the briefs filed with the Committee on Ways and Means of the House of Representatives by the G. Cramer Dry Plate Co. and the Hammer Dry Plate Co., both of St. Louis, did not give any figures showing whether their plate business had increased or decreased. While we have no access to the records of these companies, we feel that such figures would show an increase rather than a decrease.

Among the domestic manufacturers and distributors of photographic dry plates must also be counted the Defender Photo Supply Co., of Rochester, N. Y. When the Eastman Kodak Co. in 1924 were obliged to dispose, by order of the Federal Trade Commission, of their most popular brands of plates, these were turned over to the Defender Photo Supply Co. and figures as to the volume of their sales of these plates are unavailable. Whatever these sales figures are, they must make up to a great extent for the decreased sales of the Eastman Kodak Co., for the Defender Photo Supply Co. prior to their taking over the several brands of plates formerly distributed by the Eastman Kodak Co., were not engaged in the manufacture or sale of photographic dry plates.

If all domestic sales of plates were added together the sum total would show that the import figures cited by the Eastman Kodak Co. are but a relatively unimportant fraction of the whole, not matter how important such import figures might seem, when compared with the sales of plates of the Eastman Kodak Co. alone.

The charges which have been loosely made by the G. Cramer Dry Plate Co., that the importers have been securing their business through cutting prices and "dumping" can not be supported by evidence. The G. Cramer Dry Plate Co. have established a policy of selling direct to the consumer at wholesale prices, and we are prepared to submit evidence substantiating our claim that any deviation from published price lists and discounts by this company has been only to enable our customers to buy from us under conditions, and at prices and terms, comparable to those previously offered by the above mentioned, and other domestic manufacturers.

So far as relative costs are concerned, it may be well to cite the figures which the Hammer Dry Plate Co. quoted in support of their contention that the present duty is too low. They state that the price of one dozen 5 by 7 single coated plates in Belgium is \$0.648 and that the landed cost in the United States is \$0.6844, exclusive of duty. With 15 per cent ad valorem assessed on the price in Belgium of \$0.648, the duty would be \$0.0972 per dozen, which, when added to the landed cost of \$0.6844, would bring the total cost, inclusive of duty, to \$0.7816.

If the ad valorem duty be raised to 25 per cent, as shown in H. R. 2067, the same dozen of 5 by 7 plates will show a landed cost, inclusive of duty, of \$0.8464.

The general dealer's price for single coated 5 by 7 plates, according to the Condensed Price List, Wholesale Edition, 1929, of the Eastman Kodak Co., is \$0.87, and as quoted by the Hammer Dry Plate Co., \$0.91. These are the maximum prices at which any importers of photographic dry plates, including ourselves, must sell, if they are to secure any business at all. Deducting from this price of \$0.87, the landed cost, as taken from the figures compiled by the Hammer Dry Plate Co., of \$0.8464, there will be found a margin of \$0.0236, which leaves less than 3 per cent for handling and selling expenses.

If, instead of a 25 per cent ad valorem duty, there were adopted a duty of 30 per cent ad valorem, as proposed to the Committee on Ways and Means of

the House of Representatives by the domestic manufacturers, the landed cost, inclusive of duty, of one dozen 5 by 7 single coated plates would be \$0.8790, which is higher than the price at which domestic manufacturers sell plates in this country.

It can be seen from the figures compiled by the domestic dry plate manufacturers themselves that an ad valorem duty of 30 per cent, such as asked by them, or of 25 per cent, such as proposed by H. R. 2667, are both unwarranted, in view of the facts as presented herewith.

We wish to point out further that the stabilization of European currencies, and the resulting higher cost of living, must have had an unfavorable influence on the cost of production abroad. Consequently, the duty now being assessed of 15 per cent ad valorem, provides a protection at the present time in excess of what was considered ample at the time the tariff act was passed. Therefore, in order to maintain the same relative condition between the cost of domestic plates and that of imported plates, the duty should be lowered.

For this reason and in consideration of the facts herein presented, we respectfully suggest to your committee that H. R. 2667, paragraph 1551, page 207, lines 2 and 3, be amended to read as follows: " * * * photographic dry plates, not specially provided for, 10 per centum ad valorem. * * *"

PHOTOGRAPHIC AND MOTION-PICTURE FILMS

Paragraph 1453 of the tariff act of 1922 reads in part as follows: " * * * photographic and moving-picture films sensitized but not exposed or developed, four-tenths of 1 cent per linear foot of the standard width of one and three-eighths inches, and all other widths shall pay duty in equal proportion thereto. * * *"

Paragraph 1551 (lines 4-10, p. 207) of H. R. 2667 reads in part as follows: " * * * photographic films, sensitized but not exposed or developed, of every kind except motion-picture films having a width of one inch or more, 25 per centum ad valorem; motion-picture films, sensitized but not exposed or developed, four-tenths of 1 cent per linear foot of the standard width of one and three-eighths inches, and all other widths of one inch or more shall be subject to duty in equal proportion thereto. * * *"

A brief was submitted by the Eastman Kodak Co. to the Committee on Ways and Means of the House of Representatives, in which they asked that the above-quoted paragraph of the tariff act of 1922 be changed. The changed wording as it appears above, in the extract from H. R. 2667, is the change which was requested by that company.

Prior to 1922 films were on the free list. In 1922 the Eastman Kodak Co. submitted that films should be made subject to duty upon their importation into the United States. The Congress considered at that time that a duty of four-tenths cent per linear foot of the standard width of one and three-eighths inches would provide protection for that industry.

The selling price at the time the tariff act of 1922 was passed for standard-width positive motion-picture film, which then constituted, as it now does, the greater part of the total sales of all films, was \$2.25 per 100 feet. The duty imposed on films by Congress represented, therefore, 18 per cent of this selling price.

It was the contention of the Gevaert Co. of America (Inc.), who were engaged in the importation and sale of Belgian films, that so high a duty would more than offset any difference in cost which might then have existed between the Belgian and the American product. That our contention was true has been borne out by subsequent facts.

The production of films is a process involving a vast preponderance of material cost as against labor cost, and the cost of material must be the same, or practically the same, for all manufacturers, irrespective of whether they are located in this country or abroad, since it is made up principally of products, such as cotton, camphor, silver, gelatine, which are purchased at world market prices or from mutual sources of supply.

For many years the Eastman Kodak Co. have enjoyed a monopoly in the sale of films. Having succeeded in convincing the Congress that films should be removed from the free list to the dutiable list, that company set out to fortify their monopolistic position.

In April, 1924, announcement was made through the press that the Federal Trade Commission had filed a complaint of conspiracy in restraint of trade against the Eastman Kodak Co., who were openly accused of having thus established a film monopoly.

Having been able in the past to produce films in vast volume at their own prices because of the monopoly they enjoyed, the Eastman Kodak Co. saw fit to reduce, successively by stages, their price for standard-width positive film until to-day it is only \$1 per 100 feet. The specific duty of four-tenths cent per linear foot of the standard width of 1½ inches therefore has come to represent to-day 40 per cent of the selling price of such film.

It is easy to perceive that a product which was selling at \$2.25 in 1922, and on which a specific duty was placed equal to 18 per cent of such selling price, can not be merchandised in 1929 at \$1 with a specific duty imposed upon it equal to 40 per cent of such lower selling price.

It was stated in the brief which the Eastman Kodak Co. filed with the Committee on Ways and Means of the House of Representatives that these enormous price reductions—the 1922 selling price was 225 per cent of the 1929 selling price—were arrived at as a result of improved methods of manufacture. But when it is known, as demonstrated above, that the major part of the cost of motion-picture films is raw material and the prices at which such raw material can be bought now are the same as or even higher than in 1922, and when it is also known that no revolutionary change in the methods used in the manufacture of such films has been made, it is difficult to conceive how such price reductions could possibly have been based upon correspondingly lower costs of production.

The real reason for successive price reductions made by the Eastman Kodak Co. will rather be found in the keen desire on the part of that company to maintain their monopolistic position in the American market.

It is true that the figures of the Department of Commerce show a sizable quantity of film imports, but if these figures are studied it will be discovered that a large amount of film manufactured by the Canadian Kodak Co. (Ltd.), of Canada, is imported into the United States, and subsequently re-exported. Thus it will be seen that the amount of film actually imported into the United States for domestic consumption is very small indeed.

It is also a fact that the exports of the Eastman Kodak Co. are valued in millions of dollars annually, which shows that they are able to compete in all the markets of the world against foreign manufacturers.

It has never seemed to be the intention of the Congress to foster a monopoly, and so it has seemed wise to bring to the attention of your committee, the fact that the existing duty of practically 18 per cent when originally imposed has now become 40 per cent on the article which constitutes the bulk of the total sale of all films, and that this existing duty is now too high, since it effectually prevents importation of this material.

The proposed duties asked for by the Eastman Kodak Co., and continued in paragraph 1551 of H. R. 2067, will, as stated by the Eastman Kodak Co., raise the duty level on other films to the level of motion-picture film. If paragraph 1551, as now written, becomes law, it is safe to predict that history will repeat itself, so far as the importation of other films is concerned. Therefore unless a revision downward is made, the effect of the tariff will be to foster a monopoly and to place an embargo on Belgian or other foreign-made films.

We maintain that the duty rate on photographic and motion-picture films, as it exists in the tariff act of 1922, has more than effectually protected the domestic industry against foreign competition. We also maintain that the present duty is more effective to-day than it was in 1922, since the cost of production abroad has increased as a result of the stabilization of European currencies, and that any further increase, in any way, or for any item, would not be in accordance with the motives which are causing the Congress to consider tariff revision.

We further feel that a distinction should be made between (a) films imported in a semifinished condition, i. e., coated with a sensitized emulsion, but imported in full width rolls for further processing in this country, and (b) films cut and packed ready for sale.

The Gevaert Co. of America would welcome the opportunity to engage in the final processing of films, but have been compelled to abandon their past plans to do so because of the previously stated competitive conditions.

The manufacture of films is a highly specialized industry, and, lacking unlimited capital, the only way we could afford to engage in the domestic manufacture of films would be to be given a preferential rate on unfinished material as against the finished product. We have learned from the failure of others, who have tried to establish a film manufacturing business in

this country, that the only way in which such a venture may be wisely undertaken is by gradual steps. The one notable exception among domestic venturers who have remained in the field is the Du Pont Co. of Delaware. This company, as is widely known, have long been engaged in the manufacture of celluloid which is used as the base for film; they have an established good will, and they command ample capital to compete under the most adverse conditions.

CONCLUSIONS

1. The present duty is so high as to present importation of the variety of films which constitutes the bulk of the sales, and as to render the sale of the other varieties relatively unprofitable.

2. If the duties as proposed in H. R. 2667 become law, they will seriously affect the importation of all varieties of films.

3. The Federal Trade Commission in 1924 filed a complaint of conspiracy in restraint of trade against the Eastman Kodak Co. who were accused of having thus established a film monopoly.

4. The domestic manufacturers have demonstrated that their plea is not for protection, but for the continuance of the monopoly which they hold.

5. A reduction of duty on semi-finished film would encourage those importing film to commence manufacturing operations in the United States.

6. Such encouragement of the film industry, would not demoralize any existing industry, nor cause it to be unprofitably operated.

We, therefore, respectfully suggest to your committee that paragraph 1551 (lines 4-10, p. 207) of H. R. 2667, be amended to read as follows:

" * * * sensitized photographic and motion-picture film in bulk (rolls or sheets not less than twenty-five inches wide and two hundred feet long), one-tenth of 1 per cent linear foot of the width of one and three-eighths inches, and all widths shall be subject to duty in proportion thereto; sensitized photographic and motion-picture films, cut and packed in final containers ready for sale including such containers, not exposed or developed, two-tenths of 1 per cent linear foot of the width of one and three-eighths inches, and all widths shall be subject to duty in proportion thereto; * * *"

Respectfully,

THE GEVAERT CO. OF AMERICA (INC.),
By PERCIVAL H. CASE.

PHOTOGRAPHIC LENSES

[Par. 1551]

BRIEF OF WILLOUGHBY CAMERA STORES (INC.), NEW YORK CITY

SENATE FINANCE COMMITTEE ON TARIFF HEARINGS,

Washington, D. C.

GENTLEMEN: The Willoughby Camera Stores (Inc.), 110 West Thirty-second Street, New York, N. Y., a corporation organized under the State laws of New York, conducts a general retail photographic business and imports cameras from abroad. We are representing in this country Voightlander & Sohn, whose factories are located in Braunschweig, Germany, makers of lenses and cameras.

We wish to enter our protest against the provision dealing with the photographic lens being taxable, as the component of chief value, if it exceeds in value the rest of camera or part, because it would mean that the cameras imported would be dutiable at 45 per cent, due to the value of lens, as a component part, exceeding the cost of the rest of camera in 90 per cent of the imports.

The paragraph as it is phrased in the House bill does not alter the duty but provides a 20 per cent ad valorem, the same duty that prevails at the present time under the present tariff law. The only apparent change is the provision that if the photographic lens is the component of chief value of the camera, it shall be dutiable at the rate applicable to photographic lenses which at the present time and under the new proposed tariff law is 45 per cent.

Paragraph 1551, Photographic cameras and parts thereof, not especially provided for, 20 per cent ad valorem: *Provided*, That if the photographic lens is the component of chief value of the camera or of the part in which it is imported,

such camera or part, including the photographic lens, shall be dutiable at the rate applicable to such photographic lens when imported separately.

This paragraph is part of a bill presented in the House of Representatives May 7, 1929, passed by said House and forwarded in turn to the Senate Finance Committee for public hearings.

We wish to submit to the Senate Finance Committee the following figures: The total imports of cameras during the year 1926 amounted to \$198,913; in 1927, \$237,317; and during the first eight months of 1928, \$177,699, while the export of cameras for the first eight months of 1928, totaled \$2,423,612. Home production of cameras in this country for the year 1927 totaled \$16,400,000. These figures were obtained from the land office of the Department of Commerce. Of the total number of cameras imported from Europe, 90 per cent of them represent models not manufactured in this country. These models of cameras help to create a demand for sensitized products, which the American manufacturers make suitable for the outfits.

The Eastman Kodak Co., of Rochester, N. Y., the largest manufacturers in the United States of cameras and lenses, asked before the Ways and Means Committee for an increase in tariff on cameras to 30 per cent. This request was denied them, presumably based upon the import and export figures.

The paragraph reading that when a photographic lens is the component of chief value, then the lens shall be dutiable at the rate prevailing on lenses, was inserted at the request of the C. P. Goerz American Optical Co., New York City, who are manufacturers of photographic lenses. Their request for the provision was made because of the importation of high-grade lenses on cheap cameras, with the intent of avoiding the higher rate of duty, but 95 per cent of the cameras imported, represented in the figures given for the first eight months of 1928, were of a type that if the lenses were separated from them, said lenses would have absolutely no commercial value on the American market.

The C. P. Goerz American Optical Co. do not import cameras from abroad and should not be interested in the question of duty in so far as the sale of cameras complete with lenses is concerned.

If it is the desire of the American optical manufacturers, who make lenses for photographic use, to avoid the so-called bootlegging of lenses into the country, then this paragraph can be so phrased that it would take care of the matter for the optical people and yet not penalize the importers of cameras.

We submit a change in the reading of the paragraph as follows:

Paragraph 1553. Photographic cameras and parts thereof, not especially provided for, 20 per cent ad valorem: *Provided*, That if the photographic lens, having a focal length of 7 inches or greater, is the component of the chief value of the camera or of the part in which it is imported, such camera or part, including the photographic lens, shall be dutiable at the rate applicable to such photographic lens when imported separately.

With the paragraph changed as recommended above, the American optical manufacturers will be protected against the importation of lenses on cheap grade cameras, for the purpose of avoiding the higher duty. Lenses of a shorter focal length than 7 inches have practically no market in this country as separate units.

To recapitulate, the imports for the first eight months of the year 1928 represent about one-fifteenth of the exports for the same period and about 1 per cent of the total home production for the year 1927. Ninety per cent of the cameras imported in 1928 represent models not manufactured in this country and 99 per cent of the lenses on these, if separated from the cameras and offered as individual units in this country, would have no market value. About 95 per cent of the lenses imported on these models of cameras would be dutiable at 45 per cent under the new tariff law, because they, as component parts, exceed in value the rest of the camera on which imported.

Respectfully submitted.

WILLOUGHBY CAMERA STORES (INC.),
By J. DOMBROFF, Vice president.

PIPES AND SMOKERS' ARTICLES

[Par. 1552]

STATEMENT OF ARTHUR L. STRASSER, NEW YORK CITY, REPRESENTING AMERICAN MANUFACTURERS OF BRIERWOOD PIPES AND SMOKERS' ARTICLES

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

Senator KEYES. Whom do you represent?

Mr. STRASSER. I represent the William DeMuth & Co., S. M. Frank & Co., L. & H. Stern Co., and M. Linkman Co. The firms I represent are all domestic pipe manufacturers.

Senator KEYES. Were you heard before the Ways and Means Committee of the House?

Mr. STRASSER. I was, Senator.

We come before you asking that paragraph 1552, as set forth in the House bill, be retained.

We appeared before the Tariff Commission in 1924; that is, we filed an application for an increase in rates in 1924. In 1928 we had a hearing but we are still waiting for a report.

The rates in the House bill are, we believe, more than justified by the information in possession of the Tariff Commission as contained in its preliminary report on the investigation had before it.

The present rate is 60 per cent ad valorem. We asked for an increase before the Ways and Means Committee of the House of \$10 per gross, or approximately 7 cents per pipe and also per pipe bowl.

The Ways and Means Committee of the House gave us 5 cents per unit.

The figures as shown in the Tariff Commission's preliminary statement of information, I think, substantially justified the request we made. Therefore, the increase in the House bill is the minimum protection that we require if we are to remain in business.

So far as comparative costs of production here and abroad are concerned, we are very glad to refer the committee to the Tariff Commission's statistics and information, and we are content to rely upon them.

The history of the business the last few years is a most deplorable one. The production has been reduced almost 30 per cent. There is not a pipe manufacturer to-day who is making money. Most of them lost money in 1928, and they are losing more money in 1929. We are asking for nothing except the equalization of costs of production here and abroad.

We particularly direct the committee's attention to the comparative statements in the Tariff Commission's figures, where they compare domestic cost of production not only with foreign cost of production but with laid-down invoice prices.

We say that the increase we ask for is justified by the comparison between the domestic costs and foreign invoice prices, which certainly are more than foreign costs of production.

Senator WALSH of Massachusetts. Have the imports decreased?

Mr. STRASSER. The imports decreased substantially in 1928.

Senator WALSH of Massachusetts. So both the domestic production and the imports have decreased?

Mr. STRASSER. Yes, sir.

Senator WALSH of Massachusetts. Isn't that due to the abandonment of the pipe?

Mr. STRASSER. That is due to a certain extent to the abandonment of the pipe. But the imports have decreased for another reason.

All of these domestic manufacturers have been in the pipe business for 25 to 50 years, and they have organizations, and they have employees who have been with them almost that long. They feel they have to try to keep on until they get the protection asked for in the bill. We have been trying to get it through the Tariff Commission for three or four years. Part of the decrease of imports was due to the fact that in order to remain in business, even at a loss, the domestic manufacturers have had to cut their selling prices.

Senator WALSH of Massachusetts. What percentage of the consumption do the imports represent?

Mr. STRASSER. Roughly, I would say, 20 per cent.

Senator WALSH of Massachusetts. Among them are specialties, I suppose?

Mr. STRASSER. The specialties do not amount to very much. Originally, I understand, the foreign pipe manufacturers made certain styles of pipes and then a long time ago they were copied over here when the industry was in its infancy. But the reverse has come true. The American manufacturer gets out a new style and then the foreign manufacturer copies it. And not being a seasonal business, he has plenty of time to do that, and he sends his manufactured product over here.

Senator WALSH of Massachusetts. What you are seeking, then, is a rate of duty which will give that 20 per cent imports perhaps to the domestic manufacturer's?

Mr. STRASSER. I wanted to do more than that, sir. It will do more than that. And I think we are entitled to more. We are asking only for a duty which will equalize the comparative costs of production, which will give the domestic manufacturer a chance to remain in business and make a decent living and profit, which literally has not been made by him. And we are very happy to appear before this committee.

Senator WALSH of Massachusetts. In other words, he has been underselling his product?

Mr. STRASSER. He has had to do it to keep alive and going at all. We are very happy to represent this group in a dual hope—first, the hope of relief through the Tariff Commission; secondly, the hope of relief here.

We would like to file a brief today or tomorrow.

Senator KEYES. Very well.

Senator WALSH of Massachusetts. Is it true that the House provision will not bear especially heavy duties on the cheaper pipes?

Mr. STRASSER. It will in this sense that, of course, a pipe that sells at 25 cents, where there is a 5-cent duty, will feel it more keenly than, say, a Dunhill pipe which sells \$8 or \$10. Of course, the difference is in the ad valorem.

But I want to say this, that you will find from the Tariff Commission's report that it is in the 25-cent or 50-cent pipe where the competition is the hardest. Like in a great many industries, people are

under the mistaken idea that most pipes or most things are sold at the highest price.

I will venture to say that perhaps 75 per cent of both domestic production and foreign imports are represented by pipes that retail at 25 cents and 50 cents.

(Mr. Strasser submitted the following brief:)

BRIEF OF AMERICAN MANUFACTURERS OF BRIERWOOD PIPES, SMOKERS' ARTICLES, CIGAR AND CIGARETTE HOLDERS

The undersigned manufacturers of brierwood pipes present for consideration their views in respect of the necessity of retaining paragraph 1552, reading as follows:

"Par. 1552. Pipes and smokers' articles: Common tobacco pipes and pipe bowls made wholly of clay, valued at not more than 40 cents per gross, 15 cents per gross; valued at more than 40 cents per gross, 45 per centum ad valorem; tobacco pipe bowls, wholly or in chief value of brier or other wood or root, in whatever condition of manufacture, whether bored or unbored, and tobacco pipes having such bowls, 5 cents each and 60 per centum ad valorem; pipes, pipe bowls, cigar and cigarette holders, not specially provided for, and mouthpieces for pipes, or for cigar and cigarette holders, all the foregoing of whatever material composed, and in whatever condition of manufacture, whether wholly or partly finished, or whether bored or unbored, 5 cents each and 60 per centum ad valorem; pouches for chewing or smoking tobacco, cases suitable for pipes, cigar and cigarette holders, finished or partly finished; cigarette books, cigarette-book covers, cigarette paper in all forms, except cork paper; and all smokers' articles whatsoever, and parts thereof, finished or unfinished, not specially provided for, of whatever material composed, except china, porcelain, parian, bisque, earthenware or stoneware, 60 per centum ad valorem; meerschaum, crude or unmanufactured, 20 per centum ad valorem."

1. The duties reflected in paragraph 1552 were found by the Ways and Means Committee of the House of Representatives to be warranted by the briefs filed, the testimony heard at the hearing, and the information and statistics in possession of the Tariff Commission.

The preliminary statement of information of the Tariff Commission issued February 28, 1928, is conclusive proof that the domestic manufacturer can not compete with the foreign manufacturer because of the wide difference in labor costs. If, therefore, the domestic pipe industry and domestic labor are to receive the protection necessary to the existence of both, provision must be made (as it has been made in the House bill) to protect the article manufactured regardless of the material of which it is composed. The House bill gives effective recognition of the definition of a similar or competitive article as set forth under section 336, paragraph G, subdivision 2, of the House bill reading as follows:

"An imported article shall be considered like or similar to and competitive with a domestic article if the imported article is of the same class or kind as the domestic article and accomplishes results substantially equal to those accomplished by the domestic article when used in substantially the same manner and for substantially the same purpose."

The Ways and Means Committee thus recognized that increasing the duty on brierwood bowls and pipes having such bowls would not protect the domestic manufacturer unless the same rate of duty was also imposed on other woods and other materials which could be substituted for brierwood.

The representative of the importers at the hearing submitted certain articles for the inspection of the committee and asserted that the proposed rates in the House bill ran into an inordinate percentage of the foreign cost. We submit that the articles presented were wholly unrepresentative of the general class and character of imports making up the bulk of imported merchandise coming into this country. There are certain demonstrable facts which are a complete answer to theories and to the citation of isolated cases. The unanswerable fact is that up to recent years the domestic pipe manufacturers always enjoyed substantial volume of business from cigar and cigarette holders composed of phenolic resin, galalith, brierwood, etc. Owing to the tremendous difference in foreign and domestic costs of production, the American manufacturer has been compelled, during the past few years, to discon-

tinue making hundreds of these articles. As a result of being driven out of this branch of the industry, the American manufacturer has been compelled to lay off many employees and to keep idle on his hands machines and tools heretofore used. The charge of domestic monopoly and its effects falls to the ground in view of the fact that when foreign substitutes and competitive products could be produced at a fraction of domestic cost the domestic industry ceased. This completely substantiates the necessity of applying these duties to materials which can be easily substituted for those manufactured in the United States. The fact remains that the foreign producers have demonstrated conclusively their ability to manufacture and sell articles, such as cigar and cigarette holders made of substitute materials, which have displaced domestic production. The basic reason for this situation is the wide difference between domestic and foreign cost of production. We repeat, for the sake of emphasis, that it is not a fair test of the proposed duty to apply such duties to selected articles which are not representative of the general nature of the foreign products imported into this country.

The rates applying to pipes, pipe bowls, cigar and cigarette holders, and mouthpieces for pipes, of whatever material composed, are therefore essential to equalize the domestic and foreign costs of production of merchandise made from materials which are easily substituted for brierwood.

II. The rates imposed in paragraph 1552 of the House bill are amply warranted and justified by information and statistics in the possession of the Tariff Commission.

A. IN RESPECT OF BRIERWOOD

A preliminary statement of information was issued by the Tariff Commission on February 28, 1928, under an investigation of brierwood pipes for the purpose of section 315 of the tariff act of 1922. We are confident that the rates in the House bill reflect the conditions as found by the experts of the Tariff Commission in their investigation of domestic manufacturing costs. The following illustrations will serve to indicate the general tenor of the Tariff Commission's report.

With respect to one grade of pipes, the domestic cost of production was found to be \$23.194 per gross. (Table 8, Tariff Commission report.) The foreign invoice price of this same grade of pipes was found to be \$8.905 per gross. (Table 11, Tariff Commission report.) The difference disclosed is \$14.289 per gross.

Again, the domestic cost of production of another grade of pipes was found to be \$14.350 per gross, and the foreign invoice price of the imported pipes of the same grade was found to be \$21.559 per gross, or a difference of \$19.791 per gross.

Finally, the Tariff Commission report shows that the weighted average cost of production in the United States of the great bulk of the pipes sold was \$23.49, per gross, as against the weighted average cost of production abroad for the same grades of \$11.492 per gross, or a difference of \$16.988 per gross.

Having in mind the conditions as found by the Tariff Commission, the domestic manufacturers requested the Ways and Means Committee to increase the existing duty by adding a duty of \$10 per gross on bowls and pipes, or approximately 7 cents per unit. The House bill, which adds 5 cents per unit to the existing rates, is below the actual difference in cost of production, as shown by the figures hereinabove set forth. The domestic manufacturers respectfully submit that the actual conditions here and abroad, as found by the Tariff Commission, would easily have warranted the increased rates which were asked for at the hearing before the Ways and Means Committee.

In view of these figures as found by the Tariff Commission experts, we do not think it necessary to further labor the point that the rates in the House bill are amply sustained by the differences in cost of production here and abroad.

B. IN RESPECT OF CIGAR AND CIGARETTE HOLDERS MADE OF MATERIALS OTHER THAN BRIERWOOD

Illustrations of the differences between domestic cost of production, foreign cost as per invoice, and landed cost with duty and expenses added, are reflected in the following table. The figures shown in this table refer to Bakelite products, cover representative commercial sizes, and are taken from actual invoices.

| Description of article | Domestic cost of production (no selling expense) | Foreign cost as per invoice | Landed cost 60 per cent duty plus expense |
|-------------------------------|--|-----------------------------|---|
| 2-inch cigarette holder..... | \$12.35 | \$1.80 | \$3.24 |
| 2½-inch cigarette holder..... | 13.58 | 2.25 | 4.05 |
| 3-inch cigarette holder..... | 15.86 | 2.75 | 4.95 |
| 3½-inch cigarette holder..... | 17.64 | 3.25 | 5.85 |
| 2 inch cigarette holder..... | 15.95 | 4.15 | 7.47 |

We feel that these figures are more eloquent than any written or verbal argument that could be addressed to this committee.

We repeat, for the sake of emphasis, that with respect to brierwood and other materials used for pipes, pipe bowls, cigar and cigarette holders, and mouthpieces, we are content to rely upon the accurate and disinterested investigations made by the Tariff Commission experts, as disclosed in the statistics and information now in possession of the Tariff Commission.

III. The effect of foreign competition and the imperative need of the protection provided by the House bill is shown by the conditions existing in the domestic pipe manufacturing industry.

The domestic production, in terms of wholesale sales, for the year 1921, was about \$9,000,000; for the year 1928 it was approximately \$5,000,000, indicating a decrease of approximately 45 per cent directly attributable to the effect of foreign importations. In addition to the decrease in sales and employment, the pipe manufacturers have been compelled to carry on business at a substantial and growing loss. The pipe industry in the United States to-day faces absolute destruction unless the minimum protection provided in the House bill is given them.

In view of the decrease in sales and employment and the tremendous losses incurred in carrying on the business of pipe manufacturing, we respectfully submit that this domestic industry comes squarely within the description laid down by President Hoover of the kind and character of industry which is entitled to increased and adequate protection in the new tariff law.

This is not a situation where domestic manufacturers ask for the equalization of a slight difference in foreign and domestic costs of production. These differences, as shown by the Tariff Commission's statistics and information, are so large and significant as to afford complete proof that the domestic industry can not long survive under existing tariff rates. Unless the relief afforded by the House bill is given to the domestic manufacturers they will be driven from business and forced to close their plants.

It was suggested at the hearing by the representative of the importers that the duties in the House bill would be detrimental to the consumer either because the price to him would be increased or he would receive an inferior article. Any increase in price to the consumer is impossible. The reason for this is that pipes are and always have been sold to the consumer in certain price groups, namely, 25 cents per pipe, 50 cents per pipe, 75 cents per pipe, \$1 per pipe, and the like. With respect to the consumer receiving an inferior article, the situation now is that owing to the pressure of foreign competition the domestic manufacturer is compelled to sell below the actual cost of production. It is not necessary to dilate upon the economic unsoundness of compelling any domestic industry by reason of low foreign production costs to sell below the domestic cost of manufacture. All that the duties in the House bill will do is to reestablish the conditions existing for half a century before the present foreign competition became the menace it now is; namely, the consumer will receive a normal value for a normal price, and the domestic manufacturer will be able to make a normal profit and remain in business.

It was further suggested at the hearing by the representative of the importers that the reduction in domestic selling prices was due not to foreign competition but to a domestic price war. It is true that there has been a reduction in the wholesale selling prices. This, however, has been made necessary by reason of the competition of the imported articles and not because of any domestic situation. Here again the facts speak most eloquently. For almost half a century the domestic pipe industry was able to conduct business at a decent normal profit. It was only the tremendous increase in foreign com-

petition after the war that compelled a reduction in domestic prices and an increase in domestic cost of manufacture with the result as has been said that the domestic sales have fallen off over 40 per cent.

The domestic manufacturers have suffered substantial losses in their effort to maintain their organizations and to keep their employees on the pay roll. In order to do this, they have been compelled to take business at any price sustained by the hope of relief from the Tariff Commission and from the rates which now appear in the House bill. Any theoretical discussion to the effect that importations constituting as little as 15 per cent of domestic production can not injuriously affect domestic business, is squarely and completely rebutted by the fact that such imports during the past five years have compelled domestic manufacturers to do business at a substantial loss until they are now threatened with complete extinction unless the rates in the House bill are maintained. This is due to the well recognized fact that in a small industry such as this a much smaller percentage than 15 or 20 per cent affects and controls the entire market. If one article out of seven is sold for 50 cents generally and widely, it is impossible for the manufacturer of six other identical articles to get more than that price.

We venture to present to the attention of this committee that the representative of the importers submitted no shred of evidence contradicting in any way the tremendous differences between domestic and foreign cost as found by the Tariff Commission. These differences, therefore, must be accepted as reflecting the facts. The most casual analysis of these figures is a complete answer to any argument either that the importer can not compete with the domestic manufacturer or that the imports do not have a destructive effect upon the domestic business.

The representative of the importers sought to confuse the issue by drawing the red herring of domestic monopoly across the trail of unanswerable differences in foreign and domestic costs. He sought to do this by suggesting that if the House duties were retained, the domestic manufacturers would at once combine into one organization and form a monopoly to control the domestic business, all to the injury of the domestic consumers. A complete answer to this fanciful picture is found in the fact that, although there have never been more than five or six domestic manufacturers of importance, no such combine has ever been seriously suggested in the whole half century of the pipe business in this country. It is respectfully submitted that it is indeed the counsel of despair when in answer to proposed duties, clearly justified by demonstrable facts and figures, importers must raise the bogey of a possible combination of domestic manufacturers without adducing a single fact in support of such a fantastic contention.

CONCLUSION

We, the undersigned domestic manufacturers of brierwood pipes, have about \$5,000,000 invested in our business and employ about 1,500 persons.

We most urgently request this committee to retain, at the very least, the rates in the present House bill, which are not only justified by the findings of the Tariff Commission but are absolutely essential to the continuance of our industry in the United States.

Respectfully submitted.

WM. DEMUTH & Co.
S. M. FRANK & Co. (INC.).
M. LINKMAN & Co.
L. H. STERN (INC.).

STATEMENT OF MEYER KRAUSHAAR, NEW YORK CITY, REPRESENTING IMPORTERS OF BRIERWOOD PIPES AND SMOKERS' ARTICLES

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

Senator KEYES. Whom do you represent?

Mr. KRAUSHAAR. Importers of brierwood pipes and smokers' articles.

The former section of the tariff act of 1922 imposed a duty of 60 per cent ad valorem on these smokers' articles.

Senator WALSH of Massachusetts. You represent some importers, do you not?

Mr. KRAUSHAAR. Yes.

Senator WALSH of Massachusetts. How many?

Mr. KRAUSHAAR. There are only five or six importers in this country, and there are only five large pipe manufacturers in this country. There are some small pipe manufacturers, but they do not count in the business.

Senator WALSH of Massachusetts. You speak for all of the importers?

Mr. KRAUSHAAR. For practically all of the importers except one or two. There is one importer in the West whom I do not represent.

Under the tariff act of 1922 the duty was 60 per cent ad valorem. Under the House bill as it was first proposed there was a specific duty of 5 cents per pipe and 60 per cent ad valorem levied upon brierwood pipes alone, and there was a 75 per cent duty levied on bakelite cigarette holders and cigar holders and pipe bits. On the floor of the House that was amended so that there was a 5 per cent specific duty levied.

Senator COUZENS. You mean 5 cents specific duty?

Mr. KRAUSHAAR. Yes, a 5-cent specific duty not only on brierwood pipes but upon all classes of pipes, and a duty of 75 per cent ad valorem on bakelite cigarette holders and cigar holders was changed so that there was placed upon this class of merchandise a 60 per cent rate, not only on this class but on all classes of cigarette holders and cigar holders, as well as pipe bits and stems. It was a specific duty of 5 cents per holder and 60 per cent ad valorem.

The result of that is just this. I have a number of samples here, and they are all marked.

Take this little item, for instance, which I now show you. And this is not produced or manufactured in this country at all.

Senator WALSH of Massachusetts. Describe it.

Mr. KRAUSHAAR. It is a paper and quill cigarette holder. It cost abroad \$2.30 per thousand. It sells here for \$4.50 a thousand. The duty will become \$50 a thousand. In other words, there is a complete embargo on this item in this bill.

Senator COUZENS. Is there anything like that made in this country?

Mr. KRAUSHAAR. No, sir; there is not.

I might say this in passing, that the only parties who appeared before the Ways and Means Committee of the House were the manufacturers of brierwood pipes, and there wasn't anybody who appeared in connection with cigarette holders or cigar holders, but the Bakelite people were represented on another schedule and incidentally they referred to the article which is made from their raw material.

Senator THOMAS of Oklahoma. Who is responsible for the increase in duty on that particular commodity, if you know?

Mr. KRAUSHAAR. The Bakelite Corporation. I suppose it was not intended by them to exclude this article, but the manifest word-

ing of this section has that effect. It is virtually an embargo on his class of material.

Senator WALSH. For what does that retail?

Mr. KRAUSHAAR. About 2 cents.

Senator WALSH of Massachusetts. What would it retail for with this duty imposed?

Mr. KRAUSHAAR. The cost of it would be about 9 cents wholesale.

Senator WALSH of Massachusetts. So it would probably jump to 20 cents from 2 cents?

Mr. KRAUSHAAR. Manifestly it could not be sold at all under any circumstances. It is virtually an embargo on this commodity.

Senator THOMAS of Oklahoma. That is supposed to be a cigarette holder?

Mr. KRAUSHAAR. A cigarette holder and cigar holder.

Senator THOMAS of Oklahoma. And used one time and then discarded with the stub of the cigar or cigarette?

Mr. KRAUSHAAR. It might be used once or twice, depending upon the care with which it is handled by the cigarette smoker.

Now, taking up this article—

Senator WALSH of Massachusetts. Describe it, please.

Mr. KRAUSHAAR. This is a Weichsel or cherry wood pipe. It cost there \$2.40 a gross. That is not made in this country. It is not produced here. The effect on that is also to create an embargo. It creates an embargo on this class of merchandise. The man who smokes a briarwood pipe would obviously not smoke this.

Senator WALSH of Massachusetts. Does that compete with the cob pipe?

Mr. KRAUSHAAR. I don't know. I don't think it has any competition. A man who smokes a corn-cob pipe which probably costs 5 cents would probably not buy this one at 10 cents.

Senator WALSH. What would the duty on that be?

Mr. KRAUSHAAR. I have it stated specifically in my brief. I have a great deal of ground to cover, so I leave it in that shape, except that I want to show you some of the other articles.

These are tagged. The articles are described in the brief and the amount of ad valorem rates shown.

For instance, we have shown in the brief the ad valorem rate on this cigarette holder would be 2,238 per cent ad valorem. The Weichsel would be 1,168 per cent ad valorem. The pipe stem would be 1,089 per cent ad valorem.

Senator THOMAS of Oklahoma. Those rates are not especially unusual in this bill, are they, or those increases?

Mr. KRAUSHAAR. I have not made a study of the whole bill and I can not answer that question.

Senator THOMAS of Oklahoma. We have heard it mentioned repeatedly as high as 1,800 per cent, and I think in one case 3,000 per cent.

Mr. KRAUSHAAR. But I think myself that the bill is so artificially drafted in this respect that it was not the intention of Congress to have included all of these items in the catch-all phrases of this bill.

Senator KEYES. Have you stated in your brief what suggestions you have to make with respect to the language?

Mr. KRAUSHAAR. I have, and I have gone further than that. I propose to establish here, with your kind permission, the fact that pipe for pipe and quality for quality the American pipe to-day—I am not talking about conditions as they were at the time of the investigation by the Tariff Commission, but I am talking of the conditions to-day—does not compete, or, rather, the European product does not compete with the American industry.

It is a fact that the domestic manufacturers of pipes are not making any money to-day, but it is not because of the tariff. No tariff can help them. It is because of the fact that people are smoking more and more cigarettes and they are discarding the use of the pipe. The fact is that in 1928 the domestic manufacture of pipes was \$9,000,000. It is now about \$5,000,000. The importation of pipes has fallen a million and a half.

When I say pipes I do not really mean that, because if you will look at the statistics you will see that there is no segregation in these statistics of briarwood pipes. They all come under the heading of smokers' articles. There is no way of telling what proportion of these importations concerned briarwood pipes.

So when my friend a moment ago said it was 20 per cent, I suppose it is based upon mere speculation or guess. But it is not based upon any official statistics.

As a matter of fact, the only time they investigated and segregated briar wood pipes from the rest of the smokers' articles was in 1925 during this tariff investigation.

At that time the Tariff Commission made a long and arduous study of all of the consular invoices and they found that the total importation then, in 1925, was only 16 per cent of the total pipes manufactured in this country.

There were statements made before the Ways and Means Committee, both in brief and upon the hearing to the effect that it was 50 and 25 per cent, and other figures such as those. But I suppose my friend who testified a moment ago and who gave those figures fell into error because he compared the total of all smokers' articles with the amount of briarwood pipes manufactured in this country.

So, in my judgment, the importation of pipes is not a menace that my friends complain about at all. As a matter of fact, the importation of these pipes stimulate this industry. Without the importations they would not be able to manufacture the novelties.

As has been testified to-day and many times before, they get hold of these imported pipes and they manufacture them.

The pipe is a machine product, especially the cheaper grade of pipes, and there is not much labor involved in it. In 1925 there was a difference. Then these goods came chiefly from France and Italy, and the franc was then under 2 cents. To-day the franc is almost double what it was then.

If you take the price of landed articles with the sales price of domestic pipes to-day you will find the importer can not compete quality for quality, and the only reason for his existence is that he is able to bring in these imported articles, the novelty designs, so as to commend themselves to the pipe-smoking public generally.

What will be the effect of the increase of duty? I personally am in favor of the protective principle. I am a high tariff man. And

I am perfectly willing to go so far as to say that where we are not able to compete I am willing to place an embargo on products to keep them out of this country if thereby the laborer will get an increase.

But what will happen here? There are five manufacturers of pipes in the United States. One is practically owned by Schulte, another by the United Cigar Stores, and the third by the American Tobacco Co., and there are two independents.

There is a price war afoot to-day. And I venture to say in all confidence that if this embargo goes into effect there is going to be a joining of hands by these pipe people. Instead of the farmer who to-day smokes the pipe, and not the white-collar man at all—it is the farmer and the laborer who smokes the cheap pipes which cost about 25 cents. Instead of his getting the pipe as he does to-day he will have to pay twice as much for the brier pipe. That will be the effect of this increased duty.

Of course, if there was competition in America, if these pipe manufacturers were to compete with each other, then an embargo would not hurt. But they are not going to compete.

The retail sales and distributions are controlled by these interests, and once they get together, once this embargo is placed, these consumers are going to pay more for those pipes. And there is no question about it.

Senator WALSH of Massachusetts. Do you think when this bill goes through many farmers in the future will smoke brierwood pipes?

Mr. KRAUSHAAR. I don't think so, if it goes into effect in its present shape. If they put a duty of \$7.20 a gross on these cheap pipes, manifestly it will drive them out of the market, and the American producers will be able to charge any price they see fit. And what the farmer will get for 25 cents will not be the brierwood pipe such as he gets to-day; it will be a very inferior article, if he gets it at all.

So much for the pipes. I think I have covered the situation fully in my brief.

I want to go to the bakelite feature and discuss this matter

The pipestem to-day is either a hard rubber, vulcanized rubber, or vulcanite. Bakelite, of course, as you gentlemen probably know, is a chemical production, produced by the chemical reaction of phenol or carbolic acid on formaldehyde.

The industry sprung up in this country a few years ago.

Senator COUZENS. We had the history of that yesterday when the question of bakelite was up.

Mr. KRAUSHAAR. From the standpoint of the other side. But there are a few more things about bakelite which you gentlemen will know before this tariff matter is finally passed upon.

I represented the importers before the Tariff Commission in a case which is still pending in the United States Court of Customs Appeals.

Senator WALSH of Massachusetts. Call it by name.

Mr. KRAUSHAAR. United States Court of Customs and Patent Appeals.

Senator COUZENS. What is the case number?

Mr. KRAUSHAAR. 3009.

I do not expect this to be printed in the record, but I leave it here as an exhibit for those of the Senators who desire to peruse it. It is very interesting from the standpoint of the administration features of section 316 of the tariff act.

Senator COUZENS. There was an embargo put upon it, wasn't there?

Mr. KRAUSHAAR. Yes, sir. But the embargo has been lifted. But there is much in this record showing that the bakelite people have control of this basic material in such a way that they can sell it for \$3 a pound. And I have testimony in this record which shows that if it were produced upon a competitive basis it could be sold for as low as 30 cents a pound. It is no wonder there was importation from abroad.

This is a substance not produced largely by hand labor; it is produced by machinery.

Senator COUZENS. It has been a patented article?

Mr. KRAUSHAAR. Yes, sir. And we claim, of course, all of these basic patents were invalid. And it was only because the Bakelite people with their large capital and their corps of attorneys were able by the use of these patents and threats of litigation and actual litigation that they were able to drive out of the field anyone who competed with them.

I say that company is now a monopoly in the United States. There is nobody in the United States competing with them or anyone who would dare compete with them, because if they attempted competition they would be met with a patent suit, which would last over a period of years, and with the uncertainty involved.

Certainly I do not believe that the Ways and Means Committee of the House intended to give this monopoly, which has already been the object of a subsidy by reason of patent monopoly. They did not intend to give them a further monopoly and a strangle-hold on this country by giving them a monopoly on such things as the cigarette holders or cigar holders.

If you put a specific duty of 5 cents on this product in addition to the 60 per cent ad valorem rate, you will give them another embargo. There is no justification for that under the protective principles of the law.

I do not want to take up any more of your time. I think my brief has fully covered every phase of this case, and I respectfully tender it to you.

(Mr. Kraushaar submitted the following brief:)

BRIEF OF IMPORTERS OF BRILLWOOD PIPES AND SMOKERS' ARTICLES

Under the tariff act of 1922 Congress levied an import duty on all pipes other than china, porcelain, parian, bisque, earthen or stone ware, and on smokers' articles, of 60 per cent ad valorem. This duty represented an increase over the Underwood Tariff Act of 10 per cent ad valorem and restored the duty to the level imposed under the Payne-Aldrich Tariff Act.

Paragraph 1552 of the proposed House bill contains radical and unjustifiable increases in the duty on these articles. The duty on pipes has been made 60 per cent ad valorem plus an additional specific duty of 5 cents per pipe; cigar and cigarette holders and mouthpieces for pipes, heretofore considered under the general heading of smokers' articles, are now singled out and subjected not only to the 60 per cent ad valorem duty but also an additional specific duty of 5 cents per item.

The record before the Ways and Means Committee, which may be found in volume 14, sundries, pages 7953 to 7985, is devoid of any evidence justifying any

increase in connection with cigar and cigarette holders and mouthpieces. The only appearance on behalf of the domestic manufacturers was by Mr. Arthur L. Strasser, whose presentation of the case may be found at page 7970. Mr. Strasser appeared for four firms, William Demuth & Co., S. M. Frank & Co., M. Linkman & Co., and L. & H. Stern (Inc.). The burden of his argument is directed entirely to brierwood pipes with vulcanized-rubber mouthpieces, the basic or chief value of which consists of the imports of French and Italian brier.

The original proposal of the Ways and Means Committee limited the revision by paragraph 1554, as follows:

"PAR. [1454] 1554. Pipes and smokers' articles: Common tobacco pipes and pipe bowls made wholly of clay, valued at not more than 40 cents per gross, 15 cents per gross; valued at more than 40 cents per gross, 45 per centum ad valorem; tobacco pipe bowls, [commercially known as stummels;] wholly or in chief value of brier wood or brier root, in whatever condition of manufacture, whether bored or unbored, and tobacco pipes having such bowls, 5 cents each and 60 per centum ad valorem; cigar and cigarette holders, and mouthpieces for pipes, or for cigar and cigarette holders, all the foregoing of whatever material composed, and in whatever condition of manufacture, whether wholly or partly finished, or whether bored or unbored; pouches for chewing or smoking tobacco, cases suitable for pipes, cigar and cigarette holders, finished or partly finished; cigarette books, cigarette-book covers, cigarette paper in all forms, except cork paper; and all smokers' articles whatsoever, and parts thereof, finished or unfinished, not specially provided for, of whatever material composed, except china, porcelain, parian, bisque, [earthen or stone ware] earthenware, or stoneware, 60 per centum ad valorem; meerschaum, crude or unmanufactured, 20 per centum ad valorem."

In the amended bill, this paragraph, now paragraph 1552, reads as follows:

"Pipes and smokers' articles: Common tobacco pipes and pipe bowls made wholly of clay valued at not more than 40 cents per gross, 15 cents per gross; valued at more than 40 cents per gross, 45 per centum ad valorem; tobacco pipe bowls, wholly or in chief value of brier or other wood or root, in whatever condition of manufacture, whether bored or unbored, and tobacco pipes having such bowls, 5 cents each and 60 per centum ad valorem; pipes, pipe bowls, cigar and cigarette holders, not specially provided for, and mouthpieces for pipes, or for cigar and cigarette holders, all the foregoing of whatever material composed, and in whatever condition of manufacture, whether wholly or partly finished, or whether bored or unbored, 5 cents each and 60 per centum ad valorem; pouches for chewing or smoking tobacco, cases suitable for pipes, cigar and cigarette holders, finished or partly finished; cigarette books, cigarette-book covers, cigarette paper in all forms, except cork paper; and all smokers' articles whatsoever, and parts thereof, finished or unfinished, not specially provided for, of whatever material composed, except china, porcelain, parian, bisque, earthenware, or stoneware, 60 per centum ad valorem; meerschaum, crude or unmanufactured, 20 per centum ad valorem."

The proposed change means that not only are brierwood pipes subjected to a specific and ad valorem duty, but also pipes of any description, whether of brier or cherry wood, not grown in this country or produced here. Moreover, a careful consideration of paragraph 1552 lends color to the argument that even meerschaum, china, porcelain, parian, bisque, earthenware, and stoneware pipes, which under the provisions of the tariff act of 1922 were excepted from the operation of this paragraph, and which were presumably taxable under the provisions of the act as being items whose chief value came in other schedules, are now drawn into the realm of merchandise taxable by specific as well as ad valorem duty.

Cigar and cigarette holders and pipe mouthpieces, now dutiable, at 60 per cent ad valorem as smokers' articles are singled out for special attention. The original measure proposed a duty of 75 per cent on articles made of synthetic phenolic resin; the present House bill provides not only for articles of synthetic phenolic resin, but goes further, and by a "catch-all" phrase, includes cigar and cigarette holders and pipe mouthpieces of materials not manufactured in this country or produced here, and in no sense competitive to articles of American origin. We have searched in vain for anything in the

hearings of the Ways and Means Committee to justify such a special duty. The first intimation of any need for protection on such items is found in the original House bill section 1554, imposing a special duty on articles of synthetic phenolic resin, or what is commonly known as Bakelite. The only reference to Bakelite in the hearings before the Ways and Means Committee is in the brief submitted by L. V. Redman, representing the Bakelite Corporation, volume 1, page 448, wherein the following bald statement is made—when those solid blocks of material are cut up into beads or smokers' supplies or jewelry in Europe and the raw material is loaded down with European labor, they then come in under other paragraphs, which make it impossible for us to compete.

In support of these statements, he also refers to a proceeding had before the Tariff Commission, and to the question of costs of these articles (pp. 452-453, Volume L), for the convenience of this committee, that portion of his statement is appended hereto, and will be completely answered in this brief. Sufficient answer for the moment to Mr. Redman's contention is the fact that the manufacture of pipe bits, cigar and cigarette holders of synthetic phenolic resin is largely a machine operation, and the result of moulding, casting and chemical processes in which the element of manual labor is comparatively unimportant.

It is therefore in the interests of the brierwood pipe manufacturers and manufacturers of articles of synthetic phenolic resin, that the smokers' articles section of the tariff act is sought to be so drastically amended, which we claim is entirely unnecessary, as we shall herein demonstrate and to bring within its scope also a class of articles not competitive to any product manufactured or produced in the United States. Following is an abbreviated list of such types of articles:

| Exhibit | Article | Unit | Foreign cost | Duty, paragraph 1552 | Actual ad valorem |
|---------|--------------------------------|------------|--------------|----------------------|-------------------|
| | | | | | <i>Per cent</i> |
| A | Paper cigarette holder..... | 1,000..... | \$2.30 | \$51.38 | 2,238 |
| B | Weichsel cigarette holder..... | Gross..... | .65 | 7.59 | 1,168 |
| C | Weichsel pipe stem..... | do..... | .70 | 7.62 | 1,089 |
| D | Horn pipe mouthpiece..... | do..... | 1.50 | 8.10 | 540 |
| E | Weichsel wood pipe..... | do..... | 2.40 | 8.64 | 360 |
| F | Meerscham Jimmy pipe..... | do..... | 11.40 | 14.04 | 123 |
| G | Schemnitz clay bowl..... | Dozen..... | .40 | .84 | 210 |
| H | China pipe..... | do..... | 1.95 | 1.77 | 90 |
| I | Imitation meerscham bowl..... | do..... | 3.50 | 2.82 | 86 |

We do not believe that the Ways and Means Committee ever intended to go so far as to place an embargo on the foregoing articles, for an embargo it certainly is. Exhibit A, which is a paper cigarette holder, now retailing at three for 5 cents would have to retail, under the proposed act, for at least 10 cents, and would make the cost of the article prohibitive to the consumer. This result applies equally to other items, although not to the same extent, with the result that these articles could not be imported into the United States.

STATEMENT

The domestic brierwood pipe industry is now virtually controlled by five manufacturers—William Demuth & Co., S. M. Frank & Co., M. Linkman & Co., L. & H. Stern (Inc.), and Kaufman Brothers & Bondy. (Summary of Tariff Information, Schedule 14, p. 2143.) Until recently there were six large concerns, but a recent merger with Kaufman Brothers & Bondy reduced the number to five. L. & H. Stern (Inc.) and M. Linkman & Co. are the only independent manufacturers; the other manufacturers are either owned or controlled by large tobacco distributing corporations, William Demuth & Co. by the Schulte interests; Kaufman Brothers & Bondy by the United Cigar Stores, and S. M. Frank & Co. by the American Tobacco Co. Schulte and United Cigar evidently have a working agreement, as is evidenced by their simultaneous discontinuance of giving profit sharing coupons, and their policy in reducing the prices of popular brands of cigars, cigarettes and tobacco. The indications point to the fact that before long the entire pipe manufacturing

industry will be dominated by these two large chain store organizations. At the present time a price war has been launched by the larger pipe manufacturers leveled against the independents, and it is only a matter of time before they must succumb. Even before the present depressed condition in the pipe industry the importers were unable to compete with the domestic article. The situation now is such that competition has been completely eliminated.

The entire brierwood pipe industry in the United States employs only from 1,200 to 1,500 workers, most of whom are men paid on a piece-work basis. (Summary of Tariff Information, vol. 14, p. 2143.) The following statement taken from Summary of Tariff Information adequately describes the condition of the industry:

"Brierwood pipes are also manufactured on a commercial scale in France, the United Kingdom, Germany, Italy, Czechoslovakia, and Austria. More brierwood pipes are produced in France than in any other country. Statistics of production in foreign countries are not available. Manufacturing operations and methods are generally similar to those used in the United States. Most of the better grades of bowls turned out in France are exported to the United Kingdom, where they are completed into pipes. Some pipes of medium grade are produced in both France and the United Kingdom, but those made in the United Kingdom are mostly of higher grade than those manufactured in France. The production of brierwood blocks is a separate industry from the manufacture of pipes. All blocks used in the domestic brierwood pipe industry are imported, dutiable at 10 per cent ad valorem."

Imports of brierwood pipes into the United States are not separately given in official statistics. Up to 1926 they were included with pipes not specially provided for or smokers' articles not specially provided for. They are now being reported under one heading with pipes of various materials other than clay, in import statistics, as pipes not specially provided for. In 1925 the Tariff Commission compiled figures from the consular invoices which showed that there were 327,185 dozens brierwood pipes imported from all countries, valued at \$513,532. The total production in the United States in 1925 was \$6,986,166. Adding to the foreign value of the importations the landed duty, the value of the imported brierwood pipes was 16 per cent of the amount and quantity of the domestic production.

Pipes are sold in definite retail price groups—25 cents, 50 cents, \$1, and up. Summary of Tariff Information contains the following statement with respect to pipe prices:

"Pipes retailing at \$1.50 or less are sold at wholesale by the gross; above \$1.50, by the dozen. There is a fairly constant ratio between wholesale and retail prices, and pipes that retail at 25 cents each usually sell to jobbers at \$18 per gross; those that retail at 50 cents each, at about \$36 per gross; and those that retail at \$1 each, at about \$72 per gross, these wholesale prices being subject to various discounts. The ratio between retail and wholesale prices of pipes in the higher grades is irregular."

This statement requires explanation, as the impression might be gained that the prices quoted are those of the importers, which is not so. At the time the summary was prepared, the prices of the domestic manufacturers were used. The present base-line prices of domestic pipes are as follows: On 25 cent pipes, \$18 a gross, but whereas formerly the pipes were packed in ordinary boxes, they are now packed on display cards of a dozen on a card, and a dozen in a box, which costs the wholesaler between \$2 and \$3 per gross. The 50-cent pipes are now sold as low as \$28.35 per gross, and the so-called \$1 pipe as low as \$56.70 per gross. On the other hand, the wholesale rates on imported pipes are as follows: There is no 25-cent pipe comparable to the domestic pipe, that can be sold within the 25-cent price group, or \$18 per gross. The 50-cent pipes are sold at an average of \$31.50 per gross. Pipe for pipe, quality for quality, these pipes are not as good as the American product, but can be sold only because of workmanship and design, novelty and ingenuity, which are copied by the domestic manufactures, resulting in the imported product being driven from the market. With respect to the \$1 pipe, the wholesale rate on imported pipes boxed similar to the American product is \$66 per gross. It will be noted that there is no competition between the domestic and imported articles.

In 1923 the domestic manufacturers complained to the Tariff Commission that the importers were violating section 316 of the tariff act of 1922, and were guilty of unfair methods of competition in the importing of pipes. Mr. Leopold Demuth, then in control of William Demuth & Co., testified in the

proceedings as to the domestic cost of manufacturing. His statements on direct examination lent support to the theory that the cost of manufacturing in the United States was in excess of the foreign cost, but he refused to submit to cross-examination as to his cost figures and his testimony was stricken from the record, and subsequently the proceedings were dismissed as baseless. Later proceedings were had under section 315 upon the alleged claim that an additional duty was needed to place the domestic manufacturers on a parity with the importer. The testimony in this action was terminated about a year ago and briefs submitted, but no decision has as yet been reached by the Tariff Commission. Since that time, however, radical changes have taken place in the industry abroad. The French franc and other foreign currency were then in a depreciated condition, the French franc in 1925 and 1926 having gone as low as under 2 cents. At the present time the rate of exchange on the franc is 0.0392 cents, almost double. When the franc was low, it was possible to purchase merchandise abroad which could be sold here in competition with the American product for 25 cents and 50 cents. These conditions no longer obtain, and the landed cost of the imported product to-day is far in excess of the domestic selling price. (Hearings before Ways and Means Committee, vol. 14, pp. 7962-7963.)

In connection with brierwood pipes, we therefore contend, first, that the House bill really imposes an embargo on all pipes in the lower-price groups making them unavailable to the farmer, wage earner, and other consumers and resulting in an increased cost to the consuming public in general, or, in any event, in the sale of an inferior article within these price groups, because of the tendency of the American manufacturers to monopolize the market and control the retail distribution of pipes; second, that the importer can not at the present time compete, pipe for pipe, quality for quality, with the American article, and that the only reason for his existence lies in the fact that he is able to stimulate the American market by the importation of novelty designs, which are soon copied by the domestic manufacturer, and affords the consumer the opportunity of profiting by the best European ideas; and, third, that if there is no reason for the promulgation of an embargo by such prices, there is still less reason for such action with respect to pipes not made in this country and which can not be made or produced here.

With regard to cigar and cigarette holders and pipe mouthpieces, there is no justification whatsoever for the levying of such an enormous duty as is called for by the House bill. Not only does the bill operate as an embargo on all cigar and cigarette holders and pipe bits, whether made of synthetic phenolic resin or vulcanized rubber but it subsidizes an industry which is at the present time a monopoly in this country.

The Bakelite Corporation is the only company producing synthetic phenolic resin, which looks like amber, and which is now used extensively for pipe bits, cigar and cigarette holders. Before 1926 it was concededly a monopoly by reason of its alleged basic patents, having driven all competitors from the market by patent litigation. About a year prior to the expiration of its patents, and in anticipation thereof, it applied to the Tariff Commission, under section 316, for further protection, on the theory that the importation of similar articles constituted an infringement of its patent rights, and hence an unfair act of competition, and sought and obtained an embargo on such goods. This embargo is still in existence on one type of cigarette holders, which is composed of multicolored sections of synthetic phenolic resin, but the case is still in litigation. The case is now pending in the United States Court of Customs and Patent Appeals, and the Bakelite Corporation claims that synthetic phenolic resin, or Bakelite, can not be produced as cheaply here as abroad. The overwhelming weight of evidence points to the contrary, providing the corporation controlling the article is willing to sell it at a fair rate of profit. Moreover, it was proved in the proceedings that the Bakelite Corporation had indulged in many illegal practices, such as controlling raw materials by fixing the resale price and by limiting the same to special interests with whom it was willing to contract. It is said that these practices have now been discontinued, but that they did exist is beyond dispute.

The duty proposed in the original bill viz., 75 per cent ad valorem, while high and unnecessary, is not objected to by the importers. We feel that such a duty would be sufficient protection to a fairly competitive industry, if any such ever develops in this country. At the present time, however, while the Bakelite Corporation states that it has two competitors, they have not developed

sufficiently to affect prices, and as far as we know, they do not manufacture smokers' articles. It must be noted at this point that the Tariff Commission divided three to two in recommending the exclusion of Bakelite articles, not upon the ground that the Bakelite Corporation was unable to compete with foreign articles, but entirely on the legal question as to whether or not the patents were infringed upon. Commissioner Costigan found that the Bakelite Corporation was not an industry efficiently and economically operated, which is a prerequisite to the protection given under Section 316 against unfair methods of competition, and also that the Tariff Commission had no jurisdiction to adjudicate the validity of its patents. These issues are still undetermined, and are to be considered by the United States Court of Customs and Patent Appeals next October.

POINT I. IMPORTERS CAN NOT COMPETE WITH DOMESTIC MANUFACTURERS IN BRIERWOOD PIPES AT THE PRESENT RATE OF DUTY

We have already noted that the so-called 25-cent pipe has been swept entirely from the market. With respect to the pipes which can be sold by the importer in the 50 cent and \$1 group, we have already shown that these do not compare with the domestic product.

No comparative figures of existing costs were produced by the domestic pipe manufacturers before the Ways and Means Committee. Mr. Strasser's brief (vol. 14, pp. 7970-7985) rests entirely upon the statements of the domestic manufacturers as submitted to the Tariff Commission in their investigation of the industry for the years 1925 and 1926. On our part we submit herewith briefs of the importers in this investigation. It can not be overlooked that the facts as developed during that investigation have now become obsolete in view of the radical changes brought about since that time by the stabilization of foreign currency and conditions. Mr. Strasser claims that in 1921 the proportion of imports to domestic production was 25 per cent; in 1925, 53 per cent; and in 1927, 83 per cent. This statement is inaccurate and misleading, and not supported by any statistics. The figures of the Department of Commerce at no time show the amount of briewood pipes imported into the United States. All smokers' articles are listed together, and briewood pipes are not segregated. "Imports of briewood pipes into the United States are not separately given in official statistics. Up to 1926 they were reported as other pipes, not specially provided for, or as smokers' articles, not specially provided for. They are now being reported under one heading with pipes of various materials other than clay in the import statistics as pipes, not specially provided for." (Summary of Tariff Information, Schedule 14 p. 2143.) This authority also shows that the Tariff Commission obtained figures from the consular invoices for 1925, whereby it was shown conclusively that the amount of imports were only 1 per cent of the total production. Mr. Strasser's figures can only be justified on the assumption that he compared the value of all smokers' articles with briewood pipes, when it is evident that there was imported into the United States other pipes and smokers' articles which are not or can not be produced or made in this country.

Mr. Strasser further states that in the year 1921 the value of the American product was \$9,000,000, whereas in the year 1927 it was only \$5,000,000, and reasons that the decrease of nearly 50 per cent is directly attributable to the effect of foreign importations. This statement is also inaccurate. It is a matter of common knowledge that the demand for pipes has been and still is steadily declining in the United States. This is also true with regard to the consumption of cigars. The trend is distinctly in favor of cigarettes in the consumption of tobacco.

The best way of disposing of Mr. Strasser's argument is to determine whether the amount of imports has increased \$4,000,000 from the year 1921 to the year 1927, in which case his argument might be substantiated. In 1921 the total imports amounted to \$758,505, plus duty of 50 per cent, \$379,253, making a total of \$1,137,758; in 1927 they amounted to \$1,635,060, plus duty of 60 per cent, \$981,036, making a total of \$2,616,096 (Summary Tariff Information, vol. 14, pp. 2141-42), or an increase of \$1,478,338, thus proving that imports are not the reason for the falling off of \$4,000,000 in American production. Moreover, it does not follow from the increase shown of \$1,400,000, that the increase is due to larger importations of briewood pipes as there is no way of showing how much of the increase is due to

brierwood pipes and how much to other smokers' articles, and how much is due to the higher rate of exchange.

It will be noted that Mr. Strasser dwells upon the figures for 1927, and carefully refrains from mentioning the figures for 1928, in which year imports amounted to \$952,508, plus duty of 60 per cent, \$571,504, or a total of \$1,524,012, a decrease from the year 1927 of \$1,092,084. This is not evidence to show that importations are making inroads on American manufacturers, but on the contrary proves conclusively that foreign costs have increased to such an extent as to make importations of the cheaper grade of pipes no longer economically profitable. In our brief before the Ways and Means Committee we compiled figures and made comparisons showing that foreign costs are such that the importer can not compete with the domestic manufacturer, even at a rate of duty of 30 to 40 per cent (pp. 7962-7965). There is, therefore, no basis for the complaint of the domestic manufacturer, and no justification for the rates proposed in the House bill.

POINT 2. THE HOUSE BILL WILL RESULT IN AN EMBARGO ON CHEAP PIPES, CAUSING INCREASED PRICES, TO THE DETRIMENT OF THE FARMER, WAGE EARNER, AND OTHER CONSUMERS THEREOF

The increase in duty sought would impose a specific duty of \$7.20 per gross in addition to a duty of 60 per cent ad valorem. The effect would be to create an embargo on all such merchandise which can be retailed in this country from \$1 down. That the measure will operate in that way is undoubtedly conceded by the domestic manufacturers, and that it is aimed at the cheaper grades of pipes is also undisputed. It has been argued in connection with increases in duty on other commodities in definite price groups that such increases would not result in increased prices to the consumer, who would receive as good, if not better, class of merchandise by reason of the domestic manufacturer operating to capacity, and thus reducing his overhead expense. Such an argument might be advanced in connection with a highly competitive industry where many manufacturers were engaged and in which the retail market was not controlled by monopolies or by groups having price-fixing agreements. Here, however, we have an industry which is in the hands of five large manufacturers, the three largest already controlled by the large tobacco-distributing organizations, viz. American Tobacco Co., United Cigar Stores, and Schulte Cigar Stores. It is only a matter of time before the two remaining independent manufacturers will be absorbed by these giants or will make peace with them, resulting in secret price arrangements. Especially will this result be achieved if the proposed House bill becomes operative, in which event these corporations will have absolute control of the selling prices of the cheaper grades of brierwood pipes and will be able to fix prices as high as the traffic will bear.

Who will suffer the most as a result of such a condition? Surely not the smoker of the high-grade imported English pipes selling for \$10, the sale of which is controlled by the same large interests. Five cents, 10 cents, or even 25 cents a pipe will not make any difference to them. But the farmer, the laborer, and the small wage earner would be seriously affected. The trend toward cigarettes finds the use of pipes largely with that mass of the population which this Congress is seeking to benefit. The farmer does not smoke cigarettes; he smokes a pipe. The laborer does not smoke cigarettes; he smokes a pipe. There are States in which cigarettes are prohibited, such as Kansas and other Western States. Is this group of our population to be discriminated against in favor of the cigarette smoker?

The past presidential campaign was waged upon the principle that the tariff is no longer a matter of politics. Both great parties agree in the protective principle, as do the subscribers to this brief, and this argument is in no sense meant to be in opposition to that sentiment, for which there is no argument necessary. On the other hand, the great statesmen of the country have publicly acknowledged the necessity of benefiting the farmer and wage earner by correcting tariff inequalities. This calls for increasing the duty where necessary and reducing the duty where the present rates operate to the disadvantage of the country at large. How, then, can it come with good grace, in the face of such overwhelming public sentiment, to increase the duty, not upon articles of luxury but upon articles used by the farmer and wage earner, and by so doing increase the cost to them, without any benefit to the public generally?

It is argued that the pipe manufacturers are not making any profits and that their business is languishing. This may be true, but the cure is not in increasing the tariff. It is common knowledge that the pipe manufacturers enlarged their plants and increased their productivity because of the war. Had the public demand for pipes increased in proportion they would still be making money. The public demand, however, declined, and an increase in the tariff will not stimulate it, but, on the contrary, will reduce it. Undoubtedly pipe sales might be stimulated if as many millions were spent in advertising the benefits and comforts of smoking a pipe as are spent on advertising some of the popular brands of cigarettes, such as Lucky Strikes and Camels. Increasing the tariff will not help, but rather hurt, the industry. The importers exist only because they are able to bring into this country articles of novel design and artistic workmanship. These articles are copied by the domestic manufacturers, resulting in stimulation of business and a better product. If this stimulus were lost by the imposition of a tariff which would create an embargo on all pipes selling below \$1, the cheap pipe industry will die of dry rot and the public driven more and more to the consumption of cigarettes.

Mr. Strasser quoted in his testimony from the statements made by Mr. Abraham before the Tariff Commission, in which he said that the imported pipe is comparable to the domestic product. He failed to quote all of Mr. Abraham's testimony, wherein he further stated that at the present time he is buying no imported pipes of the cheaper grades because the American pipe was much superior and he finds it to his advantage to buy only from domestic manufacturers.

POINT 3. CIGAR HOLDERS, CIGARETTE HOLDERS, AND PIPE MOUTHPIECES

It has already been noted that the imposition of a specific duty of 5 cents and 60 per cent ad valorem duty on cigar and cigarette holders and pipe mouthpieces is proposed directly to benefit the Bakelite Corporation.

The average retail price of Bakelite cigar and cigarette holders ranges from 5 to 25 cent. It requires, therefore, no stretch of imagination to see that the proposed duty would operate as an absolute and complete embargo on all merchandise intended to be sold at 10 cents up to 25 cents.

If the Bakelite industry were competitive, there might be some justification for singling it out for protection, but its position is quite the opposite.

In 1907 Dr. Leo H. Baekeland obtained a patent upon the product known as synthetic phenolic resin, form C, and gave it the name "Bakelite." This chemical compound is a so-called condensation product resulting from chemical reaction of aldehydes on phenol, in common parlance, a compound of formaldehyde and carbonic acid. With the proper proportion of each chemical and the application of heat and pressure, the so-called synthetic phenolic resin or Bakelite is produced, which is now used in tremendous quantities for many and diverse articles of commerce. Doctor Baekeland was not the first one in this field, but he was the first to render the article commercially profitable in this country.

In 1910 Doctor Baekeland introduced the article in Germany. In 1920 he formed the General Bakelite Co. to exploit the product in the United States. A number of competitors sprang up, among them Lawrence D. Redman, who testified before the Ways and Means Committee (volume 1, p. 448, hearings before Ways and Means Committee). Redman began the manufacture of synthetic phenolic resin in 1914, and continued doing business until 1921, selling his product at Redmanol. The Bakelite Corporation then sued a customer of the Redmanol Co., the defendant contending that the patent was invalid. The case was tried in the eastern district of New York, United States district court, and a judgement was rendered in favor of the Bakelite Corporation (276 Fed. 176). Instead of litigating further, the parties agreed to combine, and were merged into a new corporation known as the Bakelite Corporation, to which Doctor Redman assigned all his patents. Thereafter the Bakelite Corporation instituted a large number of patent suits, only two of which ever came to trial. The basic patents which they claim have never been passed upon.

In April, 1926, the Bakelite Corporation filed a complaint with the Tariff Commission under section 316 of the tariff act of 1922, claiming that the importers were violating their patents by importing cigar and cigarette holders and pipe bits. The resultant investigation by the Tariff Commission and the

findings rendered by a divided vote are now on appeal to the United States Court of Customs and Patent Appeals. The printed record of this appeal will be made available to any member of the Senate seeking to examine it, and from many points of view this case is very important in the consideration of the administrative provisions of section 316 of the tariff act of 1922, now section 337 of the House bill.

One of the issues in the case before the Tariff Commission was the question whether the Bakelite Corporation was efficiently and economically operated. Section 316 makes such a condition essential to any relief, namely, that the industry be efficiently and economically operated. Much testimony was taken, and grudging admissions on the part of the officials of the Bakelite Corporation after a rigid cross examination revealed that it had engaged in unlawful practices and price fixing agreements. This practice was justified on the ground that there was a patent monopoly, notwithstanding the decisions of the Supreme Court in the cases of *Boston Store Co. of Chicago v. American Gramophone Co.*, (246 U. S. 3, 33 Sup. Ct. Rep. 257); *Federal Trade Commission v. Beechnut* (257 U. S. 441, 42 Sup. Ct. Rep. 150), but they asserted at that time that these reprehensible and unlawful practices had been discontinued. Moreover, in the course of the examination it was brought out that their product had sold from 1920 to 1922 for \$3 per pound; in 1923 and 1924 for \$2.75 per pound, in 1925 for \$2 per pound, and in 1926 for \$1.50 per pound; also that the cost of production in 1925 was \$1.50 $\frac{2}{3}$ per pound, so that the Bakelite Corporation was selling their product at a loss. On cross-examination the officials of the Bakelite Corporation refused to submit their books showing the cost of production, profits, etc., and it was shown that these cost figures were based purely on hearsay and from a prepared statement. The testimony of Mr. Redman before the Ways and Means Committee of the House, appearing in the appendix, has compelled us to go into this matter to show that the cost of manufacturing the American made cigar and cigarette holder has increased not because of the incompetency of the domestic manufacturer to compete with the foreign article, but because the Bakelite Corporation has exacted so high a price for its product as to make the use of domestic Bakelite prohibitive.

Doctor Olsen, one of the great chemists of this country, testified as follows:

"Q. Were any of these products marketed?—A. Yes; the material was sold and sold right along. There was no difficulty in selling it. There seemed to be a very great demand for this material, particularly because the consumers complained they could not get the material from the Bakelite Co. In fact, we had letters and requests, and all kinds of requests for the material.

"Q. Roughly speaking, about how many pounds of that material, as far as you can judge now, were marketed by you?—A. Well, it was thousands of pounds. I can only give an approximation now, but certainly four or five thousand pounds were made and marketed of that material.

"Q. Are you able, doctor, to tell the commission the cost of the raw material used by you in the manufacturing of a pound of that phenolic form C resin?—A. Why, the cost varied with the price of the raw material, but approximately a pound of phenol and a pound of formaldehyde and small quantities of other necessary ingredients were necessary to produce a pound of product, and these materials varied. The formaldehyde was something like nine or ten cents a pound. The phenol varied, say, from 15 cents up to 30 cents a pound during that period. So that the cost of the materials themselves might have averaged say 30 cents a pound.

"Q. Have you ever figured out the total cost of production at that little factory per pound of material?—A. Why, as we were operating, the cost was something like 50 cents a pound to 60 cents a pound.

"Q. Did that include labor, salaries, and general overhead?—A. Yes, sir.

"Q. Did it include power?—A. Yes.

"Q. Salary of salesmen?—A. Well, there was not much necessity of salary of salesmen because there was no difficulty in selling. So that was a very small item.

"Q. Was it necessary after you started manufacture to do any research work in order to continue to produce the material and selling it in commercial quantities?—A. No extensive research; no. Made little experiments, which would always be carried on in connection with a product of that kind, but never extensive.

"Q. So that the total cost of production including material, labor, power, overhead, salaries, was what?—A. Well, between 50 and 60 cents a pound.

"Q. What price did you get per pound for it in the market?—A. Why, a dollar and a half.

"Q. Have you any reason to believe, doctor, that if you had operated on a larger scale the costs would have been other than those stated by you?—A. Why, I see no reason why we would not have operated at the same cost on a larger scale. As a general rule, large scale production is cheaper than small scale production. So that it looks to me as if that process had continued, it would have been at a low price, low cost.

"Q. Doctor, I wish you would state in what form the material made by you was sold.—A. It was sold in blocks; that is, we made it in pans. There is a sample of the material which was made in blocks of this kind, and of course was sawed up for the making of the article."

It is thus evident that notwithstanding the fact that the maximum cost of production of this commodity was 60 cents per pound, it was being sold for \$1.50 to \$3 per pound. Were it not for the importations, it can readily be seen that the Bakelite Corporation would be in a position to charge any price they saw fit, as a result of their alleged patent monopoly. It will be noted also that the patents of the Bakelite Corporation are still being contested, and as regards cigar and cigarette holders we claim they are entirely invalid.

We contend that the Bakelite Corporation has made use of its patents in the manner denounced by Judge Quarles, in the case of Commercial Acetylene Co. v. Avery Portable Lighting Co. (152 Fed. 642), at page 645:

"Instances are not wanting where patentees make illicit use of the courts as instrumentalities of oppression; bring a multiplicity of suits purposely scattered through the circuits, not for the honest purpose of securing an adjudication in support of the patent, but to crush a rival manufacturer by creating a stampede among his customers; alarming them by circulars breathing threats of prosecution, denouncing the product of the rival concern as an infringing device, at the same time taking no steps to bring any of the numerous suits to final hearing."

With these facts in mind, what justification is there for levying a tariff specially designed to benefit the Bakelite Corporation, particularly when it has no rivals in this country and will then be in a position to fix its own prices on its commodity. The importers are willing that there should be a measure of protection in favor of Bakelite, for the reason that some day it is hoped that a domestic industry of sufficient importance will arise to combat the present monopoly, and for such manufacturers it is necessary that there be a tariff imposed on articles composed of synthetic phenolic resin, but a specific duty of 5 cents is entirely unnecessary, and operates as an embargo. The original duty proposed by the House—75 per cent ad valorem—is more than ample for the protection of this product.

Moreover, it must be remembered that the production of cigar and cigarette holders of synthetic phenolic resin is a machine product, and it is notorious that goods manufactured by machinery can be duplicated in the United States at much less than the cost of importing a like or similar article, provided that the cost of the basic materials out of which the article is made, is not inordinately high. Synthetic phenolic resin is a basic material, and while the Bakelite Corporation does not manufacture cigar and cigarette holders itself, it controls the market for the raw material. If the basic material is reduced in price no question can arise as to the competency of the American manufacturer to compete with imports.

CONCLUSIONS

It is again to be noted that the House bill is improperly drafted, and that the "catch-all" phrases must be moderated so as not to exclude such articles as are not produced or manufactured in this country, and which there is no domestic competition. The proposed bill creates an embargo upon the cheaper class of pipes, removes all incentive to the domestic manufacturer to maintain a lower price level, and imposes an enormous tax upon the farmer and laborer without corresponding benefit to the country at large and to the industry involved. It fosters monopolies and places the pipe industry at the mercy of the Bakelite Corporation.

We repeat that we have no objection to reasonable protection for the American manufacturer, but the existing duty is more than adequate, and the proposed duty is exorbitant.

The following paragraph is proposed in lieu of the present paragraph 1552 of the House bill. It represents a reduction in ad valorem duty to 40 per cent, and is quite adequate to protect the American manufacturers of brierwood pipes:

"PAR. 1552. *Pipes and smokers' articles.*—Common tobacco pipes and pipe bowls, made wholly or in chief value of clay, valued at not more than 40 cents per gross, 15 cents per gross; valued at more than 40 cents per gross, 45 per centum ad valorem. Tobacco pipes or pipe bowls, wholly or in chief value of brier root or wood, or other woods specified in paragraph 404, in whatever condition of manufacture beyond that specified in paragraph 404, whether bored or unbored, 40 per centum ad valorem. Pipes and pipe bowls, cigar and cigarette holders, and mouthpieces for same, in whatever condition of manufacture, whether bored or unbored, composed wholly or in chief value of synthetic phenolic resin, 75 per centum ad valorem. Tobacco pipes and pipe bowls, cigar and cigarette holders not specially provided for and mouthpieces for pipes, cigar and cigarette holders not specially provided for, in whatever condition of manufacture, whether bored or unbored, pouches for chewing or smoking tobacco, cases suitable for pipes, cigar and cigarette holders, finished or partly finished, cigarette book covers, cigarette paper in all forms except cork paper, and all smokers' articles whatsoever and parts thereof, finished or unfinished, not specially provided for, of whatever material composed, except china, porcelain, parian, bisque, earthenware, or stoneware, 60 per centum ad valorem, meerschau, crude or unmanufactured, 20 per centum ad valorem."

It is respectfully submitted that the specific duty of 5 cents sought to be imposed by this tariff act on brierwood pipes and smokers' articles be stricken from the bill, which is designed to protect the farmer and to correct industrial abuses.

Respectfully submitted.

FRISCHER & Co. (INC.),
A. OPPENHEIMER & Co. (INC.),
ALFRED ORLIK (INC.),
HOUSE OF COMOY,
A. B. NEWMAN Co.,
All of New York City.
MEYER KRAUSHAAAR, Attorney,
New York City.

APPENDIX A

[Extracts from brief of the Bakelite Corporation, hearings before the Committee on Ways and Means, House of Representatives, volume 1, Schedule 1, pages 452 and 453]

A list of the amendments to the foregoing paragraph is appended to this brief.

In 1925 this corporation applied to the United States Tariff Commission under paragraph 316 of the tariff act of 1922 for an order excluding smokers' articles consisting of cigarette holders, pipe bits, and jewelry and beads made of synthetic phenolic resin known as "Form C. Bakelite," asking for an embargo because of unfair trade practices in the importation and sale thereof. In that proceeding it was proved by competent testimony now on file with the Tariff Commission that the cost of manufacture of American made cigarette holders of synthetic phenolic resin was approximately 100 per cent greater than the price at which identical foreign-made merchandise was actually sold in the United States. It was further shown that by reason of this foreign competition the sales of the American product had dropped in the sales of one firm alone, William Demuth & Co., from a value of \$160,000 in 1922 to a value of \$37,000 in 1925. It is further shown in that record that it was impossible for the American goods to compete with the foreign goods.

In that proceeding it was also shown that the Bakelite Corporation was the owner of certain patents covering synthetic phenolic resinlike products and during the course of the proceeding a temporary embargo under the provisions of paragraph 316 was placed upon the importation of such merchandise during and until the expiration of the patents. By the time the case was finally submitted to the Tariff Commission, however, the patents which were one of the bases of the claim of unfair competition had expired and the embargo

was canceled as of December, 1926. Since then there has been no inhibition against importation thereof.

No final order of the President was ever issued in this particular case as an appeal was taken to the Court of Customs Appeals from the report of the Tariff Commission which litigation has not been concluded. The embargo is still in existence, however, as to one type of cigarette holder, which is composed of multicolored sections of synthetic phenolic resin joined together.

Under the power given to the Secretary of the Treasury in section 316, importation of this type of merchandise has been permitted, notwithstanding the embargo, by permitting the importers to give bonds pending the final determination of the proceeding. It is believed that large importations thereof have been made under these bonds.

STATEMENT OF HARRY S. LEDERER, NEW YORK CITY, REPRESENTING THE PIPE AND SMOKERS' ARTICLES GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

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

Senator KEYES. Whom do you represent?

Mr. LEDERER. I am appearing here in behalf of the Oppenheimer Co. (Inc.), and the pipe and smokers' articles group of the National Council of American Importers and Traders.

Senator WALSH of Massachusetts. Are they importers?

Mr. LEDERER. Yes, sir.

Senator WALSH of Massachusetts. Of smokers' items?

Mr. LEDERER. Yes.

Senator WALSH of Massachusetts. What paragraph do you want to discuss?

Mr. LEDERER. 1552.

Senator KEYES. You have heard the testimony of the previous witnesses on this paragraph?

Mr. LEDERER. Yes.

Senator KEYES. Do you desire to add to what they have said?

Mr. LEDERER. There is very little to add, except to take a few exceptions to some of the remarks of Mr. Strasser.

Senator WALSH of Massachusetts. What do you want to say about this?

Mr. LEDERER. The one outstanding remark that he made is that now the importers are copying the American designs. That is impossible and out of the question. The home industry emanates from Europe. All designs and all ideas that are worth while have always come from Europe. The American manufacturers have profited by them solely and only.

I take the position, gentlemen, that we are a benefit to the trade, and that is the only reason that the importer can exist—that he does create things that they copy and imitate, cheapen, and then drive out of the market.

Mr. Strasser said something about why are these prices being cut this year?

I have very good information to the effect that this price cutting that is going on is to drive certain people out of business. And I think I know whereof I speak.

Senator WALSH of Massachusetts. Do you mean importers or domestic?

Mr. LEDERER. Domestic.

In a comparative way it is impossible for the importer to combat or to meet the domestic manufacture.

And I want to tell you this, gentlemen. It was not brought out before. There was nothing brought out about the interlocking of this brier-pipe business. And there is no earthly reason why pipes, smokers' articles, cigar holders, and cigarette holders, and all of those things that come in, should be taxed with an extra 5 cents for each article. It is unfair. And I know you will bear me out if you will just study all of the briefs and all of the data and details that have been given.

STATEMENT OF STEPHEN A. OGDEN, NEW YORK CITY, REPRESENTING ALFRED DUNHILL OF LONDON (INC.)

[Including reference to par. 1527]

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

Mr. OGDEN. I am second vice president of Alfred Dunhill of London (Inc.), 11 East Twenty-sixth Street, New York City.

Senator WALSH. What do they do?

Mr. OGDEN. Alfred Dunhill imports and manufactures smokers' articles of all kinds.

Senator WALSH. Do you represent anybody besides yourself?

Mr. OGDEN. No, sir; I do not. I may say that Alfred Dunhill of London (Inc.), is an American corporation with an American investment totaling over \$10,000,000.

I have appeared before the House Ways and Means Committee and submitted a brief to them on the subject of paragraph 1454, tariff act of 1922, paragraph 1552, H. R. 2667. The purport of this brief and my appearance is to ask that a dividing line be placed in the tariff act separating the duties on brier pipes valued at more than \$3 each from the duty levied on those below \$3, and there are no American pipes to compete in either price or quality with the highest grade of English merchandise.

I will not take up the time of the committee in going into this subject in detail but will refer you to my previous testimony. However, I shall be glad to answer any questions on the subject you may wish to ask me or write me about in New York at any time.

Senator KEYES. In order to clear the matter up in my mind, what paragraph under the sundries schedule are you addressing yourself to?

Mr. OGDEN. I am referring to the paragraph covering smokers' articles and the paragraph in connection with jewelry.

Senator KEYES. That would be 1527?

Mr. OGDEN. In the old bill those paragraphs are 1428 and 1456.

Senator KEYES. You do not know what they are in the pending House bill?

Mr. OGDEN. They are 1527 and 1552.

What I particularly wish to talk to you gentlemen about is the proposed paragraph 1552, the wording of which is as follows:

And all smokers' articles whatsoever and parts thereof, finished or not finished, not specially provided for, of whatever material composed except china, porcelain, parian, bisque, earthenware, or stoneware, 60 per cent ad valorem.

Cigar lighters when composed of base metal should be classified under this paragraph and not under the jewelry paragraph, No. 1428, tariff act 1922, and paragraph 1527, H. R. 2667, where these articles now fall by court interpretation of the jewelry division. (T. D. 36458.)

Cigar lighters are now assessed at 80 per cent because of paragraph 1460, which says:

If two or more rates of duty shall be applicable to any imported article, it shall pay duty on the highest of such rates.

The jewelry paragraph, which includes all metal articles carried on or about the person or for personal adornment valued over 20 cents a dozen, necessitates the classification under that paragraph of many smokers' articles, including lighters, which are in no sense jewelry.

Lighters should be restricted in the jewelry paragraph to such articles as are composed of precious metals or set with precious or imitation precious stones, otherwise these articles have no place in the jewelry paragraph and should fall under the paragraph which was framed to include all smokers' articles of whatever nature.

The House of Representatives bill by its ambiguous language cleverly hides the fact that the present jewelry duty is being raised from 80 to 100 per cent ad valorem, which represents an increase in cost to the importer of one-sixth of his present landed cost. Inclusion of lighters in smokers' articles paragraph where they clearly belong would mean a reduction in landed cost of 10 per cent to the importer.

Senator THOMAS. Will you explain what you mean by the words "cleverly hides"?

Mr. OGDEN. The old wording was 80 per cent ad valorem, and the new wording provides for 50 per cent ad valorem plus three-fifths of a cent for each cent of value over 20 cents a dozen, which is 60 per cent over 20 cents a dozen. In other words, it is 60 per cent plus 50 per cent, and it would have been very much easier if they had said 110 per cent, if that is what they meant.

Senator WALSH. You would have to have an education in higher mathematics to work that out, I should think.

Mr. OGDEN. The ordinary person would have to have.

For practical purposes there was no business on pocket lighters in the United States prior to 1925, when Alfred Dunhill first introduced the present Dunhill lighter to the American market. The quality and convenience of the product so appealed to the American public that a host of foreign imitators shortly followed in its wake. American manufacturers came into the lighter business on a large scale starting the fall of 1920 and shortly drove all foreign competitors off the American market. American machine methods of quantity production and the ingenuity of the American manufacturers produced popular-priced articles at prices far below the landed cost of the foreign merchandise. As shown by the samples I am submitting herewith of both foreign and domestic products, American retail price is often as low and lower than the landed cost of the foreign competition, so that the inclusion of lighters in the jewelry paragraph should not come under the heading of protective tariff, but that of an absolute embargo.

That is shown by certain samples that I desire to submit to you gentlemen. I have here a domestic lighter [exhibiting lighter] made by Park, Sherman & Co. This lighter is retailed in the United

Cigar Stores at \$1 and at the Peoples' Drug Stores in this city for 98 cents, and I have no reason to suppose that the manufacturer is not making a profit.

The German manufacturer submitted this to us, showing a cost of \$1.04, with a landed cost of \$2.01 under the present duty.

I have here quite a number of samples. Here, for instance, is one that we have placed on the market ourselves [exhibiting sample].

Senator WALSH. American made?

Mr. OGDEN. American made; yes, sir, because we were able to make it cheaper, so far as this average priced merchandise is concerned, than abroad. That wholesales for \$2 apiece.

Here is an English-made lighter [exhibiting lighter] which the importers have found necessary to retail at \$12.50 apiece.

Senator WALSH. That is imported?

Mr. OGDEN. That is imported from England, sir. Wherever I show an imported article, the landed cost is the landed cost under the old bill now in force.

There is a German lighter [exhibiting lighter] which would land at 77 cents apiece.

Senator THOMAS. Have you any Swiss produced goods?

Mr. OGDEN. The Dunhill lighters imported into the United States are 98 per cent produced in Switzerland, and the gold lighters sold by Alfred Dunhill are made in the United States.

There is an Evans lighter, a domestic product, retailing all over the country for \$1.79. Here is a Standard lighter [exhibiting lighter], an American lighter retailing for \$1, and the jobber pays \$5 a dozen for it.

There is an American product [exhibiting lighter] retailing at \$1.75; and here is one that costs landed in the United States \$1.45. Just compare the two of them.

Senator THOMAS. Have not the prices on this class of goods fallen materially in the last year?

Mr. OGDEN. Yes, sir; and in other foreign products. There has been no importation of these kinds of lighters except by Dunhill, with a few of their own lighters, also Swiss made, in the last year. The American manufacturers have effectually driven the foreign manufacturers out of this market, and with a 50 or 60 per cent duty the foreigners could not actually compete.

Senator WALSH. Is Dunhill a European factory?

Mr. OGDEN. European owned?

Senator WALSH. Yes.

Mr. OGDEN. No, sir.

Senator WALSH. There is an agreement?

Mr. OGDEN. No, sir.

Senator WALSH. As to production?

Mr. OGDEN. We have contracted with a factory in Switzerland to produce our lighters and to purchase our lighters from them as long as we desire, and to supply the quality we desire.

When we were not able to get enough lighters made abroad we contracted with a company in the United States to make lighters, 5,000 lighters. They made those for us, and in the five years we have gotten less than 4,500 lighters as being unsatisfactory, and of the 4,500 there were 3,000 of the 5,000 that they made in America which went back. So we went back entirely to European manufacture.

The Dunhill lighter is made entirely by hand. The American manufacturer manufactures a popular-priced metal article and will not and can not afford to hire high-class labor which is necessary to make this type of article, made by hand, and the American manufacturer must make them by machine.

So far as sterling silver articles are concerned, the American manufacturer is in a much better position to manufacture than the European.

Senator WALSH. How do you people get a market at all for the imported Dunhill lighter in view of your testimony?

Mr. OGDEN. As I was just about to say, the only reason Alfred Dunhill has been able to compete with the American manufacturers up to this time has been because certain small percentages of the public has been willing to pay a much higher price for an article of much greater merit. American manufacturer and laborer will not take the time and trouble necessary to turn out merchandise of this high quality in the comparatively small quantities in which the public are willing to absorb it. Therefore lighters which are now coming into the market from Europe do not compete in any way with the American product, but they have made it possible for the American manufacturer of pocket lighters to be in business and to stay in business.

When these articles, that is, metal articles, such as the pocket lighter, came under the jewelry paragraph they were articles of personal adornment. But today the Dunhill lighter is a practical lighter and these lighters are being carried by every class of persons in this country in preference to matches.

The only way in which we can protect ourselves at all is to continue to buy the lighters at the same price that we have bought them at before. The domestic production has hurt our business and will continue to hurt our business if we are discriminated against.

Senator WALSH. Do you sell an American lighter also?

Mr. OGDEN. Yes; we do.

Senator WALSH. You do sell some?

Mr. OGDEN. Yes, sir, but it is not as satisfactory a lighter.

I therefore recommend that paragraph 1552 as proposed in H. R. 2667, if the latter is adopted by your committee, or paragraph 1454 in the act of 1922, be amended by inserting after the words "all smokers' articles whatsoever," "including cigar lighters and similar articles not composed of precious metals or set with precious or imitation precious stones," and then paragraph 1428 in the tariff act of 1922, or the proposed paragraph 1527 of H. R. 2667, be amended to exclude therefrom all smokers' articles which are not akin to jewelry. This could be done, if the language of paragraph 1527 is adopted by inserting item 2, paragraph (c) after the words "imitation pears," before the words "1 cent each" for the following: "Except cigar lighters and similar smokers' articles."

As far as I know there was no request made to the Ways and Means Committee to specifically mention cigar lighters in the jewelry paragraph. So that they have done so entirely of their own volition.

Senator WALSH. How will that work out in the duty? Suppose that we make the changes you recommend, how will that work out?

Mr. OGDEN. Instead of carrying a duty of 110 per cent it will carry a duty of 60 per cent plus 5 cents ad valorem; instead of carrying the old rates it will simply carry the present 60 per cent duty.

In the brief I am also calling attention to the fact that leather cigarette cases which now come in as leather goods at 30 per cent, unless they are smokers' articles, should not be classed in that way. Therefore the cigarette case should be classified as a smokers' article.

A card case made in the same factory and by the same people, out of the same leather, out of the same material, must carry 60 per cent, and this smokers' article is therefore penalized by being taxed 60 per cent.

If we bring in a leather box the appraiser immediately says, "That is from the Dunhill tobacco house; that is a cigarette box." He is correct. But if a department store brings in that same box, they say that that is leather goods, and it pays a duty of 30 per cent.

Senator WALSH. Are not some of these lighters made of leather?

Mr. OGDEN. Covered with leather; yes, sir. The covering is largely done in this country, at a cost of about \$2,40 a dozen.

Senator WALSH. Not covered with leather coming in from abroad?

Mr. OGDEN. No; we cover them in this country, because we can do it as cheaply here and save the duty.

(Mr. Ogden submitted the following brief:)

BRIEF OF ALFRED DUNHILL OF LONDON (INC.)

COMMITTEE ON FINANCE.

United States Senate, Washington, D. C.:

We import a certain class of pipes and desire to submit to your committee that a dividing line in value be placed in any paragraph that may be adopted levying duties on pipes, to provide a lower rate of duty on brier pipes valued at more than \$3 each, as the present rate under paragraph 1454 of the tariff act of 1922 is too high, as is also that in the proposed paragraph 1552 of H. R. 2667, which increases the present duties.

For the purpose of convenience in comparison, we state below paragraph 1454 of the tariff act of 1922, and paragraph 1552 of H. R. 2667:

PARAGRAPH 1454, TARIFF ACT OF 1922

Pipes and smokers' articles: Common tobacco pipes and pipe bowls made wholly of clay, valued at not more than 40 cents per gross, 15 cents per gross; valued at more than 40 cents per gross, 45 per centum ad valorem; pipe bowls commercially known as stummels; pipes, cigar and cigarette holders, not specially provided for, and mouthpieces for pipes, cigar and cigarette holders, all the foregoing of whatever material composed, and in whatever condition of manufacture, whether wholly or partly finished, or whether bored or unbored; pouches for chewing or smoking tobacco, cases suitable for pipes, cigar and cigarette holders, finished or partly finished; cigarette books, cigarette-book covers, cigarette paper in all forms, except cork paper; and all smokers' articles whatsoever, and parts thereof, finished or unfinished, not specially provided

PARAGRAPH 1552, H. R. 2667

Pipes and smokers' articles: Common tobacco pipes and pipe bowls made wholly of clay, valued at not more than 40 cents per gross, 15 cents per gross; valued at more than 40 cents per gross, 45 per centum ad valorem; tobacco pipe bowls, wholly or in chief value of brier or other wood or root, in whatever condition of manufacture, whether bored or unbored, and tobacco pipes having such bowls, 5 cents each and 60 per centum ad valorem; pipes, pipe bowls, cigar and cigarette holders, not specially provided for, and mouthpieces for pipes, or for cigar and cigarette holders, all the foregoing of whatever material composed, and in whatever condition of manufacture, whether wholly or partly finished, or whether bored or unbored, 5 cents each and 60 per centum ad valorem; pouches for chewing or smoking tobacco, cases suitable

PARAGRAPH 1454, TARIFF ACT OF 1922—
continued

for, of whatever material composed, except china, porcelain, parian, bisque, earthen or stone ware, 60 per centum ad valorem; meerschaum, crude or unmanufactured, 20 per centum ad valorem.

PARAGRAPH 1552 M. R. 2667—continued

for pipes, cigar and cigarette holders, finished or partly finished; cigarette books, cigarette-hook covers, cigarette paper in all forms, except cork paper; and all smokers' articles whatsoever, and parts thereof, finished or unfinished not specially provided for, of whatever material composed, except china, porcelain, parian, bisque, earthenware, or stoneware, 60 per centum ad valorem; meerschaum, crude or unmanufactured, 20 per centum ad valorem.

Our imported pipes are known as the Dunhill pipe, and these pipes do not enter into competition with any pipes manufactured in the United States. These pipes, together with all pipes, except those of clay, are now dutiable at 60 per cent ad valorem, and we recommend that a dividing line in value be placed in the paragraph, providing a lower rate of duty on brier pipes valued at more than \$3 each, and retaining the present 60 per cent rate, or a lower rate if Congress so decides, on all pipes valued at \$3 or less each. This value division will separate competitive and noncompetitive pipes and afford ample protection to the American manufacturers on both classes.

The Tariff Commission has made an extensive survey of the pipe industry in this country and abroad, and we believe that it has reported that the percentage of pipes retailing for more than \$1 each, compared with the total consumption in the United States, is under 6 per cent.

We present samples of our pipes that would fall within the higher value bracket and set forth the English wholesale prices, our purchasing cost price and our landed prices, together with our wholesale selling prices in the United States, as follows:

| | English wholesale market value | Our English cost | Duty on English market wholesale value | Freight, etc. | Landed cost | Wholesale prices in United States |
|---------------|--------------------------------|------------------|--|---------------|-------------|-----------------------------------|
| Standard..... | \$3.62 | \$2.68 | \$2.17 | \$0.15 | \$5.00 | \$6.00-\$7.50 |
| Shell..... | 3.51 | 2.86 | 2.11 | .15 | 5.12 | 6.00- 7.50 |

NOTE.—The above wholesale prices of \$6 to \$7.50 are dependent upon the quantities purchased.

The above net English market values in sterling are 16/6 for the standard and 16/0 for the shell, less 7½ per cent discount and 2½ per cent for cash. We pay duty on these prices but purchase for less because of the size of our orders, which are larger than the wholesale quantities in the English market. Our purchasing prices are 11/0 net (\$2.68) for the standard and 11/9 net (\$2.86) for the shell. These pipes retail for \$10 each in the United States.

The Dunhill pipes are made from the very best quality of carefully selected brier and are of the highest type of workmanship and finish. The most popular American pipes are, of course, retailed at 25 cents to \$1.50. The comparatively small number of better-grade pipes range from \$1.50 to \$4. We understand there is one \$6 pipe, manufactured in America, sold in very limited quantities by Kaufmann Bros. & Bondy in their "Kaywoodie" line. This pipe is sold to the retailer at 40 per cent off (\$3.60) and to the jobber at 50 per cent off (\$3). William Demuth & Co., the largest American manufacturers, within the last four years made and widely advertised a pipe known as the "Aristocrat" that retailed at \$7.50 each. This pipe is no longer on the market, and we are reliably informed that it was taken from the market because there was no sale in this country for a domestic pipe at this price.

Our pipes are also noncompetitive in relation to other imported pipes as well as those made in the United States, and the dividing line, in wholesale value of \$3 which we suggest will not be conflicting from a price standpoint with either the domestic or the imported pipe.

We are aware that the displacement by imported articles not comparable in quality or price to American articles of the same general class is a matter to be considered. The Dunhill pipe is, of course, no exception, but when an article is of a class considerably superior to cheaper grades and its sales but a slight proportion of the sales of the cheaper articles in the lower class, the matter of displacement becomes relatively unimportant. Pipe smokers do not ordinarily confine themselves to one brand, and those who use the Dunhill pipe very probably have in their pipe collection several other brands of a cheaper quality. The importations of the Dunhill pipe are but a very slight percentage of the American production, and if they were excluded entirely from the American market the gain to the pipe industry in dollars and cents would be insignificant.

The sale of the Dunhill pipe in the United States is a stimulus to the sales of the higher-priced domestic articles rather than a matter of displacement. It is generally conceded by American pipe manufacturers that the Dunhill pipe in the United States has been a great help in the sale of better grade domestic pipes, encouraging their sale rather than having the opposite effect. A pipe retailing at \$5 or \$6 does not seem excessive to the smoker who is familiar with the fact that other pipes are sold at prices considerably higher. The \$5 or \$6 pipe appears to be a happy medium, perhaps more within the smoker's means, or at least considered so, when he knows that the articles he is purchasing is not the highest price. Remove the Dunhill pipe from the market and the \$5 or \$6 pipe will be the most expensive, with the tendency on the part of the smoker not to seek the extreme price. This purchasing psychology is true in all lines. Twelve dollars for a pair of shoes does not seem excessive when the fact is known that there are \$15 to \$20 shoes on the market. Before the Dunhill pipe came to the American market \$1 was considered a high retail price for an American pipe.

The American production of brier pipes for the year 1927 was reported to us by the Department of Commerce to be \$3,620,000. We secured this information in the following telegram:

"Value brier pipes made in 1927 so far as separately reported was \$3,620,000. No data for 1926 and 1928.

"BEALES,
Statistician, Census Bureau."

Dunhill pipe importations in 1927 amounted to \$158,455.15 and in 1928 \$77,187.37. The imports of all pipes and other smokers' articles were valued at \$2,213,127 in 1927 and at \$1,366,981 in 1928.

Comparing the 1927 imports of the Dunhill pipe amounting to \$158,455 with the American production in this year (\$3,620,000), a little over 4 per cent, it does not represent a serious question of displacement and consequently does not warrant the highest duty rate on pipes. The present duty of 60 per cent merely creates a fictitious price entirely unnecessary without serving as a protective measure. The importations of the Dunhill pipe in 1928 were only \$77,187.

The importations of the Dunhill pipe are trifling from a revenue-producing standpoint, and the 60 per cent rate merely passes the duty on to the retailer. The gross spread between our landed prices and our selling prices is not large and is made up of heavy overhead and but small profits, and our net yearly profits on pipes are not even a bare return on our capital investment. Our profits are from \$0.88 to \$2.50 per pipe gross, from which must be deducted selling expenses and very high general overhead.

A fair reduction in duty for pipes valued over \$3 each will serve two purposes—a reasonable profit to us and a lower price to the trade. With the cost of doing business as high as it is in the United States to-day, any saving that can be accomplished for the retailer is certainly of the utmost importance.

We consequently ask for a lower rate of duty on brier pipes valued at wholesale at over \$3 each, but of course leave the rate to be determined within the wisdom and judgment of the committee. If we are permitted to suggest, a reduction of the 60 per cent rate to 30 per cent could easily be effected, because it would still leave this higher grade pipe outside of the field of American competition.

At the present landed cost of the Dunhill pipe, the retailer can only make from 25 to 33½ per cent profit and the jobber from 9 to 25 per cent. Jobbers and retailers enjoy much greater profits on American-made pipes. Dealers in Dunhill pipes do not make a large enough percentage of profit to cover their overhead on the investment necessary to carry their inventory of Dunhill pipes. The American jobber and dealer is therefore obliged by the popular demand created for Dunhill pipes, due to its extraordinary quality, to carry this merchandise frequently at a net loss.

SMOKERS' ARTICLES

Congress clearly intended that legitimate smokers' articles should fall within the provisions of paragraph 1454, unless such articles were of a character akin to articles of jewelry carried on or about the person, as is evidenced by the comprehensive language used in that paragraph and which is repeated in the proposed paragraph 1552, H. R. 2667:

"* * * and all smokers' articles whatsoever, and parts thereof, finished or unfinished, not specially provided for, of whatever material composed, except china, porcelain, parian, bisque, earthenware, or stoneware, 60 per centum ad valorem; meerschaum, crude or unmanufactured, 20 per centum ad valorem."

Cigar lighters, cigar and cigarette holders in cases, and cigar cutters when composed of base metal, should be classified under this paragraph, and not under the jewelry paragraph (par. 1428 of the tariff act of 1922 and par. 1527 of H. R. 2667), where these articles now fall by court interpretation of the jewelry provision.

Cigar lighters, cigar and cigarette cases, cigar cutters, and cigar and cigarette holders, of a character far removed from jewelry and personal adornment articles, are now assessed with duty at 80 per cent ad valorem, in direct contradiction to the specific enumeration of these articles in the paragraph for smokers' articles. Under the decisions of the courts, the inclusion in paragraph 1428 of the tariff act of 1922 of articles valued above 20 cents per dozen necessitates the classification under that paragraph of many smokers' articles which are in no sense jewelry, for the reason that although such articles are specifically provided for in paragraph 1454 at 60 per cent, they must nevertheless be classified at 80 per cent under the jewelry paragraph (par. 1428), because of the provision in paragraph 1460 that—

"If two or more rates of duty shall be applicable to any imported article, it shall pay duty on the highest of such rates."

The articles named should be restricted in the jewelry paragraph to such articles as are composed of precious metals or set with precious or imitation precious stones. Otherwise these articles have no place in the jewelry paragraph and should fall under the paragraph which was framed to include all smokers' articles of whatever nature.

Under the proposed paragraph 1527 (c), a cigar lighter having a foreign value of \$24 a dozen would pay a duty of \$26.40. The duty would be assessed on such articles under that paragraph as follows:

| | |
|--|---------------|
| | Per dozen |
| 1 cent each..... | \$0. 12 |
| 50 per cent ad valorem..... | 12. 00 |
| Three-fifths of 1 cent per dozen for each 1 cent the value exceeds 20 cents a dozen..... | 14. 28 |
| Total..... | 26. 40 |

It is difficult to understand, if 60 per cent ad valorem is considered an adequate rate of duty generally on smokers' articles, why a particular smokers' article, such as the cigarette lighter referred to, should be assessed with duty at more than 100 per cent.

We recommend that paragraph 1454 of the tariff act of 1922, and paragraph 1552 as proposed in H. R. 2667, if the latter is adopted by your committee, be amended by inserting after the words "and all smokers' articles whatsoever," the following: "including cigar cases, cigar cutters, cigar holders, cigar lighters, cigarette cases, cigarette holders, and similar articles not composed of precious metals or set with precious or imitation precious stones."

And that paragraph 1428 of the tariff act of 1922, or the proposed paragraph 1527 of H. R. 2667, be amended to exclude therefrom all smokers' articles which are not akin to jewelry; that is, which are not composed of precious metals or set with precious or imitation precious stones.

This could be done, if the language of paragraph 1527 of H. R. 2667 is adopted, by inserting in item (2) of paragraph (c), after the words "imitation pearls" and before the words "1 cent each," the following: "except cigar cases, cigar cutters, cigar holders, cigar lighters, cigarette cases, cigarette holders, and similar smokers' articles."

We also desire to call attention to the fact that paragraph 1432 of the tariff act of 1922 and paragraph 1531 of H. R. 2667 provide for all leather articles when not jewelry, the former at 30 per cent ad valorem and the latter at 35 per cent. Leather card cases fall under this provision for leather articles, while leather

cigar and cigarette cases are and would be assessed with duty at 60 per cent under either paragraph 1454 of the present act or paragraph 1552 of H. R. 2667.

There is no sound economic reason for this distinction. The cost of production of leather cigar or cigarette cases is certainly no more than the cost of production, relatively speaking, of leather card cases. These articles—that is, card cases, wallets, and cigarette and cigar cases—are made by the same manufacturers in the same factories, and if a rate of duty of 30 or 35 per cent on leather card cases and wallets is sufficient, there would appear to be no reason why it would not give proper protection on leather cigar and cigarette cases. The mere fact that one article is called a card case and the other a cigarette or cigar case certainly does not warrant the assessment of duty on one of 30 or 35 per cent and on the other of double that amount, in the case of the 30 per cent rate, namely, 60 per cent.

It is, therefore, further suggested that paragraph 1454 of the tariff act of 1922 and the proposed paragraph 1552 of H. R. 2667 be also amended to exclude cigar and cigarette cases of leather.

Respectfully,

STEPHEN A. OGDEN,
Second Vice President.

CIGARETTE PAPER

[Par. 1552]

BRIEF OF THE TOBACCO MERCHANTS ASSOCIATION OF THE UNITED STATES

FINANCE COMMITTEE,
United States Senate:

The Tobacco Merchants Association of the United States, a national organization of the tobacco industry, embracing within its membership representative concerns from all branches of the industry, including fully 99 per cent of the cigarette manufacturers (in volume of business) respectfully submits this memorial, praying for an amendment removing cigarette paper and cigarette books from the dutiable list to the free list on the ground that the existing duty of 60 per cent ad valorem, or any other rate of duty thereon, is neither necessary as a protection to American industry nor justifiable as a revenue-producing tariff.

Under the existing tariff act (Schedule 14, par. 1454), cigarette paper, both in bobbins and in flat sheets, and cigarette books, including the covers and paper therein, are all grouped under one classification, dutiable at 60 per cent ad valorem. Nor are they segregated in the official statistics of the Customs Department. But the Federal Tariff Commission reports in its 1929 Summary of Tariff Information (pp. 2146-47) that an analysis of the imports recently made at the port of New York, shows the following division of these items, to wit:

| | Per cent |
|-------------------------------------|----------|
| Cigarette paper in bobbins..... | 75 |
| Cigarette books..... | 24 |
| Cigarette paper in flat sheets..... | 1 |

The bobbin paper is used for machine-made cigarettes, while the flat sheets are used for the little cigarette books, etc.

According to the summary of the Tariff Commission, from 90 to 99 per cent of all the imported cigarette paper come from France.

The total volume of cigarette paper imported, including cigarette books, etc., amounts to approximately 14,000,000 pounds per annum, of the value of about \$1,000,000, and the duties paid thereon amount to about \$2,500,000.

I. Cigarette paper industry has never been developed in this country despite the high tariff.

The reasons why: In order to clearly understand the reasons why cigarette paper manufacturing has never been developed in this country, despite the high tariff thereon, it is deemed necessary that we refer, briefly to the make-up of cigarette paper, the material or ingredients used therein, as well as the sources of supply of the necessary material and ingredients, and so forth.

Thus, at the outset, we beg leave to quote a paragraph or two from a book written by Mr. William W. Young, and published by D. Appleton & Co., entitled "The Story of the Cigarette," from which it is clearly apparent that the author has made a painstaking study of cigarette manufacturing and the material used therein, including cigarette paper, to which the author devotes a distinct chapter, saying among other things—

"Anybody that will take the trouble to investigate may readily see for himself that only pure flax or linen fiber, hemp fiber, and ramie fiber are admissible in the manufacture of cigarette paper. He may—he must—see for himself that even the selection of these is deemed of great importance in the production of a paper which will grade up to the standard insisted upon by makers of high-grade cigarettes. The utilitarian reasons are sufficient. These manufacturers must themselves meet a demand for a paper that will insure the burning of the tobacco it contains, that is of itself free-burning and that is yet so devoid of any flavor of its own as not in any way to affect the sensitive flavor and aroma of the burning tobacco" (pp. 106-107).

At this point we can not too strongly emphasize the necessity of having a cigarette paper that should thoroughly synchronize with the burning of the tobacco. In other words, that there be, as the Tariff Commission puts it, "a fast-burning paper for a fast-burning tobacco, or a slow-burning paper for a slow-burning tobacco"

Mr. Young further says in his chapter on cigarette paper:

"Because of the nature of these ingredients, the chief centers of the cigarette paper industry are now in France, Austria, Germany, and Italy—here mentioned in the order of their importance as regards cigarette-paper production—and the business is pursued almost exclusively in European countries.

"It has to be carried on close to large sources of the spinning wastes of linen manufacture. In addition to a plentiful supply of the raw material, one of the prime requisites in the conduct of this specialty is an abundant supply of the purest spring water for bleaching and washing purposes" (pp. 107-108).

In this connection we are also taking the liberty of quoting from a report published by the United States Tariff Commission in 1922, entitled "Tariff Information Surveys, on the Articles in Paragraph 324 of the Tariff Act of 1913":

"In the past it has been easier for European mills, which are located mainly in Austria and northern France, than for American mills to secure these raw material for cigarette-paper making. The reason for this is the greater proximity of the European mills to the source of supply. Hemp sackcloth and cordage have been much used as raw materials by these mills. So far the United States has been forced to import the greater part of its materials for cigarette paper."

The Tariff Commission in its 1929 Summary of Tariff Information reports that there are but two mills in the United States producing cigarette paper, while in its 1922 report, hereinbefore referred to, the commission stated that there were five mills equipped to manufacture cigarette paper, adding that "apparently, however, only one of these companies located in Massachusetts produce it in quantities of commercial importance." To this we may add that in a letter received by us under date of June 10 from the Smith Paper Co., of Lee, Mass., which is undoubtedly the Massachusetts concern referred to by the Tariff Commission; they say:

"At the present time we are not manufacturing cigarette paper."

Thus, in spite of the fact that the tariff on cigarette paper was raised in 1922 from 50 per cent to 60 per cent ad valorem, there has not only been a lack of further development of cigarette-paper manufacturing in this country, since the 1922 increase in the tariff, but as a matter of fact the little domestic cigarette-paper business that was then in existence has since evidently dwindled down into insignificance.

Again, in the 1929 Summary of Tariff Information submitted by the Tariff Commission (pp. 2146-47), the commission says:

"Domestic manufacturers have refrained from engaging in the production of cigarette paper because—

"(1) The required heavy initial investment in machinery to produce cigarette paper and the great cost of adopting such machinery to the manufacture of other kinds of paper if for some reason contracts for cigarette paper could not be made advantageously.

"(2) The limited amount of cigarette paper consumed, as contrasted with the large consumption of other kinds of paper.

"(3) The knowledge that cigarette paper of the high quality demanded can not be produced in the United States as cheaply as it can in France."

Surely, the reference by the commission to cheaper production in France, can hardly have any relationship to the cost of labor, for obviously, cigarette paper, like all other paper, is largely produced by machine.

It seems clear, therefore, that there is no cigarette-paper manufacturing industry in the United States that calls for a protective tariff or for any tariff at all, for that matter, and that the development of such industry in the future is entirely impracticable. Hence, as a protective measure, the 60 per cent ad valorem duty, or any other rate of duty, is entirely unnecessary and uncalled for.

II. Still operating under the war tax, with an annual payment to the Government of about \$300,000,000 the cigarette industry's modest request for relief from the tariff on cigarette paper ought to be granted.

The internal revenue taxes, annually paid to the Government by the cigarette industry, still operating under the war tax rates, amounts to the staggering sum of over \$300,000,000 a year.

The customhouse receipts from cigarette paper, including cigarette books, amount approximately to about \$2,500,000 a year. Surely, with the collection of over \$300,000,000 a year from a single industry, which has not as yet received any consideration on the part of Congress for any reduction of the war tax, although several tax-reduction measures have been passed since the war, we most respectfully submit that there can hardly be any justification for imposing an additional tax of about \$2,500,000 per annum on one of its indispensable items of raw material, which evidently can not be satisfactorily or commercially produced in this country.

It may be said that the cigarette manufacturing companies, with some exception, have been prosperous even under the still existing war tax. This is undoubtedly true. But it is equally true that their prosperity has not been achieved at the expense of the public. It is purely the result of efficiency and economy to an extraordinary degree, such as has enabled them to bring about the reduction of the standard brands of cigarettes from the war price of 18 cents a package to the present prevailing price of 12½ cents a package (two for 25 cents), while the Government is still collecting its war tax of 6 cents a package, or almost one-half of the consumer's purchase price.

It must be self-evident, therefore, that, in giving the consuming public the benefit of such price reduction (from 18 to 12½ cents per package, with the 6-cent war tax still in effect) the manufacturers must necessarily be operating on the very closest margin per unit, depending only upon large volume and the highest degree of efficiency, coupled with most rigid economy, to secure adequate returns.

Under these circumstances, the clearly uncalled for tax of about \$2,500,000 a year (in the form of custom duties on cigarette paper) constitutes a real substantial item of expense from which, we most earnestly submit, the cigarette industry ought to be entirely relieved, by placing cigarette paper and cigarette books, etc., on the free list.

We may add, at the same time, that, for practically similar reasons the House in its tariff bill recently enacted has placed licorice root, very largely used in the manufacture of tobacco, on the free list.

Respectfully submitted by the

TOBACCO MERCHANTS ASSOCIATION OF THE UNITED STATES,
By CHARLES DUSHKIND,
Counsel and Managing Director.

THERMOSTATIC CONTAINERS

[Par. 1553]

STATEMENT OF A. E. PAYSON, REPRESENTING AMERICAN THERMOS BOTTLE CO., NORWICH, CONN., AND OTHERS

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

Senator KEYES. To what paragraph are you directing your attention?

Mr. PAYSON. Paragraph 1553.

Senator KEYES. Proceed.

Mr. PAYSON. I represent the thermostatic-container industry of the United States, that is, about 95 per cent of them, and their plants are distributed two in Massachusetts, two in Connecticut, one in New York State, one in West Virginia, and one in Ohio. You probably know that the thermostatic container is itself nothing more or less than what is commonly known as the thermos bottle. I have brought one sample here of the popular-sized bottle to put in front of you so that you can visualize what it is. We appeared—I did not, but one other of the industry appeared—before the Ways and Means Committee of the House last January on this paragraph. At that time they did not see fit to increase the tariff as we requested on the so-called small bottles which are the popular-priced bottles on which we get a great deal of German competition.

I will not repeat the testimony given before the House committee. That is contained in our brief. We show there the German competition by original copies of the German invoices. It so happens that one of our subsidiary companies of the German industry has a British factory which because of the freight rate in England has to purchase all of their supplies from Germany. The original invoices can be taken as absolutely correct because the merchandise is shipped under those invoices.

What the paragraph refers to in the Fordney-McCumber Act is its provision for 15 cents each specific duty on pint or less than pint bottles, of that size; 30 cents on quart bottles, and then it says 30 cents on everything over a quart in size. In addition to that there is a 45 per cent ad valorem.

We have asked in our brief an increase to 25 cents per pint of capacity, and that is what I said the House refused to do. But here is the situation that is most important for us on this whole thing. When this act of 1922 was passed it was not believed possible to manufacture thermos bottles in sizes over a quart in capacity, and, therefore, the act did not cover anything beyond that size. The act has not lived up to the growth of the industry because in the last 18 months we have found it possible to manufacture these bottles in very much larger sizes. For instance, we are now using a heavy boro-silicate glass. We are using a fine pyrex glass which withstands the pressure of the inside of this bottle and we have made sizes up to a gallon, then to 2½ gallons, and then 5 gallons, and finally we have actually made them 10 gallons in size.

It is all glass, two walls of glass silvered. You see what the cost of these articles will be. The resulting cost of these articles, 5 or 10 gallons in size, runs from \$75 to \$100 apiece, and a 30 cents specific on an article that cost \$75 to manufacture is, of course, impossible. I mean it grants no protection. The reason I am mentioning this point is that we wish to draw to your attention, which was not brought out carefully before the House committee, that on those popular priced bottles which are an old stereotyped piece of merchandise manufactured in this country for 22 years the German competition is severe. The industry itself has grown and has made these larger sizes possible, and we simply ask for the clarification or the extension of the act to sizes that American engineering has developed so as to

prevent that competition, or permit what practically amounts to a new industry to get a start.

Speaking of a new industry, I will show you exactly what I mean. This [indicating], as you know, is used for ordinary picnic purposes, motorists, sportsmen, and what not, and workmen in factories. It is a very inexpensive bottle. These two larger sizes have opened up a whole field of refrigeration. It means that some of these containers stand as high as this desk, and it would be impracticable to bring samples here with this new refrigerant known as solid, carbon dioxide, or dry ice which is now becoming widely distributed in this country, and it is possible to keep foodstuffs such as ice cream, fruits, vegetables, dairy products, cheese, butter, and eggs, for days at a time in these cabinets which are placed in individual stores and used as vending receptacles thereof.

Senator WALSH. Do you make these dry ice containers yourself?

Mr. PAYSON. Yes. That puts a new phase on the so-called thermos-bottle industry which has always known itself as the producer of the pint bottle, and it is those items costing anywhere from \$10 in the 1-gallon size up to, as I say, \$75 or \$100, depending on the styles, in the 10-gallon sizes, that can not be protected with the specific duty of 30 cents apiece maximum.

Senator KEYES. Are these smaller articles being manufactured elsewhere?

Mr. PAYSON. Yes; they are being copied in Germany. We have not had imports yet. The imports are just starting in the Department of Commerce figures, but I have quotations from German concerns through our subsidiary company of the American industry in which they quote, for instance, let us take, on the gallon size as the typical size, of which there are some 50,000 already manufactured and distributed in this country. They quoted a dollar and a half on the fillers, that is, the inside, and a dollar and forty-five cents on the case. That would be \$2.95 f. o. b. Hamburg ready for export, packed, ready for export. That same container in the one-gallon size in this country can not possibly be manufactured and sold for less than \$8 to \$10. The duty on that container under the old law would be 30 cents specific duty and 45 per cent ad valorem; assuming it would be a 50 per cent ad valorem, that would be \$1.50, or, say, \$4.50 to \$4.80 for a container that could be landed on these shores at that price, namely, \$6.80, against the \$10 article in this country.

Now, we have had many industries, the citrus fruit people, the California fruit growers, the dairy people, as well as the ice-cream industry, extremely interested in this development. It is used and developed by American industry. We have been struggling for years with these little pint bottles with German competition on them, and we think we have found something that will bring us back purely on the basis of our engineering effort of the industry, and we submitted our figures to public accountants, which are available to the committee, if you wish, of the average net earnings as distributed by the accountants to the industry last year, showing 2.91 per cent of our sales. That is why we are speaking on this line, that we should leave the duty on that line as it stands, if you can extend the scope of the act to cover these sizes of containers.

Let me say that we hurt nobody in putting a duty on these articles for this reason, that they are not sold to the public. They are sold to manufacturers and distributors of food products, and their advantage is big because of their refrigerant properties. Neither would it benefit anybody if the duty was left off, for the reason that some of our customers would appear before you and urge that this research and possibility of refrigeration be permitted to continue.

Senator KEYES. What do you suggest?

Mr. PAYSON. We suggest a duty. The House saw that point, and they added on the large containers 5 per cent per pint of capacity over a quart; 15 cents per pint, 30 cents per quart—the House added 5 cents for each pint of capacity beyond a quart.

Senator KEYES (reading):

And in addition thereto, 5 cents for each pint or fraction thereof by which the capacity exceeds 2 pints.

Mr. PAYSON. Yes. That is what the House added. That would mean on a gallon container 80 cents, 8 pints to the gallon.

Senator KEYES. Is that satisfactory to you?

Mr. PAYSON. It is not. It could not be.

Senator KEYES. What do you want?

Mr. PAYSON. We have asked in my brief on the filler alone, for 15 cents per pint capacity, covering that 15 cents, carrying that 15 cents on up. The reason for that is this—it is an article we can not use with some materials. We can not use the same glass, so we import this, because it would not stand the pressure; on some of the 10-gallon containers there is a pressure of something like 2,000 pounds pressure, 15 pounds to the square inch. We have to use, therefore, the more expensive materials. It is exceedingly difficult to blow, and exceedingly difficult to get people skilled enough in this country to blow them. The Germans are skilled in that. The cost does not go down as the capacity increases. It is practically the reverse. In future years it may when we get this industry started and on its feet and getting production, so that we can reduce the cost by the use of modern equipment, but you appreciate modern equipment can not take the place of skilled labor since skilled labor is necessary in the actual fabricating of the article.

Senator COUZENS. Is your recommendation contained in the brief?

Mr. PAYSON. Yes.

Senator WALSH. How many industries are engaged in manufacturing this commodity?

Mr. PAYSON. Two in Massachusetts, Taunton and Attleboro; three in Connecticut, one in New York State, one in West Virginia, two in New Jersey, and one in Ohio.

Senator WALSH. How many people are employed in the industry?

Mr. PAYSON. Approximately 1,200 people are employed, with an investment of about \$5,000,000, and gross sales of about \$7,000,000.

Senator WALSH. Do they manufacture these bottles exclusively or in connection with other novelties?

Mr. PAYSON. The company I am with is manufacturing this exclusively.

Senator WALSH. What is the condition of the business?

Mr. PAYSON. I suppose that the average net profit of all of these companies is 2.98 per cent on sales and 4 per cent on total investment.

Senator WALSH. Are there some exports of this article?

Mr. PAYSON. Yes, a few thousand, by Americans when abroad in various places, who do not like the German cheap product.

Senator WALSH. Have you given in your brief the figures as to imports?

Mr. PAYSON. Yes; they are included in the House brief. I did not duplicate them because you have that in your file.

(The following brief was submitted by Mr. Payson:)

BRIEF OF THE DOMESTIC THERMOSTATIC CONTAINER INDUSTRY

FINANCE COMMITTEE,

United States Senate, Washington, D. C.

DEAR SIRS: This brief refers to paragraph 1553, Schedule No. 15, of the proposed tariff act of 1929 (H. R. 2667).

The undersigned manufacturers respectfully submit the following paragraph as a substitute for paragraph 1553 which the House of Representatives have just passed:

"PAR. (1455) 1553. All thermostatic bottles, carafes, jars, jugs, and other thermostatic containers, or blanks and pistons of such articles, of whatever material composed, constructed with a vacuum or partially vacuum insulation space to maintain the temperature of the contents, whether imported, finished or unfinished, shall be subject to the following rates of duty, namely: Having a capacity of one pint or less, 15 cents each; having a capacity of more than one pint, 15 cents for each pint or fraction of a pint capacity; if imported with a jacket or casing of metal, or any other material, and of a capacity of one pint or less, 25 cents each; of a capacity of more than one pint, 25 cents for each pint, or fraction of a pint capacity; and in addition thereto, on all of the foregoing, 45 per centum ad valorem; parts of any of the foregoing not including those above mentioned, 55 per centum ad valorem: *Provided*, That all articles specified in this paragraph when imported shall have the name of the maker or purchaser and beneath the same the name of the country of origin legibly, indelibly, and conspicuously etched with acid on the glass part, and die stamped on the jacket or casing of metal or other material, in a place that shall not be covered thereafter: *Provided further*, That each label, wrapper, box, or carton in which any of the foregoing are wrapped or packed, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin legibly, indelibly, and conspicuously stamped or printed thereon."

The thermostatic or vacuum containers coming under this paragraph are properly divided into three classes:

First. Containers without metal jackets or cases, which are commercially known as fillers.

Second. Containers with metal jackets or casings, which are commercially known as completed bottles.

Third. Large-size containers, namely; from three pints up to several gallons in capacity.

The House of Representatives granted no increases in duty of the 1922 tariff act in the first and second classes mentioned above. In the third class they granted an increase in the rate of large-size containers of only 5 cents per pint of capacity in excess of 1 quart. These large-size containers were not manufactured before the 1922 act and were, therefore, not taken into consideration in the writing of that law.

We respectfully urge upon you the vital necessity of—

1. Extending the present specific duty of 15 cents per pint on unjacketed containers to cover sizes beyond 1 quart at the rate of 15 cents for each additional pint of capacity.

2. Increasing the specific duty on containers jacketed with casings of metal or other material from 15 cents per pint to 25 cents per pint and also extending this rate to cover containers beyond 1 quart of capacity at the rate of 25 cents for each additional pint of capacity.

We urge this upon you for the following reasons:

1. Germany is operating its glass plants on a basis of a labor cost from 25 to 33½ per cent of that paid by domestic manufacturers. The result is that the average sale prices of German pint bottles are from 15 cents to 18 cents delivered at Hamburg, packed for export. These German bottles are brought into this country and offered freely for sale at from 41 cents to 45 cents each. This is to be compared with domestic manufacturing costs of 53 cents each. The lowest price at which American manufacturers have sold domestic pint bottles is 52 cents each, which is less than the actual cost to manufacture in the United States.

Attached are photostatic copies of exhibits submitted to the Ways and Means Committee of the original German invoices for the purchase of German vacuum bottles by foreign subsidiaries of one of the undersigned manufacturers. Also is attached a photostat of a circular of an importer offering German vacuum bottles in the American market at 45 cents, this price including duty, cost of transportation and insurance, and presumably a profit for the importer and the manufacturer. It is this low price foreign competition that has forced the American manufacturers to sell below cost in order to hold the American market from foreign competition and to permit the retention of their present equipment and skilled employees until such time as relief can be obtained from Congress.

2. In addition to this competition from Germany, the German product is much poorer quality than the American product and German manufacturers immediately copy and duplicate new ideas in American styles and designs. The resultant imported product is, therefore, a sad deception of the American public. We bitterly protest against this unfair type of competition.

3. When the act of 1922 became a law it was thought impossible to manufacture thermostatic containers in any sizes larger than a quart or 3 pints. To-day, however, engineering research of the domestic manufacturers has shown it possible to manufacture these containers in sizes up to many gallons of capacity, with a result that a maximum specific duty of approximately 30 cents is of no practical value as a protection on articles in these larger sizes which sell at prices anywhere from \$12 to \$50 apiece. These larger sizes are used for the preservation of ice cream and many kinds of foodstuffs, and it is an opportunity for American manufacturers to practically develop a new industry, which, however, the present law leaves almost wholly unprotected.

The committee of undersigned manufacturers, therefore, representing approximately 95 per cent of the vacuum-bottle industry in the United States, respectfully urge, as vital to the continuance of this industry and for the development of the large container market, the adoption of the paragraph first submitted in this brief as the paragraph for the new 1929 law.

(The exhibits above referred to have been filed with the committee.)

Respectfully submitted.

Committee: A. E. Payson, The American Thermos Bottle Co., Cincinnati, Ohio; A. G. Kimball, Landers, Frary & Clark, New Britain, Conn.; Ralph Barber, Vineland Flint Glass Works, Vineland, N. J.

Representing: American Thermos Bottle Co., Cincinnati, Ohio; Corning Glass Works, Corning, N. Y.; Globe Vacuum Bottle Co., Newfield, N. J.; Landers, Frary & Clark, New Britain, Conn.; Manning, Bowman & Co., Meriden, Conn.; Metal Craft Corporation, Taunton, Mass.; Stanley Insulating Co., Great Barrington, Mass.; Vineland Flint Glass Works, Vineland, N. J.

BRIEF OF THE NEW YORK MERCHANDISE CO., NEW YORK CITY

We suggest to your committee the following changes on paragraph 1553:

No. 1. On page 209, line 9, omit the words "or without."

No. 2. On line 11, add the words "having a capacity of one-half pint or less, 5 cents each."

Our reasons for suggesting these changes are as follows:

Change No. 1 will be taken care of in lines 17 to 19 in which provision is made as follows:

"Parts of any of the foregoing not including those above mentioned 55 per cent ad valorem."

This adequately protects the domestic comparable article. Proof of this assertion, we refer you to the tariff records on imports showing that the total amount of "fillers" without jackets imported during 1928 amounted to only a few thousand dollars.

The only reason that these are brought in is because a number of the complete vacuum bottles that are imported are broken in transit and so as not to lose the total value of the article these fillers are used to complete thermostatic bottles when broken.

The records of the imports on all thermostatic bottles is ample proof that thermostatic bottles under the present rate of duty are more than adequately protected.

There is no reason why a "filler," which costs 12½ cents each in Germany and is only imported for the purpose as outlined above, should pay a duty of 15 cents each plus 45 per cent ad valorem.

Change No. 2. Provision has been made for a capacity of 1 pint, 15 cents each plus 45 per cent ad valorem. Provision has been made for a capacity of 2 pints, 30 cents each plus 45 per cent ad valorem. Provision has been made for more than 2 pints, etc. We therefore suggest that a special provision should be made for half pints and suggest a duty thereon of 5 cents each plus 45 per cent ad valorem.

The one-half pint size is used almost exclusively by school children in conjunction with the so-called luncheon box. School children, who are forced to take their lunch with them to school, should not be taxed for this handicap. We believe your honorable committee can readily see the injustice in taxing school children by reason of the specific duty.

In the rural districts, children have to travel long distances and do not return home for lunch. In the larger cities, congested conditions necessitates children traveling to remote places for their schooling. Orphaned children, who have one parent, must of necessity take their lunch with them. In a great many instances mothers do not want to risk the hazards of street traffic and therefore make the children take their lunches with them. It is true that this is only the humane side, but even if we are to analyze the protective side, it is quite obvious that if different rates of duty have been provided for sizes from 1 pint and up, then a size of one-half pint should be taxed in proportion.

We honestly believe that your committee should decide in the elimination of the specific duty on the half pint size. However, if you feel that in order to be consistent that there should be a specific tax, we suggest a duty of 5 cents each plus 45 per cent ad valorem.

There is no way that we can obtain the figures of the importation of thermostatic bottles in capacity of one-half pint, for the reason of the wording of the present tariff bill, "having a capacity of 1 pint or less." But from our knowledge of these imports, we feel safe in stating that the total amount of imports of thermostatic bottles in the capacity of one-half pint was considerably less than \$100,000.

Figures show that more and more children are taking their lunches with them. These children, the future mothers of America, should not be denied the right to take with them their liquid nourishment.

In line with President Hoover's statement that changes in the tariff should only be made where there is evidence of a suffering industry or a decline in the labor of any particular industry, and in view of the fact that the thermostatic-bottles industry in this country has prospered and suffers no competition whatsoever from without, we ask for the changes as outlined in the beginning of this brief.

Respectfully submitted.

NEW YORK MERCHANDISE CO. (INC.),
HAROLD M. WEINBERG.

COTTON WIPING RAGS

[Par. 1555]

STATEMENT OF JOSEPH SHAPIRO, REPRESENTING S. SHAPIRO & SONS, BALTIMORE, MD.

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

Senator KEYES Whom do you represent?

Mr. SHAPIRO. S. Shapiro & Sons, of Baltimore.

Mr. Chairman and gentlemen, our firm is a grader of domestic rags which are sold to paper mills, and some are sold to producers of wiping rags in this country, as well as some sizes that go into the manufacture of other products, not really connected with this case.

Senator KEYES. Did you hear the testimony of the gentleman from Atlanta, Ga., yesterday?

Mr. SHAPIRO. No, sir; I did not. May I ask whether that testimony was given on the question of thread waste?

Senator WALSH of Massachusetts. Thread waste converted into cotton rags.

Mr. SHAPIRO. Thread waste into cotton waste. Is that right?

Senator WALSH of Massachusetts. Cotton rags.

Mr. SHAPIRO. I am glad to know that.

Senator WALSH of Massachusetts. I think they make it from thread waste.

Mr. SHAPIRO. Yes; I have a sample here. I didn't know whether it would be brought up, so I came prepared for it.

Senator WALSH of Massachusetts. Do you favor this duty?

Mr. SHAPIRO. We are opposed to it because we do not believe it can be handled properly. It is an impossible situation.

Senator WALSH of Massachusetts. Are you an importer?

Mr. SHAPIRO. To a very small degree; probably 20 per cent of our material, part from Japan and a good deal from Europe, but we are principally interested in producing rags in this country.

There is proposed in the House bill, paragraph 1555, a duty on cotton wiping rags of 2 cents per pound, which is, in effect, an ad valorem duty of approximately 30 to 35 per cent.

Paragraph 1747 permits the free entry of cotton wiping rags chiefly used in paper making.

Both commodities are one and the same thing—discarded household garments, collected by thousands of men, which finally reach rag assorting plants, where they are assorted into colors and qualities.

The largest proportion of these cotton rags, estimated to be about 95 per cent, are sold to paper mills.

The duties are identically the same except that large soft rags are selected for their absorbing quality and size so that they can be used for wiping purposes.

Senator WALSH of Massachusetts. Are they rags used for paper-making purposes?

Mr. SHAPIRO. Yes, sir. So are cotton rags. They are identically the same. I have samples which I exhibit.

This is a cotton towel about which you heard yesterday [indicating]. We are contending on old rags which are washed and buttons removed—

Senator WALSH. Do you think this is intended to cover those kinds?

Mr. SHAPIRO. Absolutely. That is what it is for. There are no such cloths manufactured in Europe or anywhere else. The rags you have heard about that are imported from Japan and from Europe are principally old rags, washed and trimmed and graded for size and absorption and then sold to various industries for the purpose of washing and polishing automobiles.

These [indicating] are old rags that are washed. Here is a sample of them.

Senator KEYES. He produced some samples and said that was new cloth.

Mr. SHAPIRO. I will show you what is being imported and what they intend to apply the tariff of two cents a pound to.

These are old rags that have been washed and have been considered of suitable size and texture for use in wiping and polishing.

Senator KEYES. They have been sterilized?

Mr. SHAPIRO. Yes, sir; they are washed. We consider them sterilized.

Now, examine the sample and get an impression of what they look like. Here we have an Exhibit C, which consists of what we term No. 1 white cotton rags, which we sell to paper mills for the purpose of paper making.

Senator WALSH of Massachusetts. Don't you call that a wiping rags?"

Mr. SHAPIRO. Yes, sir.

Senator WALSH. Those are not cotton wiping rags?

Mr. SHAPIRO. Yes; they are, absolutely. This is known as a cotton towel, and what Mr. Lovejoy evidently referred to. They are manufactured in this country and in reality are not in competition with cotton rags.

Senator WALSH of Massachusetts. Don't you call that a wiping rag?

Mr. SHAPIRO. It is an industrial wiping towel.

Senator WALSH of Massachusetts. I think the expert says he called it a wiping cloth. But the bill is "cotton wiping rag."

Mr. SHAPIRO. It is absolutely an impossible situation.

Senator WALSH of Massachusetts. So you think that language, the change between rags and cloth, will cover your contention?

Mr. SHAPIRO. You may or may not. In the free part of the bill, under paragraph 1747, if you state all old cotton rags, whether washed or trimmed or untrimmed, under whatever condition imported, it will be all right.

Now, imagine having a rag of this sort, apparently cleaned but never washed. We took these out of rags in our own plant.

Senator WALSH of Massachusetts. At what do these come in now?

Mr. SHAPIRO. As paper-making rags, provided they are small. If they are this size [indicating], and if it is a towel and has no buttons on it, it is covered. And they put a duty on as manufactured goods at 20 per cent. It is now proposed to put a 2-cent duty on them as cotton wiping rags.

Senator WALSH of Massachusetts. On these rags which you have just exhibited is the duty changed in the House bill?

Mr. SHAPIRO. Yes, sir.

Senator WALSH of Massachusetts. Where they are used for paper making?

Mr. SHAPIRO. No.

Senator WALSH of Massachusetts. So your objection is that certain cotton rags of a certain length are segregated from the cotton rags which are used for paper making and will be interpreted by the customs officials in this paragraph 1555 and called cotton wiping rags?

Mr. SHAPIRO. Yes, sir; that is correct.

Senator WALSH of Massachusetts. At 2 cents per pound?

Mr. SHAPIRO. And they can't separate them definitely.

Senator WALSH of Massachusetts. How are they separated now?

Mr. SHAPIRO. This is supposed to be a paper-making rag.

Senator WALSH of Massachusetts. How are the others separated?

Mr. SHAPIRO. These are cotton wiping rags.

Senator WALSH of Massachusetts. What duty do they bear now?

Mr. SHAPIRO. Twenty per cent as manufactured goods, because they have had the buttons removed.

By the way, 90 per cent of the cases tried in the Customs Court are won by the importers. And we have been compelled to pay our attorneys anywhere from 20 to 50 per cent for trying them.

Senator WALSH of Massachusetts. If these cotton rags were not found to be cotton wiping rags, under what paragraph would they fall and what would be the duty?

Mr. SHAPIRO. Paragraph 1747, as paper-making rags.

Senator WALSH of Massachusetts. The larger ones?

Mr. SHAPIRO. They must be included with the smaller ones to the paper mills. They will not accept small rags by themselves.

Senator WALSH of Massachusetts. But you say only the larger ones bear a duty?

Mr. SHAPIRO. Yes; that is the trouble.

Senator WALSH of Massachusetts. Although they are used for paper making?

Mr. SHAPIRO. Yes; if the buttons have been removed.

Senator WALSH of Massachusetts. Are they still in that paragraph, the larger ones?

Mr. SHAPIRO. They are not mentioned in the paragraph at all.

Senator WALSH of Massachusetts. They are not?

Mr. SHAPIRO. No; except as manufactured goods. Here is where the trouble comes in. Let's take this rag [indicating]. If this was large enough and had no buttons, it would be one that would have free entry. If this were large enough and had no buttons, it would be 20 per cent. A towel or sheet or apron has no buttons. Therefore, you can see what we are up against. We may import a bale going to a paper mill without buttons and they will assess them as cotton wiping rags.

Senator WALSH of Massachusetts. Will you give me the number of that paragraph, please?

Mr. SHAPIRO. The cotton rags for paper making?

Senator WALSH of Massachusetts. Yes.

Mr. SHAPIRO. 1747.

What I want to bring out here is the specifications of the Writing Paper Manufacturers Association, revised December 6, 1922. I will take up one group of which I have submitted samples. They represent and cover No. 1, white cottons—large, clean, white cottons, free of knits, ganzies, canvas, lace curtains, collars, cuffs, shirt bosoms, bedspreads, new cuttings, stringy or mussy rags.

Those represent that sample [indicating].

They speak of rags anywhere from 6 inches up to full-sized garments, some with buttons and some have never had buttons, and thoroughly clean, in order to come within that specification.

We present the specifications for rags, cotton, white, for wiping, prepared by the Department of Commerce for use by various Government agencies who purchase this commodity. And, by the way, they are the largest buyers of them in the world.

You will recall under the Writing Paper Manufacturers Association specification they demand a large, clean, white rag, free of knits, which are knitted materials, ganzies, canvas, which is a heavy harsh material, lace curtains, collars, cuffs, and shirt bosoms.

I will read this. It is rather interesting.

The rags shall be white cotton. They shall be free from starched or stiffened pieces, as poplines, sateens, and kindred lustrous fabrics. They shall be soft, absorbent, lightweight, and dry.

The minimum size of cloth shall have an area of at least 2 square feet and a minimum width of 10 inches.

The only real difference between these two specifications is the washing process.

On the other hand, a large percentage of the rags which are thrown out by the housewife are clean. They wash them in the laundry, then they go over them. I know they do that at home. And if the garment is past mending, then it is thrown into the rag bag.

Senator WALSH of Massachusetts. How do you want it put in?

Mr. SHAPIRO. To exclude all rags from that 2-cent duty. We have no objection to putting in new wiping cloths. It is a serious thing to the paper mills.

Senator WALSH of Massachusetts. Why are they not excited about it?

Mr. SHAPIRO. They are. And Mr. Ryland asked me to present this brief for him. The Aetna Paper Co., of Dayton, Ohio, intended to go into this. And the Kalamazoo Vegetable Parchment Paper Co. are seriously interested, and they intended to have various of their connections communicate with the committee.

With the greater use of machinery there has sprung up a demand for what is commercially known as "cotton wiping rags."

In order to be a suitable agent, only the large, soft, and absorbent rags are selected. They are then washed, obstacles removed, and sleeves on the body garments opened.

These are, of course, taken out from the rags which formerly were included in the paper-making rates. However, the paper mills must have, and still secure, a large percentage of these large rags, as they are usually the least worn, hence the fiber is stronger than they would be in the smaller rags, which become small with the

deterioration of the fiber, and strength of fiber is an important factor in paper making.

We are trying to call to your attention how similar the two items are. There are only two differences; one is the fact that the wiping rags, we have reference to the finished article, are washed and have no obstacles; secondly, that they are all large.

Against this we have a similar grade which consists of both small and large rags; in fact, in some instances, all large rags, which are sold to the paper mills.

The trouble arises when we import a bale of No. 1 cotton rags for paper-mill use. This bale contains the usual run of garments, both large and small, no two rags alike, containing various wearing apparel made of cotton, as well as bed spreads, aprons, sheets, towels, and handkerchiefs.

These paper-making rags are graded into No. 1, 2, 3, and 4, having reference to cleanliness of the rags.

No. 1 are rags which are thoroughly clean, having been washed by the housewife before discarding, and so on until we reach No. 4, which are very dirty.

You can then see that we have a proportion of rags in that bale which can be construed as wiping rags. It is impossible to differentiate between the commercially washed rag and the rag washed by the housewife. A towel or sheet has no buttons, no closed parts to be opened; not all garments have buttons, when they are thrown into the rag bag. These are either lost or they are removed by the housewife; and, in strict accordance with the tariff, they are dutiable.

As comingles goods they will be dutiable at the rate applicable to the highest value, or cotton-wiping rags, unless they are segregated under Government supervision at the expense of the importer, an impossible situation.

We are submitting samples of both washed white wiping rags and Extra No. 1 white cottons, the latter a grade used in paper making. We also present Government wiping-rag specifications and the writing paper manufacturers association specifications for rags of a similar grade and color, which clearly proves our contention.

The question to be decided is whether protection should be granted to a comparatively small industry, when it will undoubtedly cause serious injury to our industry, recognized as one of considerable importance, and the paper-making industry, ranking as one of major importance, particularly when it is questionable whether such protection will actually prove beneficial.

But irrespective of merits, the simple proposition as to whether wiping rags could properly stand a duty or not we do emphatically state that such duty can not be assessed in a fair and equitable manner. Hence, it must seriously affect the two industries vitally interested in it.

The matter before you presents an unusual condition, due to the character of the merchandise.

We are taking the liberty of presenting a brief, which contains statistics and facts, which we hope you will consider.

(Mr. Shapiro submitted the following brief:)

BRIEF OF S. SHAPIRO & SONS, BALTIMORE, MD.

COMMITTEE ON FINANCE.

United States Senate, Washington, D. C.

GENTLEMEN: The undersigned represents various packers and merchants trading in rags used in the manufacture of paper, also in rags known as wiping rags, also manufacturers of cotton wiping rags.

The tariff bill as passed by the House provides for a duty of 2 cents per pound on "cotton wiping rags," and rags used chiefly for paper making are permitted free entry.

It is our contention that the duty of two cents suggested should not be assessed for the following reasons:

First. It is impossible to assess a duty on cotton wiping rags and permit the free entry of paper-making rags, as they are of a similar nature.

Second. Cotton rags must be imported as there are not sufficient rags in this country to supply the demand.

Third. The assessment of duty would not increase production in this country, as this material consists of discarded household garments and is not a manufactured article, hence, higher costs to the ultimate consumer must result.

Fourth. The paper mills will be seriously affected, as they will be forced to pay duty on part of their raw materials, due to the impossibility of definitely differentiating between the two commodities.

Fifth. This duty was requested for the protection of a single industry, "manufacturers of waste," who in their brief have made certain statements upon which we comment below.

Detailed explanations of the foregoing paragraphs follow:

First. We submit herewith (Exhibit A) Government Master Specifications for white cotton wiping rags. They are the largest buyers of this commodity in this country. We quote as follows from the cotton rag classification of the Writing Paper Manufacturers Association:

"Extra No. 1 white cottons—Large, clean, white cottons, free of knits, ganzies, canvas, lace curtains, collars, cuffs, shirt bosoms, bed spreads, new cuttings, stringy or mussy rags."

A comparison of the two specifications will clearly show that both require large, light weight, soft rags.

The Government specifications require these rags washed and obstacles removed. There is no possible way to tell whether a clean rag has been washed. As far as obstacles being removed, all rags do not have obstacles. Thirty house-wives remove the buttons before discarding the garments. Others, such as sheets, pillow cases, aprons, mattress covers, etc., have no obstacles, hence duty must be assessed, as the law clearly reads that mingled goods take the highest rate of duty.

The paper-mill industry is recognized as a major industry; 1925 statistics show that they employed 123,000 men and women, earning \$160,000,000, using more than \$600,000,000 in raw materials, employing hundreds of millions of dollars of capital, and to protect the waste manufacturers it is proposed to place an uncertainty around the cost of one of their important raw materials, particularly with a duty that can not be assessed equitably, due to the character of the merchandise.

NOTE.—Sample of foreign washed white wipers, Exhibit B, and sample of extra No. 1 white cottons, Exhibit C, is herewith submitted, to show the impossibility of differentiating.

Second. It is variously estimated that we import from 40 to 60 per cent of our requirements of old cotton rags. Further, that about 95 per cent of our domestic production and imports combined is used for paper making, having only 5 per cent which is used for wiping rags.

Third. This commodity consists of old discarded garments, accumulated from households, hence a duty would not tend to increase production, thus causing a higher cost to the consumer of paper, as well as to the users of wiping rags, which are used by practically every industry in our country.

Fifth. We propose here to answer in detail the brief filed by the Waste Manufacturers' Association with the Committee on Ways and Means of the House.

Section 2 of their brief claims that their business has been seriously hurt by wiping rags and that the cotton and woolen-textile industry is also affected.

Woolen mills are by no means affected, as we have reference to cotton rags. Journal-box packing is a manufacture of wool waste and is not affected. Railroads and other large users, including large automobile manufacturers, of cotton-wiping waste have chiefly turned to cotton-industrial towels, the use of which is growing by leaps and bounds, and is chiefly responsible for the reduction in the use of waste.

Waste can be used only once. Large industrial organizations have installed washing equipment and are thus able to use a towel innumerable times, at a considerable saving and to better advantage.

The waste business has also suffered on their journal-packing business through modern methods of reclaiming the oil from the waste, enabling consumers to use both the oil and waste again and again, thus reducing their requirements by more than 50 per cent.

Their claim that the cotton-textile industry is affected will not hold water.

Thread wastes only are used in the manufacture of wiping. It is estimated that only 15 per cent of the waste accumulated by textile mills are in thread form, and that only 60 per cent of this accumulation, or only 9 per cent of the total, is used in wiping waste, the balance consisting of heavy threads best suitable for other purposes.

It is, further, well to note that waste not manufactured is on the free list and manufactured waste dutiable at 5 per cent, and that in the brief filed by certain factors in the waste industry, in reply to the American Farm Bureau Federation's request for a 3-cent duty on waste, stated that approximately 12,000,000 pounds of thread waste is imported, and this is estimated to be 40 per cent of the thread waste consumed by wiping waste manufacturers.

You can see from this that neither the cotton or woolen textile mills are affected.

Section 3 claims a cost of 2½ cents to 3 cents per pound for manufacturing of waste and 4 cents per pound for wiping rags.

The processing of wiping rags is as follows:

Washing and drying, removing buttons, eyes and hooks, and slitting of sleeves in garments. In as much as a large proportion of rags have no sleeves to be slit and that most buttons are absent when the garment reaches the rag bag, this is a minor operation. Washing and drying is accomplished by modern machinery at little cost, and figures furnished us by manufacturers of wiping rags in this country, some of whom join us in this brief, state that the cost is approximately 1 cent per pound instead of 4 cents as claimed.

A comparison of the process of preparing these rags to the process of manipulating waste, as outlined in the waste manufacturers' brief, will clearly show that it must cost considerably more to process waste.

Section 4 claims 400,000,000 pounds of wipers being imported from only one country, Japan, by one importer. Statistics furnished by the American consulate service in Japan and published in Commerce Reports of the United States Department of Commerce show the total exportations of old cotton rags of all kinds for the year 1928 to be 60,000,000 pounds. Sixty per cent of this total consisted of roofing rags, a mixture of silk, cotton, and part wool used in the manufacture of paper felt for roofing, the balance, or 24,000,000 pounds, consisted of washed and unwashed rags, billed as wiping rags, a large portion of such merchandise going into the manufacture of paper.

Prior to 1926 all cotton-rag imports from Japan were billed on the consular invoices as paper-making rags. In 1926 the consuls at the points of shipment requested that all old cotton rags over the value of roofing rags, ranging in price between 1½ and 2½ cents per pound, be declared as wiping rags. The decision as to chief use in this country then remained with the appraisers at the various ports, resulting in confusion, serious expense, and loss, both to importer and Government, lawsuits, a large number of which were won by the importer.

Statistics from the same source show that importations of paper-making rags for 1928 from all countries total 430,892,896 pounds, compared to the waste manufacturers brief claim of 400,000,000 pounds of cotton wiping rags imported by one firm from one country.

They claim that 5-cent rags are sold in competition to 9-cent waste. As a matter of fact, there are no Japanese rags imported at this price that constitute a washed wiper, hence this is a comparison of manufactured waste and a raw material. Further, a purchase of colored cotton wiping waste at 5¼ cents per pound was made by the writer's firm this year, which clearly shows lower costs on wiping waste than mentioned in their brief.

Section 5 suggests certain specifications to be used in the tariff for this commodity, which, if used, would make the largest portion of imported rags used by writing paper manufacturers dutiable.

No mention has as yet been made of the rag merchant and wiping rag manufacturers who are spread over this country from coast to coast, employing thousands of men and women and vast capital.

The average layman does not have an idea of the importance of this industry, which converts our junk heap into every day necessities.

Where do we stand with a duty which can not be clearly and equitably assessed? Imagine a business enterprise threatened daily with what is, in effect, a 35 to 40 per cent duty that may or may not be assessed, at the mercy of appraisers who certainly can not differentiate one rag from another when experts in the business can not definitely do so, unless each shipment is followed into consumption, an impossible task.

Were a duty placed on wiping rags in such a manner that it will specify in detail what constitutes a wiper, it should read as follows:

"Washed and sterilized cotton rags, with obstacles removed, closed parts opened, with a minimum area of 2 square feet, smallest dimension 10 inches, of strong texture, light weight thin material, soft and absorbent." This is on the basis of Government specifications and is contrary to the claim of the waste manufacturers claim of 144 square inch minimum. Men's handkerchiefs are 18 by 18 inches. From this you can see how impossible it would be to use a rag 12 by 12 as an industry wiping medium, particularly after being saturated with oil, ink, or other liquids.

This is the least that could be done to protest the free entry of paper-making rags, yet does it protect? It will have a tendency to do so in a large percentage of importations, but it must conflict in numerous importations of paper-making rags; it is impossible to avoid it. Is it worth while, considering the small percentage of such rags imported, compared to paper-making rags? It can only result in chaos to the industry.

Please understand, gentlemen, that we are not against a duty on this commodity if it can be assessed equitably, but can it be done?

We therefore entreat your favorable consideration of our plea, and amend paragraph 1747 of the House bill to include cotton wiping rags.

Your decision to permit free entry of cotton wiping rags without amending paragraph 1747 will not be of any assistance, but will mean a continuation of the present deplorable condition.

Respectfully submitted.

J. SHAPIRO,

819 South Caroline Street, Baltimore, Md.

SUPPLEMENTAL BRIEF OF S. SHAPIRO & SONS

COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

GENTLEMEN: This is an addition to the brief filed with the committee and relates entirely to cotton wiping towels or cotton wiping cloths, as they are sometimes called.

It develops that testimony was heard on this a day prior to the scheduled hearing on cotton wiping rags, and hence was not incorporated in our original brief which is devoted more or less to a discussion of cotton waste versus wiping rags, on which basis it was handled in the House bill.

Cotton wiping cloths or towels are a manufactured product, chiefly manufactured from low-grade wastes or cotton. These are sold by the piece, as against a per pound basis for rags.

One manufacturer of these towels or cloths quote 3½ cents each for a cloth 18 by 18 inches square, 10 of which weigh a pound, or 35 cents per pound. These are rewashed as long as the fiber holds together and the manufacturer states that they will wash at least 25 times, or, making a cost of approximately 1½ cents per pound for each time used, in addition to the cost of washing, which is not a very expensive process.

What we want to particularly bring out is that the cost of towels, due to the numerous times they can be used, is considerably cheaper than the average wiping rag. A conservative comparison would be 50 per cent. The two items do not compete.

Large industrial organizations who use a wiping agent have their own washing plants, and, from a standpoint of economy, do not use rags.

In thickly populated cities towels are preferred, as they can be conveniently washed by laundries located in these cities, still at a saving to the consumer.

It is in places where it is not economical to rewash that rags are a necessary commodity. The small user who uses only a very small quantity, or who is located in a small town with no facilities of rewashing, naturally turns to rags.

It is well to note that the largest majority of firms producing wiping rags in this country from old cotton garments either act as agents or sell and service outright towels, in conjunction with their rags, furnishing to the consumer that which is most economical and best suited for his needs.

Hence, from the standpoint of rags competing with manufacturers of cotton towels or cloths for industrial uses in this country, a duty would not answer the purpose.

Respectfully yours,

J. T. WEGAND.

STATEMENT OF FRANK C. OVERTON, NEW YORK CITY, REPRESENTING GRADERS, PACKERS, AND MERCHANTS DEALING IN WIPING RAGS

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

Mr. OVERTON. I represent a group importing and dealing in rags, principally for the paper mills, although we do sell some wiping rags.

Senator KEYES. Your position is exactly the same as that of the last witness?

Mr. OVERTON. Yes.

Senator KEYES. You confirm everything he said?

Mr. OVERTON. Yes; I confirm everything he said. In view of what he said, it will shorten my testimony.

Wiping rags up to the present time have never been included in any tariff act. They are a comparatively new commodity.

By the Ways and Means Committee they have been assessed a duty of 2 cents. And, gentlemen, there is no possible way of differentiating for dutiable purposes between wiping rags and rags for paper making.

Senator WALSH of Massachusetts. I do not see how you can call these wiping rags.

Mr. OVERTON. That is what they call them.

Senator WALSH of Massachusetts. They call them wiping rags?

Mr. OVERTON. They call them wiping rags. That is what they are used for. They are handled in the same manner as rags for paper making, and for dutiable purposes you can no more discriminate or differentiate between them than you can between a Methodist and a Presbyterian. They both look alike, so far as I know. The trouble is that the Government will not accept our word as to what they are.

Senator WALSH of Massachusetts. I think it is a matter to be taken up with the experts. I think the point is well taken.

Senator THOMAS of Oklahoma. Are you in favor of a tariff on rags?

Mr. OVERTON. Rags have never borne a tariff. They are the raw material for paper making. I can see no real reason for it. All old rags, owing to their very nature, must be put into the same category or there will be endless confusion, as there is now.

Senator THOMAS of Oklahoma. Do you believe that if this bill becomes a law the only benefit it will have will be to the public in general?

Mr. OVERTON. I don't know that I quite understand your question. I wish to file this brief.

In addition to what Mr. Shapiro said I will not take further time. The point I wanted to get before you is that you can not for dutiable purposes differentiate between them. I can only assume that the Ways and Means Committee did it because they did not understand the nature of them.

(Mr. Overton submitted the following brief:)

BRIEF OF FRANK C. OVERTON

COMMITTEE ON FINANCE.

United States Senate, Washington, D. C.

GENTLEMEN. The undersigned, representing numerous importers, graders, packers, and merchants dealing in a commodity known as wiping rags, respectfully submits the following facts for your consideration:

The tariff bill submitted by the House provides for a duty of 2 cents per pound on cotton wiping rags. We contend that the rags should be granted free entry for reasons which can be summed up under three general headings:

First. There is no justification from a protection standpoint to the assessment of duty.

Second. It would be illogical to have rags for paper making on the free list, as they have always been, and properly so, and assess a duty on old wiping rags.

Third. Owing to the fact that old rags for wiping purposes and old rags for paper making originate from the same sources, are sorted by the same class of help, and are of the same general character, it would be impossible to draft a paragraph that could be so worded as to differentiate for dutiable purposes, between wiping rags and rags for paper making.

Our reasons for the foregoing contentions are as follows:

We contend that there is no justification for the assessment of duty on the grounds of protection to other industries because wiping rags, which consist of old cotton or linen rags of suitable size, texture, and cleanliness, to make them suitable for wiping purposes, constitute a commodity that is being used in increasing quantities by many lines of industry, including steel mills, machine shops, automobile factories, paper mills, furniture shops, and other lines of manufacture too numerous to mention.

There are not enough rags in the United States to supply the needs of the paper mills for paper making and for the industries mentioned for wiping purposes. Therefore, in order to meet the needs of the country, old rags must be imported.

Any duty assessed must necessarily advance the price of rags to the consumer. The only industry which we feel might possibly be benefited by a duty on wiping rags are the manufacturers of cotton waste, and there is considerable doubt in our minds as to whether they would derive any benefit from such a duty.

In any event, so far as we have been able to learn, the cotton waste manufacturers are the only people who have asked that a duty be assessed on wiping rags.

In a brief filed before the Committee on Ways and Means the Waste Manufacturers Association state that they are—

"Manufacturers of cotton cleaning (or wiping) waste, and of journal-box packing in the United States of America. Manufactured cotton waste is used extensively by railroads and industries for cleaning and polishing purposes: journal-box packing is used principally by the railroads for lubricating the car axles."

Wiping rags are not used for journal-box packing, nor for lubricating car axles.

Wiping rags are used for cleaning and wiping purposes, and for such use are not only cheaper but serve the purpose better than does cotton waste.

Under the existing tariff, cotton waste is on the free list, and cotton waste advanced in manufacture only carries a duty of 5 per cent ad valorem.

The Waste Manufacturers Association makes the following statement:

"The welfare of from 1,500 to 2,500 employees is involved."

The employees in the industries using wiping rags run into the hundreds of thousands.

We can see no justification for assessing duty on wiping rags merely for the purpose of advancing the price on the commodity in order that the users of same may be forced to substitute cotton waste, which costs more money and which is not as good as for the purpose as wiping rags.

Our contention is that if the economic growth of the country develops a commodity, which will cost less and do better work than something which has been used in the past, it is reactionary, under the name of protection, to attempt to force innumerable industries to use the less satisfactory article by establishing fictitious prices because of an import duty.

We contend that the assessment of a duty on wiping rags would be illogical if rags for paper-making are to be on the free list, as they have always been under every United States tariff act.

Wiping rags originate from the same sources, are of the same character and color as rags for paper making; they are sorted by the same class of labor, the only difference being that when the mixed rags are being graded by the collectors, the graders sort out a certain percentage of the large, soft rags for wiping purposes.

All the large rags are not removed from the rags designed for paper making, as the paper manufacturers object to receiving nothing but small scrappy stock in the paper grades of rags, and demand that they shall contain a certain percentage of the larger rags, in order to facilitate handling at the paper mills, and the larger rags improve the general character of the stock required by the paper mills.

Certain grades of rags for paper making will consist of from 30 to 50 per cent of rags which might be used for wiping purposes.

It should be borne in mind that all old rags are a waste material, and both in rags and paper making and for wiping purposes there is a commingling of grades which, in our opinion, makes it not only illogical but practically impossible to put rags for paper making on the free list and rags for wiping purposes on the dutiable list; they belong in the same category so far as duty is concerned.

To illustrate this point, a sample of No. 1 white rags for paper making was submitted to the chief appraiser at the port of New York with a view of determining whether duty would be charged because large rags were contained in the sample.

The judgment of the appraiser was that, provided the rags ran like the sample, he would assess practically 40 per cent of the weight at 20 per cent ad valorem as wipers and the remaining 60 per cent he would pass free as paper stock.

It can be readily seen from the foregoing that 20 per cent duty on 40 per cent of the weight would be equivalent to 8 per cent duty on the entire shipment, and this 8 per cent would represent an increased cost for duty to the paper manufacturer, who is supposed, under the tariff, to have this raw material come in free. Under the existing tariff law, paragraph 1651, rags chiefly used for paper making are free.

Although there is no data available to show what tonnage of imported rags (other than woolen rags) are used for paper making and what tonnage is used for wiping purposes, in all probability not 5 per cent of the imported cotton and linen rags are used for wiping purposes. Certainly 10 per cent would be a very liberal estimate of the percentage used for wiping purposes.

The paper mills frequently buy so-called wiping rags to be converted into paper, although we admit that most of the rags which are graded, opened up, and buttons, metals, seams, etc., eliminated, are used for wiping purposes.

On the other hand, we believe it to be unquestionably true, in view of the great preponderance of rags that are used for paper making, as compared with those used for wiping purposes, that more large rags suitable for wiping purposes are used for paper making than for wiping purposes.

This is due to the fact, as previously stated, that practically all grades of old rags used by the paper mills contain anywhere from 5 to 50 per cent of rags suitable to be made into wiping rags, and in view of the inevitable com-

mingling of grades it will be impossible to insure that rags for paper making will be granted free entry if wiping rags are to be made dutiable.

Old rags (other than woolen rags) have never been made specifically dutiable in any tariff act. Rags chiefly used for paper making have always been specifically on the free list. Old wiping rags are a comparatively new commodity, as most of the trade in this article has developed since the World War. Because of this fact they have never been specifically provided for in any tariff act.

Wiping rags have frequently been used for paper making, but their chief use is for wiping purposes, and the customs authorities, therefore, refused to consider them as paper stock under section 1651 and classified them as "Waste not specially provided for" (par. 1457), and assessed duty at 10 per cent ad valorem.

Under what is known as "the Harley case," this ruling was upset and wiping rags were classified as "old junk" under paragraph 1001.

The Government then assessed duty at 20 per cent ad valorem under paragraph 1459 as "Articles manufactured, in whole or in part, not specially provided for," and that ruling is in force at present, and the attempt to enforce said ruling has caused endless litigation and expense. The records of cases tried and pending before the United States Board of Appraisers and the Court of Customs Appeals will amply confirm this statement.

In view of the fact that the mixed rags contain both rags to be used for paper making and rags to be used for wiping purposes, come from the same sources, are sorted by the same class of labor, have the same general appearance, and even after they are graded for their respective users paper-making rags contain wipers, and many wipers contain paper-making rags, both grades should be placed in the same category and be granted free entry.

In conclusion, we feel that the foregoing facts should be sufficient to prove our third contention, mentioned in the first page of this brief, that it is impossible to draft a paragraph that would be so worded as to differentiate for dutiable purposes between wiping rags and rags for paper making.

The attempt of the Government to assess a duty on wiping rags has resulted in duty being charged upon rags imported and sold for paper making.

In certain ports wiping rags have been permitted to enter free, being classified as paper stock. Immense tonnages of so-called wiping rags have been granted free entry in San Francisco, while similar rags have been charged 20 per cent ad valorem when arriving at New York.

It must be borne in mind that waste material, such as rags, can not be described with the exactness and finality that can be exercised in describing new material, whether manufactured or in a crude state.

The appraisers who render conflicting decisions relative to wiping rags may have used their very best judgment, but in view of the commodity in question, the inevitable commingling of rags and the similarity between many grades of paper stock and many grades of wiping rags, even experts in the rag business would disagree as to what rags should be dutiable and what rags free.

If there is to be made an attempt to assess duty on wiping rags, it is a foregone conclusion that in many cases rags for paper making will be assessed duty because they will contain what some appraiser may deem to be wiping rags.

We must assume that the House in recommending a duty of 2 cents per pound on wiping rags were unfamiliar or thoughtless of the difficulties involved in formulating a paragraph which would cover the situation.

They apparently believed that it was only necessary to vote a duty on wiping rags and that it would naturally follow that wiping rags would pay a duty and rags for paper making come in free but it can not possibly work out so simply.

Even if a duty of 2 cents per pound be assessed upon wiping rags as such and not interfere with any other commodity, said duty would be all out of proportion to the extra expense incurred in preparing rags for wiping purposes as compared with those used for paper making.

We earnestly recommend that wiping rags be placed on the free list, and respectfully suggest some such clause as follows:

"Old cotton or linen rags for wiping purposes, whether processed or not, free."

Or else:

"All old rags, other than woolen rags, free."

With either of these paragraphs incorporated in the tariff act there would be no conflict or confusion as between old rags for paper making and old rags for any other purpose.

We realize that wiping rags should be provided for in the new tariff act. The fact that it has never been mentioned has resulted in the commodity being classified under four different paragraphs, three of them at different rates of duty, so that the importer and ultimate consumer were never sure of its dutiable status.

In spite of our endeavor to explain why we believe wiping rags should be admitted free of duty, and also our explanation as to why it is impossible to differentiate, for dutiable purposes, between wiping rags and rags for paper making, we appreciate that Congress may not share our views, and will endeavor to make wiping rags pay a duty.

Should such prove to be the case, we earnestly trust that the committee having the matter in charge will confer with some recognized importers of paper stock and wiping rags relative to the wording of the paragraph.

The clause submitted in the House bill, "Cotton wiping rags," is about as objectionable as it could possibly be.

Wiping rags may be all cotton or all linen, and no mention is made as to what constitutes a wiping rag. There are no specifications as to size, texture, cleanliness, color; whether or not they shall be processed, and innumerable other points, which should be mentioned in order to indicate to the appraisers and to the importers just what Congress had in mind.

We have frankly admitted that we do not believe that any paragraph can be worded which will adequately define wiping rags without affecting rags for paper making, but certainly some improvement could be made over the paragraph as submitted by the House with a view of minimizing the difficulties which will surely arise if wiping rags are to be made dutiable.

Respectfully submitted.

FRANK C. OVERTON,
Chairman, New York, N. Y.

Representing: Castle & Overton (Inc.), E. J. Keller & Co., Daniel M. Hicks (Inc.), Salomon Bros., Hoffman Lyons Mills Co., Adolph Hurst & Co., Ernst Mayer, Darmstadt, Scott & Courtnay, Cotton Products Co., Henry J. Reed, David Galloway, American Overocean Corporation, New York, N. Y.; Kelly & Co., Newark, N. J.; McBlaine & Co., Union Waste Co., Leiphelmer & Missimer Co., Daniel I. Murphy (Inc.), Gustav Straus, Philadelphia, Pa.; Mystic Waste Co., Medford, Mass.; G. Mathes & Co., St. Louis, Mo.; E. H. Silberman & Co., Cleveland, Ohio.

BRIEF OF JAMES F. RYLAND, RICHMOND, VA., IN BEHALF OF MANUFACTURERS OF BLOTTING AND ABSORBENT PAPERS

COMMITTEE ON FINANCE.

United States Senate, Washington, D. C.:

The undersigned representing the Standard Paper Manufacturing Co. of Richmond, Va., manufacturers of blotting paper, and several other manufacturers of blotting paper in this and other states of the United States respectfully submit the following facts for your consideration in opposition to a duty on "cotton wiping rags" as contained in tariff bill as recently passed by the House of Representatives and which is now being considered by your honorable body.

We submit the following:

In the manufacture of our product we are large users of cotton rags, the greater part of which we import from European and Asiatic countries. The necessity for importation of this material arises from the fact that the consumption of "old cotton rags" for paper making and other purposes in the United States is perhaps two or three times greater than any possible accumulation of old cotton rags in this country. In other words, the domestic supply of old cotton rags is utterly inadequate to meet the demands of the paper mills using cotton rags in the United States, which forces us to import cotton rags from those countries where the saving habit is much more highly developed and the people are frugal in their habits than in the United States. We take all the domestic rags that are offered, and in addition it is necessary that we have several times as many rags from other countries where the supply exceeds the demand.

Mixed cotton rags used in the blotting paper industry are a low-priced commodity, running in value from 1½ to 2 cents per pound for the lower qualities up to 3 to 4 cents per pound for the higher quality.

The value of such shipments depend largely upon the cleanliness and size of the rags. If we are forced to use the small scraps of rags after the larger pieces are taken out, the value would be greatly diminished and the rag made undesirable for paper making purposes. Old cotton rags are therefore shipped "mixed" as to the sizes of the rags and we submit the following:

Due to the fact that it would undoubtedly develop that it would be impossible not only to decide which shipment would be "wiping rags" and which shipment would be "paper-making rags," it would also develop that it would be impossible to decide as to what portion of the same shipment would be "wiping rags" and which portion would be "paper-making rags," that almost every importation of cotton rags for paper making or for any other purposes would be the subject of unending controversy and possibly litigation.

If a duty of 2 cents per pound should be put on all rags in large enough pieces to be considered "wiping rags," which would most likely be the construction placed on the matter by the collectors, the paper mills would be forced to either content themselves with the mere scraps of rags coming in, or would be forced to pay a duty of 2 cents per pound which would be equal in many cases to 100 per cent of the value of the shipment, and this in turn would be prohibitory and almost ruinous to those mills which are making rag content papers. If this duty were imposed in the shape it reached you in the House bill, it would, in our opinion, either lead to utter confusion in every port of entry or result in American paper manufacturers being taxed beyond their ability to stand.

We respectfully submit that while this proposed duty may help a very small group of people and only then to the extent of allowing them to get a higher price for their product, it would increase the cost of "wiping rags" to the many thousands of our workmen who are employed in the thousands of machine shops, automobile repair shops and similar industries scattered throughout every section of our land. At the same time, it would be almost ruinous to the manufacturers of such papers as blottings, absorbent papers, writing papers, and other grades of paper which are made all or in part from cotton rag stock.

We have shown that, due to the limited accumulation of cotton rags, we are forced to buy the greater part of our cotton rags from foreign sources, and this duty, if imposed, would not only throw cotton rag imports into utter confusion, but would no doubt result in the duty being assessed on the greater portion of all cotton rags coming into the country, whether for paper-making purposes or for whatever purpose. Cotton rags for paper-making purposes are of very low value and have always been, are still, and should always be on the free list.

The duty as proposed of 2 cents per pound is also out of all reason.

We have previously pointed out that the average value of mixed cotton rags coming into this country is from 1½ cents per pound to 4 cents per pound (at least as to the qualities used in our industry) and the imposition of a duty of 2 cents per pound would increase the cost of such shipments from 50 per cent to 100 per cent which we submit is utterly unreasonable and preposterous.

We respectfully ask that this duty be stricken from the bill, as it benefits only a very small group and would work untold hardship and confusion on many much larger groups engaged in manufacture in the United States.

Respectfully submitted,

JAMES F. RYLAND,
Vice President and General Manager
Standard Paper Manufacturing Co.

Representing manufacturers of blotting and absorbent papers in several States.

STATEMENT OF HATTON LOVEJOY, LaGRANGE, GA.

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

Mr. LOVEJOY. I appear here in reference to paragraph 1555, particularly cotton wiping rags.

Senator WALSH. Are you a manufacturer yourself?

Mr. LOVEJOY. The company with which I am connected are—I am a lawyer.

Senator WALSH. You have an investment in it?

Mr. LOVEJOY. I have. I am on the board, the executive committee of a company which is in the group connected with the Callaway Co.

Senator WALSH. Mr. Callaway's group of mills is very extensive.

Mr. LOVEJOY. We have between six and seven thousand employees.

Senator WALSH. And 12 to 15 different plants?

Mr. LOVEJOY. Yes; I think possibly 12 or 13 different companies.

Senator WALSH. How many varieties of cotton goods?

Mr. LOVEJOY. Quite a variety.

Senator WALSH. Is he making woolen goods?

Mr. LOVEJOY. None at all.

Senator WALSH. Carpets?

Mr. LOVEJOY. Rugs. We are the only one in that section that make rugs.

Senator WALSH. What kind of rugs?

Mr. LOVEJOY. Chenille rugs largely, and then we make a looper rug.

Senator WALSH. Is this mill the largest in the South?

Mr. LOVEJOY. I should not say that, but one of the largest.

Senator WALSH. You are one of the directors in these companies?

Mr. LOVEJOY. Each one of them.

Senator WALSH. And attorney for the company?

Mr. LOVEJOY. Yes; I am general counsel.

Senator WALSH. You are addressing yourself to paragraph 1555?

Mr. LOVEJOY. Yes; 1555, cloth and cotton wiping rags.

Senator WALSH. What are they used for?

Mr. LOVEJOY. For wiping machinery, automobiles, etc.

Senator KEYES. It is not cotton waste?

Mr. LOVEJOY. No.

Senator WALSH. Do you manufacture them?

Mr. LOVEJOY. We manufacture this cloth and these cloths are cut out into these wiping cloths, which are generally 18 inches square, for use as wiping cloths.

Senator WALSH. Heretofore there has been no item in the tariff bill, I notice.

Mr. LOVEJOY. No.

Senator WALSH. This is the first time this item is being put into the tariff bill?

Mr. LOVEJOY. Yes.

Senator WALSH. Before that it has come in under waste. It seems to be in the same paragraph with waste.

Mr. LOVEJOY. There has been a contention as to where it should come in.

Senator KEYES. Are you in favor of this increased rate of 2 cents?

Mr. LOVEJOY. We want to ask for 4 cents.

Senator KEYES. What is the duty in the present law on wiping rags?

Mr. LOVEJOY. The department rules that it is 20 per cent ad valorem. There has been quite a confusion. At one port it would come in free and at another port it would come under rate, and the de-

partment, the customs department rules that it is 20 per cent ad valorem.

Briefly, here is the story. To complete the record, I represent the National Council of American Cotton Manufacturers, for whom I submit a brief in behalf of Mr. Robert Emery.

I also represent the Massasoit Manufacturing Co., of Fall River, Mass., the Cannon Manufacturing Co., of North Carolina, the Fairfax Mills, of Fairfax, Ala., operated by the West Point Manufacturing Co., the Oakleaf Mills, and the Unity Cotton Mills, of LAGRANGE, Ga., and all what are known as the Callaway mills.

I am also requested to make this statement as representing the Waste Manufacturers Association. There are then no further representations from the standpoints of these interests in connection with these wiping rags.

(The brief of Mr. Amory, submitted by Mr. Lovejoy, is as follows:)

NATIONAL COUNCIL OF AMERICAN COTTON MANUFACTURERS,

June 12, 1929.

Hon. HENRY W. KEYES,

*Chairman of Subcommittee on Sundries of the Committee on Finance,
United States Senate, Washington, D. C.*

SIR: The National Council of American Cotton Manufacturers respectfully requests the following amendment to paragraph 1555 of Schedule 15, H. R. 2667:

PAR. 1555. Page 210, line 14, strike out "2" and insert in lieu thereof "4." The said paragraph, so amended, will then read:

PAR. 1555. Waste, not specially provided for, 10 per centum ad valorem. Cotton wiping rags, 4 cents per pound.

The situation of the manufacturers of wiping cloths, waste manufacturers, and cotton textile manufacturers, in the sale of their thread waste, has been seriously affected by the importations of wiping rags, which have grown from a small amount five or six years ago to millions of pounds per year at the present time.

The existence of this situation was recognized by the Committee on Ways and Means by providing a duty of 2 cents per pound on wiping rags in the paragraph in question. Unfortunately, 2 cents per pound is wholly inadequate, and we submit that this duty should be at least 4 cents per pound.

Unless the situation in reference to the importations of these wiping rags is adequately met, the future of the manufacturers of wiping cloths, and of the waste manufacturers, will be very seriously affected.

Respectfully submitted.

ROBERT AMORY,

Chairman Tariff Committee,

National Council of American Cotton Manufacturers.

Senator KEYES. Proceed.

Mr. LOVEJOY. Wiping waste, gentlemen, you are probably familiar with, because it has been used for years, and thread waste with it, for wiping off machinery. Within the last six or seven years a new industry has been developed by these manufacturing companies I have named. They weave a cloth and then cut the cloth up into wiping cloth that is hemmed or overedged, and that is the article we call wiping cloth. It is used for wiping machinery and automobiles, etc.

Senator WALSH. It is in various sizes.

Mr. LOVEJOY. They generally do not vary much in size.

Senator WALSH. What size?

Mr. LOVEJOY. Approximately 1½ feet square. There is some variation but not a great deal. There is the thread waste and the

wiping waste, which was a very considerable industry. There was something over \$10,000,000 invested in that industry. They were producing enough wiping waste to make from 125,000,000 to 150,000,000 pounds—that is, wiping waste. The wiping cloth that we manufacture has been built up in the last five years largely. Here is what has developed. There is a demand now and there has begun to come into this country from foreign countries, and largely from Japan, what are called these wiping rags. An interesting explanation is given in January of this year in the Commerce Reports, a report from our consul at Kobe, Japan. He shows that something over 4,000,000 pounds in 1923, valued at \$84,000, imported in that year had increased in 1928 to 53,230,000 pounds, valued at \$1,622,000—that is, for the first 10 months of 1928.

Of all those rags which were imported not all are these wiping rags. The consul says that 40 per cent in amount and 75 per cent in value are those wiping rags. The wiping rags known in the trade are the rags which measure 144 square inches or larger. The differentiation is necessary because smaller rags go into the roofing business and into the paper business.

Senator WALSH. Does Japan import the cotton from America?

Mr. LOVEJOY. This is from Japan. So far as our finished wiping cloths are concerned, we never heard of the importation of these wiping rags from foreign countries, and particularly from Japan, until within the last seven years, and as our business permits us we try to develop new business. Another thing is we are talking about the tariff on these cloths and its effect on these foreign wiping cloths. There is no telling whether our new-born baby in the industry will ever get half grown. There are from one and a half to two million dollars invested in this industry in the four companies which I have named, with 700 employees.

Senator COUZENS. They do not make that exclusively, do they?

Mr. LOVEJOY. Yes. The figures I am giving are just for the part of the business making these cloths first and from them the wiping cloth. These figures apply only to that. I presume we have \$25,000,000 invested in the companies in which I am interested, but these companies making this one particular thing have from a million and a half to two million dollars in this particular line of the business.

Senator WALSH. What do these cloths sell for?

Mr. LOVEJOY. I will give you what we sell them for.

Senator WALSH. What do you sell them for?

Mr. LOVEJOY. For about 30 cents a pound.

Senator WALSH. How many in a pound?

Mr. LOVEJOY. Three or four. That is an approximate idea and gives you some general idea.

Senator THOMAS. What are they made of—cotton?

Mr. LOVEJOY. Yes.

Senator THOMAS. From cotton grown in that section of the country? How can Japan buy the cotton in the South, ship it to Japan, and make it into the finished product, ship it back and sell it here?

Mr. LOVEJOY. Here is what they do. Ours is the finished product. There is what they get from rags. They wash it a little and it is made from old underclothes and other clothes, and theirs are not.

therefore, new cloth like ours. They collect rags. They bring those rags into this country and sell them at prices at which our industry can not exist; for instance, the fact has been that the business of the wiping waste people here has been cut down from one-third to 40 per cent of what it was and some of the plants have been closed down. Others are running short time; their men are out of employment, and the industry here is under a tremendous handicap in making these wiping cloths. If this flood of wiping rags continues to come in and increases at such a rate as it has, from a little over 1,000,000 pounds to 20,000,000 pounds in seven years, you can see what it means.

Senator THOMAS. The product is not as good as your product?

Mr. LOVEJOY. No. They use old thread and rags, while our finished wiping cloths in this country are made of new cloth. Ours is better than theirs and that is the only chance we have to compete.

We ask for the rate to be made 4 cents, the amount we originally asked for, for this reason, that the duty they now pay must run from a cent to 2 cents a pound.

Senator WALSH. I figure that at 30 cents a pound the present duty of 20 per cent is 6 cents.

Mr. LOVEJOY. No. The 20 per cent is on the finished wiping cloth. That is not what the foreign wiping cloth is priced at. They sell it at 5 to 10 cents a pound. That gives you an idea of the range.

Senator COUZENS. To whom do you sell these?

Mr. LOVEJOY. To automobile people, railroads, and people who have machinery and things like that. As I said, why we ask for 4 cents is this. First, we get a comparison of the price on shipboard in American ports without any duty paid on these foreign wiping rags. Then we take the American cost—that is, the manufactured cost of the American waste dealers who get this thread waste, and we find that, so far as we could get the figures, that the cost of the manufactured waste dealer was at least 4 cents a pound more than the cost of the Japanese wiping rags entering the American port with duty not paid, so that it would take at least 4 cents a pound to equalize the American waste with these Japanese wiping rags.

Senator WALSH. What is the average price on the imported Japanese wiping rags?

Mr. LOVEJOY. They run from 5 to 10 cents a pound.

Senator WALSH. The House duty is 2 cents. That is 7. The duty you ask is 4 cents to make it 9 per pound?

Mr. LOVEJOY. Yes.

Senator WALSH. There are about four rags to the pound?

Mr. LOVEJOY. In our rags which we make.

Senator WALSH. The others may be more or less.

Mr. LOVEJOY. It will take a good many more of those rags. When you take that 9 cents on the wiping rags, you find that the manufactured cost in America to the American dealer for waste that he produces of the grade in use is more than 9 cents. There are new goods where it was 9 cents on different classes. As far as our wiping cloths are concerned, and I am speaking for the waste people, the wiping-cloth people, it covers the same story.

Senator THOMAS. Have you samples there of the things you have been talking about?

Mr. LOVEJOY. I do not have any of the cloth. Here is a sample of the wiping cloth, from which the wiping cloths are made. That is cut out of a piece of such cloth.

Senator COUZENS. Do you believe in a protective tariff?

Mr. LOVEJOY. I believe as long we have it, you ought to figure everybody.

Senator THOMAS. You want the benefits equalized.

Mr. LOVEJOY. If you give it to the rest, I do not want us to be carrying the burden on our end of the line.

Senator COUZENS. You do not believe in a tariff for revenue only?

Mr. LOVEJOY. I do not know anything about it.

Senator WALSH. I understand your position on these cotton wiping rags, but how about the waste not specially provided for, 10 per cent ad valorem?

Mr. LOVEJOY. I am interested in nothing but the one statement, and that is cotton-cloth wiping rags. I want 4 cents.

It must be defined. As it is now they have had a great deal of trouble in determining what the duty is as it now stands. It is necessary to clarify it for that reason. In the next place, similar rags of the roofing people and the paper people are coming in free. We will not interfere with them. It is the foreign wiping rags, 144 square inches or more, which interferes with us, which are not used by the paper or the roofing people.

Senator KEYES. What do you suggest in the way of changing the language?

Mr. LOVEJOY. It is in the brief we submit. I have been asked for it and it is as follows:

Rags, in chief value of cotton, 144 square inches or more in size, or texture suitable for wiping purposes, with or without further processing, 4 cents a pound.

That will limit it to these rags.

Senator WALSH. You suggest that language. Do you wish to say rags, old or new?

Mr. LOVEJOY. No.

Senator WALSH. Do you mean new-woven pieces of cloth such as you have exhibited here?

Mr. LOVEJOY. No. It might mean a new piece, but there would be no new pieces coming in, as a practical matter.

Senator WALSH. They would have to be 144 square inches to come under this?

Mr. LOVEJOY. Yes, they would have to be 144 square inches, and that is where we are affected.

(Mr. Lovejoy submitted the following brief:)

BRIEF OF HATTON LOVEJOY

We wish to supplement the requests of the National Council of American Cotton Manufacturers and the Waste Manufacturers Association of the United States, asking that the duty on cotton wiping rags, under paragraph 1555, be made 4 cents per pound.

What is known as wiping cloths are manufactures by the Massachusetts Manufacturing Co., Fall River, Mass.; the Fairfax Mills of Fairfax, Ala., operated by West Point Manufacturing Co.; Cannon Manufacturing Co., of North Carolina; and the Oakleaf Mills and Unity Cotton Mills of Lagrange, Ga. This brief is submitted in behalf of these manufacturers.

For many years thread waste has been used for wiping waste and a large industry has been built up in the United States by wiping-waste manufacturers. Since the tariff bill of 1922, and chiefly within the last several years, the manufacture of a new wiping material, wiping cloths, has been developed in the United States, which we are engaged in. These wiping cloths are made from new cloth, are hemmed or overedged, and then used for wiping automobiles, machinery, etc. There is active competition between the wiping waste (made from waste yarn) and our finished wiping cloths, but there is a field for both.

Since 1922 there has been a flood of importations of foreign wiping rags into the United States to be used in the place of wiping waste and of wiping cloths. These rags are pieces of clothing chiefly, both outer-clothing and under-clothing, but of any fabric suitable for wiping purposes. A report on these Japanese rags is made in the Commerce Report in the issue of January 28, 1929, page 227. This shows that the imports of rags from the Kobe consular district increased from 4,423,000 pounds, valued at \$84,000 in 1923, to 53,230,000 pounds, valued at \$1,622,000, for the first 10 months of 1928. Of these rags, our consul reports that 40 per cent of the quantity and 75 per cent of the value are these wiping rags, or over 20,000,000 pounds of these wiping rags in the first 10 months of 1928. This situation has grown up since the tariff bill of 1922 was enacted and the emergency of the situation is evident.

Special machinery has been installed to manufacture the cloth from which our wiping cloths are made. This machinery is not adapted to the manufacture of ordinary cotton yarns and cloths. Our salesmen report everywhere the effect of this flood of foreign wiping rags, and unless some relief from these tremendous importations is afforded, the destruction of the market for our product and the idleness of our employees, making these cloths, seems probable.

Of the rags coming into the United States, those measuring 144 square inches or more are used for wiping rags. The remainder of the rags are used for paper and roofing manufacturing. These rags are largely assorted in Japan, according to our consul. The smaller sizes do not affect us and the larger sizes, used for wiping rags, do not affect the paper and roofing manufacturers.

There has been confusion, if not evasion, in the importation of these wiping rags; at some ports they have come in free; at some ports under one duty and at another port another duty. At present the department rules that the duty on these wiping rags, under the act of 1922, is 20 per cent ad valorem under paragraph 1459, act of 1922, as a manufactured article, not specifically provided for. It is necessary to define this article in order that this confusion and evasion may be prevented. It is estimated that possibly \$1,000,000 in duty on these wiping rags has been lost through erroneous collection of duties or fraudulent entries. We are advised by the department that to describe these rags as they now appear in paragraph 1555 merely as "Cotton wiping rags," will probably not obviate the past troubles.

Certainty of definition is advisable for the further reason that these cotton wiping cloths should be distinguished from the cotton rags which are used by certain paper manufacturers and roofing manufacturers. This distinction is practicable because the cotton wiping rags measure 144 square inches or more. This is the accepted size for the cotton wiping rags. The paper and roofing manufacturers use smaller size rags. So far as we have been able to ascertain, the only exception is in the case of two or three paper manufacturers who use a small amount of bleached white cotton rags of the larger size for unusual purposes, but our information is, that in these cases the cotton rags used are domestic rags. In any event, this particular use is very small and the supply of domestic rags for this purpose is more than ample.

As a matter of information as to the supply of domestic rags, we quote from the Daily Mill Stock Recorder, published in New York City, from their issues as follows:

June 11, 1929: "At present, the available supply of domestic rags is slightly ahead of the demand."

June 22, 1929: "Most of the reports from dealers and jobbers indicated that the supplies of domestic rags coming in from primary sources, continue to top the present requirements."

June 29, 1929: "The market for most sources of domestic wipers was unchanged yesterday with consumers' demand fair and the prices steady. As far as white and colored rags are concerned, the available supplies are admittedly ahead of the demand."

To meet this need of an accurate definition for customs purposes, and to limit this duty to the cotton-wiping rags so as not to affect the roofing and paper rags, we request a definition substantially as follows:

"Rags, in chief value of cotton, 144 square inches or more in size, of texture suitable for wiping purposes, with or without further processing, 4 cents per pound."

A duty of 2 cents per pound now fixed by the Hawley bill, in paragraph 1555, is inadequate to meet the situation and give the American waste manufacturer and wiping cloth manufacturer a chance to compete with these foreign wiping rags. The higher priced of these foreign wiping rags probably pay 2 cents per pound now under the 20 per cent ad valorem duty.

A comparison of quotations of the prevailing prices of foreign wiping rags with the manufactured cost of domestic wiping waste, shows that the manufactured cost of domestic wiping waste runs at least 4 cents per pound higher than the Japanese wiping cloths on shipboard at American ports without duty, on a comparison of the wiping waste and wiping rags in corresponding grades. It will require at least 4 cents per pound to give the domestic wiping waste an even chance in the market with these Japanese wiping rags.

The manufactured cost of the finished domestic wiping cloths is much higher. Their use in competition is possible only because they are more substantially made and can be rewashed and reused a number of times. The Japanese wiping rags are just what the term implies, rags from old clothing or similar cloths. The domestic wiping cloths are made from new cloth woven in this country, from which the wiping cloths are cut and then hemmed or overedged so as to make the substantial finished article similar to a finished, hemmed or overedged domestic mop cloth or kitchen cloth.

CONCLUSION

There are ample supplies of American wiping waste and American wiping cloths to supply all of the domestic demand for wiping materials. All that is asked is an opportunity for the domestic manufacturers to sell their goods in the domestic market. This flood of foreign wiping rags which has deluged this country in the last three or four years and since the act of 1922 has cut down the sales of domestic wiping waste at least one-third. This affects directly all manufacturers of cotton in the market for their thread waste.

Plants of manufacturers of wiping waste have been closed, others are running on short time, many employees are out of work and this domestic industry is in a very serious condition.

In so far as the domestic-manufactured wiping cloths are concerned, our salesmen report from all points that the foreign wiping rags are cutting into our business to such an extent that its future is problematical. We believe it fair that the domestic manufacturers of wiping waste and wiping cloths should be given a fair chance to sell their domestic product in the domestic market to meet the domestic demand. We can do this if given even a fair chance to compete with these cheap, foreign wiping rags; but this can not be done if the present flood of cheap, foreign wiping rags continues to take the domestic market away from us.

Respectfully submitted.

HATTON LOVEJOY,
Counsel, Lagrange, Ga.

BRIEF OF CHARLES SACHWAY, REPRESENTING THE WASTE MANUFACTURING ASSOCIATION

COMMITTEE ON FINANCE.

United States Senate, Washington, D. C.

GENTLEMEN: This brief is submitted in behalf of the manufacturers of wiping and packing waste in the United States. The industry represents invested capital of over \$10,000,000 and consumes great quantities of thread waste from cotton and woolen mills, and of cuttings from garment factories. Thus the entire textile industry is concerned with the well-being of the waste manufac-

turers, as already evinced by the request made under Schedule 9 by the National Council of American Cotton Manufacturers.

Since 1923, an ominous threat to the waste industry has presented itself in the shape of wiping rags, which come into direct competition, serving the same market. Wiping rags consist of discarded clothing of suitable texture which has been sorted, washed and trimmed—a process which, in the United States, costs over 4 cents per pound. At present a duty of 20 per cent is being levied under paragraph 1450, as a "Manufactured article not specially provided for"; this ruling being the direct result of suit 2037, Calendar No. 65, October 1927 term, United States Court of Customs Appeals.

As a result of several pleas before the Ways and Means Committee, the tariff bill of 1929, as passed by the House, provides under paragraph 1555, a duty of 2 cents per pound on cotton wiping rags. This recognition of our needs is encouraging, but it falls far short of being ample, and we emphasize the need of 4 cents per pound on these rags. The tremendous influx of wipers from abroad has reduced the activity of the waste manufacturing industry not less than 35 per cent, as a consequence of which, factories have been dismantled, capital has become impaired, and idleness forced upon labor.

Hardly less important than the adequacy of the duty is the necessity for explicit and unmistakable terminology. Particularly of late, innumerable instances have come to our attention where foreign shippers and domestic importers alike have employed all sorts of subterfuge to avoid payment of the 20 per cent duty. These deliberate evasions coupled with confusion at various ports entail a loss of over \$500,000 a year, conservatively, to the Government. The Commissioner of Customs will agree that the new law should be perfectly clear as to the duty on this commodity. Therefore, we recommend that the following be adopted:

"Rags, of chief value cotton, of size 144 square inches or over, of texture suitable for wiping purposes, (with or without further processing), 4 cents per pound."

This terminology will work no injustice to any industry, as the rags are assorted abroad, the suitable pieces being manufactured into wiping rags before shipping, and the miscellaneous material graded and sold for paper, or fiber, or roofing felt purposes. We emphasize that the rags are graded abroad for distinct and specific uses, and any claim that all rags should be placed in the same category is without justification. There should be no occasion for any confusion or injustice where the purposes are honest.

Investigations reveal that only in isolated instances have paper mills demanded large size rags. This demand, however, is relatively negligible, and the domestic supply is ample beyond question for such needs. Indeed, the supply of domestic wiping rags is also above present demands, so that the factor of necessity for the foreign supply is lacking.

On the other hand, a stern necessity—indeed the very life of what has been a substantial industry—requires that the waste manufacturers be granted the protection requested. Surely, we fall within that class of industries whose needs merit special consideration in the new tariff bill, and we plead your earnest consideration.

Thanking you, we are, yours very truly,

WASTE MANUFACTURERS ASSOCIATION.
CHARLES SACHWAY, *Chairman*.

BLEACHED BEESWAX

[Par. 1556]

STATEMENT OF ELMO P. HELMBOLD, REPRESENTING E. A. BROMUND CO., NEW YORK CITY

(The witness was duly sworn.)

Mr. HELMBOLD. Gentlemen, we are asking for a duty of 50 per cent on the imported bleached beeswax, the white beeswax.

Senator KEYES. You are speaking for the group of four on the list?

Mr. HELMBOLD. Yes.

Senator KEYES. How large an industry is it?

Mr. HELMBOLD. There are about 2,000,000 pounds sold to the trade, and there is another line that it goes into, so that I can not tell you the exact number of pounds that are made, but there are 2,000,000 pounds sold of the white beeswax to the trade.

Senator WALSH. How many separate plants in the industry?

Mr. HELMBOLD. I am representing here the four plants—W. H. Bowdlear Co., of Boston, Mass.; the Theodor Leonhard Wax Co., of Paterson, N. J.; the E. A. Bromund Co., of New York City; and there is the Will & Baumer Candle Co.

Senator WALSH. Are these concerns all manufacturing beeswax independent of other products, or other products?

Mr. HELMBOLD. In two cases; in our case and that of the Will & Baumer Co. We manufacture a general line of compounds and deal in the various kinds of waxes.

Senator WALSH. There are other factories besides these four?

Mr. HELMBOLD. Yes.

Senator WALSH. How many?

Mr. HELMBOLD. There are one or two.

Senator WALSH. Now that the House has changed the duty from 25 to 30 per cent, are you satisfied?

Mr. HELMBOLD. No; we did not think that could cover the cost of our purchases.

Senator WALSH. You want it higher?

Mr. HELMBOLD. Because the production is so much per pound, the manufacturer's cost, 12 cents, as we are obliged to pack it in cases or cartons for the market, and that costs us 12 cents a pound, making it cost 35 to 46 cents a pound, for the crude.

Senator THOMAS. What is the crude material?

Mr. HELMBOLD. The crude yellow beeswax, 95 per cent of it is imported from foreign countries.

Senator WALSH. What duty is that?

Mr. HELMBOLD. There is no duty on the crude material. But we are under the impression, according to the foreign quotation on imported beeswax, imported white beeswax, that they have facilities there for buying their food material at better prices from their colonial possessions. I have here a general quotation by a concern in Marseilles, France, on white beeswax, running from 33 $\frac{2}{3}$ to 35 $\frac{1}{2}$ cents per pound. Those two different prices refer to the sizes of the cakes. The cake that is quoted at 35 $\frac{1}{2}$ cents a pound consists of these discs.

Senator COUZENS. Those prices are for delivery where?

Mr. HELMBOLD. F. o. b. Marseille, and we must pay 5 per cent to bring them here, transportation, importing it, freight charges, brokerage, and insurance, bring it up a cent or more, making it 36 $\frac{1}{2}$ cents, and 34 $\frac{2}{3}$, laid down in the market here in New York.

Senator COUZENS. The tariff would cover the difference between between that and the cost?

Mr. HELMBOLD. The 25 per cent added to that makes it cost laid down in New York 46 cents a pound.

Senator COUZENS. Is not that duty enough?

Mr. HELMBOLD. No, sir; our crude material cost was 39 or 39 cents a pound, say 40 cents, and adding on the 12 cents I referred to in manufacture and getting it ready for the market it brings it

to 51 or 52 cents that it costs the American bleacher to manufacture.

Senator KEYES. Are imports increasing?

Mr. HELMBOLD. No; they have been decreasing, the foreign beeswax, and we think it is entirely due to the general conditions. The bleached wax is in discs; it is put up in discs when it is sold. It also comes in large slabs; that is the crude yellow, bleached white you are looking at.

Senator WALSH. What is it used for?

Mr. HELMBOLD. It is used for manufacturing cold cream, cosmetics, and various toilet preparations of that kind.

Senator THOMAS. How do you account for that cost when it is imported in this country free?

Mr. HELMBOLD. The cost is in the refining. The crude beeswax comes dirty and there are particles of dust and foreign material and it has to be cleansed before it can be bleached.

Senator THOMAS. It is made cheaper in foreign countries than here?

Mr. HELMBOLD. Because of the labor in the foreign countries, particularly in France, where they pay unskilled labor \$10 to \$15, for expert labor, and we pay \$18 to \$22 for unskilled labor, and skilled bleachers \$45 to \$65 a week. Our cost is three times what theirs is.

Senator COUZENS. What do you recommend as to the rate?

Mr. HELMBOLD. We are asking for 50 per cent. I have proved the cost laid down here on the foreign material and proved the quotation, which is the usual quotation. We do not even know these people. They have broadcasted it to the trade.

Senator WALSH. Explain why the imports are decreasing.

Mr. HELMBOLD. Because we have reduced our prices to meet that competition from abroad so that we have held them down.

Senator WALSH. At a financial loss to yourselves?

Mr. HELMBOLD. Yes.

Senator WALSH. Are any of these concerns making money?

Mr. HELMBOLD. I understand that Theodor Leonhard Co. have had very small profits, indeed. I think they only declared 2 per cent dividend. Ours is a different line. We make compounds and deal in general wax.

Senator WALSH. Can not you make a superior quality to the imported?

Mr. HELMBOLD. No, sir; we can not make a superior quality. The price of bleaching is much the same. Some are chemically bleached and some are sun-bleached.

Senator WALSH. Have you a brief here that you can join in with the other three gentlemen?

Mr. HELMBOLD. Yes; I have a brief.

Senator WALSH. That also represents the other three industries?

Mr. HELMBOLD. Yes; they are all in this one brief.

Senator WALSH. Have you anything further?

Mr. HELMBOLD. There is nothing more I can say except it would give us a reasonable rate of price competition, to compete with the foreign trade, and I do not think the price we would set up would influence the trade very much because it would only add a cent or two to the pound, to the cost of manufacture.

Senator WALSH. We thank you for helping us to expedite the hearing.

Senator KEYES. Yes.

(The following statement was submitted by Mr. Helmbold:)

I represent the manufacturers of bleached beeswax in the United States—four in number—with plants in three different States, New York, Massachusetts, and New Jersey.

The production of bleached beeswax in the United States, made for commercial purposes, is about 2,000,000 pounds. There is other such beeswax, of course, that is made by manufacturers of a certain type of high-grade decorative candles, and which goes directly into their making and is only a step in the process of manufacture. What is the amount of this character of beeswax production is impossible to estimate.

Before the Ways and Means Committee we asked for two things:

(1) A change in phraseology which was needed to end customs litigation and to prevent a loophole which the importer could use to his own great advantage. This was granted in the House bill now before you.

(2) We asked for an increase in duty from 25 per cent in the present law to 50 per cent. In the House bill the duty is increased to 30 per cent.

We are grateful, of course, for the addition to the present rate, but it is not at all sufficient to protect the industry. Our story seems to us a very simple one.

It costs, roughly, 52 cents to make a pound of bleached beeswax in the United States. Under the present rate of duty, the same product of foreign make can be laid down in this country—with cost of transportation paid, duty paid and foreign manufacturer's profit taken care of—for a little over 40 cents a pound.

If the foreigner should pay the duty that we ask—50 per cent *ad valorem*—he could send his product to this country and pay the new duty and sell it at 55 cents per pound. The cost of the domestic product is 52 cents a pound—the bare factory cost of production, with no merchandising expense and no profit, while the foreign price of 55 cents—with the duty that we ask—includes both of these factors.

We submit, herewith, a general circular letter, dated June 19 of this year, to users of bleached beeswax in the United States from a French company. This gives two prices for bleached beeswax—one at 74 cents a kilo, or 33½ cents a pound, and the other 78 cents a kilo or 35½ cents a pound. This foreign-bleached beeswax is in the form of discs and is an exact counterpart, both in quality and in shape, of what is made in the United States.

We will take for the basis of our figures the higher price, in order to be perfectly fair, and assume that it costs 5 per cent to get the foreign article to the United States. Taking that figure as the cost of such charges as transportation, brokerage and insurance, that would add 1½ cents to the cost abroad. The present duty of 25 per cent would add 8½ cents duty. The total cost, therefore, of the foreign-bleached beeswax in the United States—duty paid, transportation paid, and manufacturer's profit included—is 46½ cents a pound.

The bare factory production cost in the United States of this article is 52 cents. If the committee puts the rate at 50 per cent, as we ask, the duty on this same article will be just under 18 cents a pound. With the same 5 per cent as the cost of transportation, under the proposed duty rate, the foreign product can be landed here, ready for sale, at 55 cents a pound—only 3 cents more than it costs the American producer to make this product, and without allowing him anything either for merchandising expense or for profit.

The increase in duty for which we ask would not affect prices to the consumer. The great bulk of bleached beeswax goes into such articles as cold cream, cosmetics and other facial preparations. The entire amount of beeswax used in these high-priced articles is an insignificant factor in their production cost. Furthermore, the articles into which they enter are those having the approval of Dame Fashion and are sold to the consumer on that price basis.

The details of our case are explained in the brief filed with the Ways and Means Committee and we do not desire to reiterate these in any way. We wish only to reply very briefly to a statement filed in behalf of an importer of this product before the Ways and Means Committee, and which we had no opportunity to answer at that time.

We wish to call attention, first, to the fact that this brief makes many assertions, but submits absolutely no data or documentary evidence of any character. On the contrary, in our brief we substantiated our statements as to foreign prices in this country by documents of actual quotations. We proved what was the price that we had to meet in the United States and what the foreign product could sell for here with the present duty paid. The reply of the importer, in reply to this evidence produced by us, submits nothing but his own assertions.

The importer in his brief either avoids purposely or omits any reference whatever to the cost of our crude beeswax. This is the kind generally suitable for bleaching purposes and the price is from 38½ to 39½ cents a pound. The average cost of bleaching in this country amounts to about 12 cents a pound. This brings the factory cost of our finished product up to 50½ to 51½ cents a pound. This is the cost of our manufacture in the United States, without either selling expense or profit—the bare factory cost. In the light of these facts, the necessity of an increase in the rate of duty that we ask seems very clear.

L. A. Solomon & Bro. directs the committee's attention to what they call a steady decrease in imports since the enactment of the present tariff law which placed bleached beeswax on the dutiable list. They assert that this proves that importers can not compete with this American industry.

The real cause and reason for this decline is due solely and positively to the low and unprofitable price which the domestic bleacher is compelled to maintain or otherwise experience the immediate increase in volume of white beeswax importations, and which would mean that the foreign article would very soon predominate in the American market. It is only because the domestic manufacturers who produce white beeswax make other waxes and kindred articles that they have been enabled to reduce their price and still remain in business. Practically all of the domestic bleachers have decreased dividends for the past few years—a fact which visualizes the situation which confronts them and proves the need of tariff assistance.

It should be noticed that the brief of the importer does not endeavor to give the committee information or statistics concerning the wages of labor in the different foreign countries which possess bleached beeswax industries. These wages are from three to four times below the wage scale of the American bleacher. It is this great disadvantage in labor cost against which the domestic producer must contend, and it is on this account that we ask for the increased duty.

The importer also makes the statement that importations of white beeswax are confined to the sun-bleached article. This is only partly correct as a considerable quantity of the imported white beeswax is chemically bleached.

We are not asking or seeking a monopoly in the sale of bleached beeswax in the United States. We are only asking to be put on even terms in the United States market. We are only asking for a sufficient tariff rate to meet the foreign competition and give us a small percentage of profit that will enable us to continue in the business of bleaching beeswax. The rate of duty which we ask will give us this privilege and no more.

BRIEF OF L. A. SALOMON & BRO., NEW YORK CITY

American crude beeswax is used almost entirely by beekeepers for foundation purposes. Practically none of it is bleached, and the American bleacher is dependent upon world markets for his crude wax, where he can buy bleachable wax at substantially the same price that the foreign bleacher must pay for the same kind of wax, as the foreign bleacher is also dependent to a very large extent on other countries for his bleachable wax.

Domestic producers claim that the cost of bleaching wax is 12 cents per pound. Assuming that this is correct, the cost is completely offset by the transportation charges and duty alone, figuring nothing at all for the cost of bleaching and packing abroad and a profit to the foreign bleacher. The selling expense in this market is no greater for the American producer than it is for the importer. On the other hand, the importer has already paid a profit to the foreign producer. White bleached beeswax in disks is offered in this market by leading American bleachers at 48 to 49 cents per pound.

which is more than 2 cents below our actual cost of importation. The unsatisfactory prices obtained by some of the American manufacturers are not due to foreign imports but to ruinous competition among themselves.

In to-day's issue of the Oil, Paint and Drug Reporter crude beeswax is quoted 31 to 37 cents per pound, according to grade. Adding to this the cost of bleaching of 12 cents per pound, bleached beeswax made from the highest quality crude would not cost more than 49 cents, compared with a cost of over 51 cents for the imported, but a large part of the domestic bleached beeswax is made from the cheaper grades of crude, resulting in a considerably lower cost.

In the annual market reviews and statistical records edition of the Oil, Paint and Drug Reporter of February 7, 1929, the following statistics of imports of white bleached beeswax are given:

| | Pounds | Value |
|-----------|---------|-----------|
| 1926..... | 361,362 | \$155,247 |
| 1927..... | 281,152 | 124,062 |
| 1928..... | 229,131 | 96,680 |

These figures show:

(1) That the importations, being less than one-tenth of the production of American bleached beeswax, estimated in the neighborhood of 3,000,000 pounds, can not influence the domestic market.

(2) That there has been a steady decline in importations, which is the best proof of the inability of importers to compete.

(3) That the average value of the wax imported during the last three years was 43 cents per pound. Adding the duty of 25 per cent ad valorem, the average cost to the importer was about 53½ cents per pound, leaving a good margin of protection for the American bleacher.

As sun bleaching is naturally a seasonal operation, it is frequently difficult for manufacturers to regulate their output to the demand, which accounts for the fact that there is at times an excess of bleached beeswax in the market, but declining prices resulting therefrom are not due to importations but solely to production conditions which are difficult to control.

The importer can not compete on a price basis with domestic bleachers and the small quantities now being imported are salable only because of the preference of a limited number of American consumers who are accustomed to certain makes of foreign bleached beeswax and have built their formulæ on the use of same.

In the tariff of 1913 white bleached beeswax was free of duty. The present duty of 25 per cent has given the domestic bleacher a practical monopoly, as evidenced by the small and declining importations. We consider the industry amply protected and respectfully petition that the present duty of 25 per cent ad valorem be retained.

Respectfully submitted.

L. A. SALOMON, Jr.,
By ADOLPH H. SALOMON.

NEW YORK, June 24, 1929.

BOROUGH OF MANHATTAN,
City and County of New York, ss:

Subscribed and sworn to before me this 25th day of June, 1928.

[SEAL.]

H. A. WOODRUFF,
Notary public.

SUPPLEMENT

955

CORK TILE FLOORING

[Par. 1511]

LETTER FROM DAVID E. KENNEDY, (INC.), NEW YORK CITY

Hon. RUTH PRATT,
New York City.

DEAR MRS. PRATT: No opposition whatever has been registered before either the Ways and Means or Senate Finance Committees to our request for an increased duty on cork tile flooring. There has, however, been a very serious opposition expressed from some quarters to the increased duty on cork insulation and cork board and some other cork products. I was afraid that in their consideration of so many items the committee might gain the impression that this opposition to an increased duty on other cork products ran also to cork tile. Cork tile is the entire line of the Kennedy Co., whereas with the other American cork manufacturers it is a very small side line. I was afraid therefore that on account of the considerable opposition urged against increase of duty on the other cork products it might be construed to include an opposition to increased duty on cork tile also. Can we make this matter plain to the members of the Senate subcommittee?

Yours very truly

DAVID E. KENNEDY.

HIDES AND LEATHERS

[Par. 1530 (a), (b), (c), (d)]

SUPPLEMENTAL MEMORANDUM SUBMITTED BY MARION DE VRIES, WASHINGTON, D. C., REPRESENTING THE TANNERS COUNCIL OF AMERICA

H. R. 2687. REVISED HIDE AND LEATHER PARAGRAPH

PAR. 1530. (a) Hides and skins of cattle of the bovine species (except hides and skins of the India water Buffalo imported to be used in the manufacture of rawhide articles), raw or uncured or dried, salted or pickled, 10 per centum ad valorem.

(b) Leather (except leather provided for in sub paragraph (d) of this paragraph), made from hides or skins of cattle of the bovine species:

(1) Sole or belting leather (including offals), rough, partly finished, finished, crusted, or cut, or wholly or partly manufactured into outer or inner soles, blocks, strips, counters, taps, box trees, or any forms or shapes suitable for conversion into boots, shoes, footwear, or belting, 20 per centum ad valorem;

(2) Leather wetting, 25 per centum ad valorem;

(3) Leather used in the manufacture of harness or saddlery, 20 per centum ad valorem;

(4) Side upper leather (including grains and splits), patent leather, and leather made from calf or kip skins, rough, partly finished or finished, or cut or wholly or partly manufactured into uppers, vanps, or any forms or shapes suitable for conversion into boots, shoes, or footwear, 20 per centum ad valorem;

(5) Upholstery, collar, bag, case, glove, garment or strap leather, in the rough, in the white, crust or russet, partly finished or finished, 25 per centum ad valorem;

(6) Leather used in the manufacture of footballs, basket balls, soccer balls, or medicine balls, 25 per centum ad valorem;

(7) All other leathers, rough, partly finished, finished or curried, not specially provided for, 25 per centum ad valorem.

(c) Leather (except leather provided for in subparagraph (c) (1) and that commercially known as India-tanned goat and sheep) made from the skins of goat, kid, cabretta, kangaroo, or wallaby, in the rough, in the white, crust or russet, partly finished, or finished, 20 per centum ad valorem.

(c) (1) Leather (except leather provided for in subparagraphs (c) and (d) of this paragraph, and that commercially known as India-tanned goat and sheep) made from hides or skins of animals (including fish and birds, but not including cattle of the bovine species), glove and garment leather, in the rough, in the white, crust or russet, partly finished, or finished, and all other leather not specially provided for, 25 per centum ad valorem; if used in the manufacture of boots, shoes or footwear, or cut or wholly or partly manufactured into uppers, vamps, or any forms or shapes, suitable for conversion into boots, shoes, or footwear, 15 per centum ad valorem; rough-tanned or semi-tanned leather made from genuine reptile skins, 15 per centum ad valorem; vegetable-tanned rough leather made from goat and sheep skins (including those commercially known as India-tanned, goat and sheep skins), vegetable rough-tanned pig and hog skins, and rough-tanned skivers, 10 per centum ad valorem;

(d) Leather of all kinds, grained, printed, embossed, ornamented, or decorated in any manner or to any extent (including leather finished in gold, silver, aluminum, or like effects), or made into fancy leather by any other process (in addition to tanning), and all such leathers cut or wholly or partly manufactured into uppers, vamps, or any forms or shapes suitable for conversion into boots, shoes, or footwear, all of the foregoing by whatever name known, and to whatever use applied, and leathers made from reptile, pig or hog skins, partly finished or finished, 30 per centum ad valorem.

(g) The Secretary of the Treasury shall prescribe rules and regulations for carrying out the provisions of this paragraph.

(h) Wherever in this paragraph "use" is made determinative of a duty, such shall be held to be the use obtaining at the time of the passage of this act.

(i) That whenever any country, dependency, province, or other subdivision of government imposes a duty upon a kind or class of leather provided for in this act when imported from the United States, the same rate of duty is hereby laid and shall be collected upon such kind or class of leather when imported into the United States from such country, dependency, province, or other subdivision of government.

LEATHERS INCLUDED IN SUBPARAGRAPHS OF PARAGRAPH 1530 OF H. R. 2967, TARIFF BILL OF 1929, AS ASKED OF THE SENATE

(a) Cattle hides and calfskins.

(b) (1) Sole leather (rough and finished) whether in sides, backs, bends, crops, bellies, heads, shoulders, shanks, butts, or cut into forms for shoe purposes;

Belting leather (rough or curried) in butts, butt bends, side pieces, slabs, or other forms.

(b) (2) Leather welting (a manufactured product).

(b) (3) Harness, saddlery, skirting and latigo leathers.

(b) (4) Cattle-hide upper leather (grains and splits), patent leather from cattle hides or calfskins; calf and kip leather (smooth finished), and cut stock from these leathers; India-tanned, calf, kip and cattle-hide leather.

(b) (5) Upholstery, collar, bag, case, strap, bovine glove and garment (rough or finished).

(b) (6) Football, basket-ball, soccer-ball, or medicine-ball leather (if made from bovine hides or skins).

(b) (7) All other leathers made from bovine hides and skins, rough or finished, including lace, picker, apron, buffing, etc.

(c) Goat, kid, cabretta, kangaroo, and wallaby leathers except glove and garment leathers and India-tanned goat and sheep.

(c) (1) Twenty-five per cent bracket: Glove and garment leathers from sheep, goat, cabretta, horse, carpincho, peccary, deer and elk, and any other skins except bovine animals, rough or finished. Piano leathers, chamois, antelope, horsehide sporting goods leather, razor strop leather, hat sweatbands, meter, roller and plain bookbinding leathers and shearlings, rough or finished.

Fifteen per cent bracket: Sheep and lamb shoe leather, deer and elk shoe leather, horsehide shoe leather (including patent colt). Rough-tanned reptile leather.

Ten per cent bracket: India-tanned goat and sheep; rough-tanned pig and hog and rough-tanned skivers.

(d) Fancy leathers of all kinds, regardless of class of skins from which made, or purpose for which to be used. Any leather artificially finished or embossed. Fancy sheep, goat, calf and cowhide leathers and bookbinding leathers (if embossed), and Morocco leather. Finished pig, hog, snake, lizard, alligator, and other reptile leathers.

SUMMARY BY RATES LEVIED

Thirty per cent: Fancy sheep; fancy goat; fancy calf; fancy cowhide; fancy n. e. s.; pig and hog; reptile; alligator; morocco; fancy bookbinding; snake, lizard, etc.

Twenty-five per cent: Piano; upholstery; rag and strap; football and sporting goods; glove and garment; shearlings; seal; walrus; leather welting; lace; razor strop; chamouis; deer and elk (except shoe); horse glove; horse sport leathers; ostrich; picker; meter; roller; apron; antelope; hat sweat; buffing.

Twenty per cent: Sole and belting; harness and saddlery; cattle-hide, upper; calf and kip; patent cattle hide; skirting; latigo; cabretta; goat and kid; kangaroo and wallaby; India-tanned calf and kip; India-tanned cattle hide.

Fifteen per cent: Horse-hide shoe; deer and elk shoe; sheep and lamb shoe; other shoe leather; rough-tanned reptile.

Ten per cent: Cattle hides and calfskins (raw); India-tanned goat and sheep; rough-tanned pig and hog; rough-tanned skivers.

LETTER FROM THE PFISTER & VOGEL LEATHER CO., MILWAUKEE, WIS.

[Calf and kip leather, par. 1530 (b) (4)]

HON. REED SMOOT,

*Chairman Finance Committee,
United States Senate, Washington, D. C.*

DEAR SIR: You are most probably already informed as to the extremely depressed condition of the leather industry and the tremendous losses suffered by this industry during the last eight years.

Our company has been in existence, under the name of Pfister & Vogel and Pfister & Vogel Leather Co., for 82 years, and with few exceptions, until 1921, was always able to earn a fair return on its capital investment. Since 1921, the excess capacity of our domestic tanneries and the heavy importations of foreign calf and side leathers have brought about a condition which has obliged us to close down entirely two of our tanneries, and operate the remaining three at not much over 60 per cent capacity.

The total imports of calf and kip upper leather in square feet for 1928 were 54,000,000 square feet, and the present indications are that for 1929 they will amount to 65,000,000 square feet, the importations for the month of June being 6,200,000 square feet, the highest record ever reached; in other words, over 50 per cent of the domestic production.

In 1920 the Milwaukee tanners paid \$7,500,000 in wages and employed close to 5,000 men, and our estimates for this year are about 3,500 men and approximately \$5,000,000 in wages.

The leather industry is a key industry, important in time of peace as well as war, and unless Congress grants relief, it will not be long before we will be dependent upon foreign leather very largely instead of domestic leather.

The return on the capital investment in the leather industry is the smallest of any of the major industries of the country, as is easily proven by the income tax returns for the last eight years.

It is absolutely unjust to the tanners of this country, as well as their employees, to keep leather on the free list, when all other manufactured goods enjoy protection, and we are obliged to pay competitive wages with other industries. On the average, the wage scale for continental Europe is just about 40 per cent of our domestic wages, and the efficiency of their labor and equipment is high.

We therefore earnestly pray that you will give favorable consideration to our request, and remain

Very truly yours,

PFISTER & VOGEL LEATHER CO.,
----- VOGEL, Vice President.

COTTON WIPING RAGS

[Par. 1555]

BRIEF OF DANIEL I. MURPHY (INC.), PHILADELPHIA, PA.

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: We understand that in the tariff bill about to be written, the House has proposed a tariff of 2 cents a pound on wiping rags.

We understand that this proposed tariff has been put on, not on the solicitation of dealers in domestic wiping rags, but that it has been placed there due to the solicitation of firms who machine and manufacture cotton thread waste for wiping purposes.

These same cotton waste machiners mix in with their cotton thread waste, old lace curtains, and other rags which are imported from foreign countries, and then broken up here, as well as old lace curtains already broken up in Europe, and thousands of tons of cotton thread itself from Japan and European countries, but there is no duty on any of these articles, and they have not requested any duty.

We do not contend that there should be a duty on the cotton thread waste, as it is now on the free list, but so have all the grades of cotton or linen rags been on the free list for all times. The wiping rags as such is more or less the result of an accident due to the fact that when the old rags are discarded by the householders, there happens to be some large rags in the discarded material, which are salvaged by the junk men and segregated in the sorting of the rags so they can be utilized by the steel mills, automobile factories, paint shops, and other industries in wiping up oil, grease, filth, or dirt of any kind.

The proposed tariff does not specify whether the duty is on washed or unwashed wiping rags, although in lieu of any specific distinction, it would naturally apply to both.

Some years ago only the clean hand-picked large pieces were used for wipers, but due to different State sanitary laws and the general raising of hygienic standards throughout the world, rag and junk dealers have started to wash and sterilize the large pieces of old rag, and cut off the buttons, hooks and eyes, so that they would not scratch material that was being wiped with the rags.

I merely mention this because I understand the cotton waste machiners have been contending that these washed wiping rags are manufactured articles which are hurting their industry.

If you sent a torn shirt to the laundry with a button off and the laundry washed same, darned the hole, and sewed on the button for you, you would not call it a manufactured shirt or manufactured cotton cloth.

While these wiping rags when washed may be improved in value in the sense that anything clean is worth more money than something dirty, still the operation they go through (which is even less than your laundry's process) could hardly be dignified by calling it manufacturing.

It is a well-known fact, which can be denied by no one familiar at all with the rag situation, that the United States for years, and to-day even more so, does not produce enough rags to meet the demands of the consumers in this country, either the paper mills or wiping rag users.

In fact, numerous paper mills would have to shut down or run on half time if it was not for the foreign rags.

In addition, the cotton waste industry represents a very small part of American manufacturers, and would amount to not quite a pebble on the beach in proportion to the whole, whereas the ones who would have to bear any increased tariff would be all the different American manufacturing plants throughout the whole United States who would have to pay an increased cost for their wiping rags.

This wiping-rag business has been more or less a development of the last half dozen years, and if plants have been educated to clean things up a bit, it would be a crime to permit an additional cost to deter them from continuing their good habits.

Besides, there are tens of thousands of manufacturers and plants that are using wiping rags to-day that never used a bale of cotton waste in their life, and they have been educated to use the stock through wiping rag salesmen.

While it is true that wiping rags have supplanted machined cotton thread waste in numerous places in the United States, this is due solely to the fact that it serves the purpose better and is borne out by the fact that the United States Navy, and other departments, where they formerly sent out requisitions some years ago, for 50,000 pounds of wiping rags, and 1,000,000 pounds of wiping waste, their proportions have been reversed, and they now ask bids on a 1,000,000 pounds of wiping rags, and 50,000 pounds of waste, and they will not buy cotton waste even at less money, because they don't want it, as it doesn't serve the purpose as well.

The contention of cotton waste machiners that an almost prohibitive duty should be put on wiping rags is just about as logical as the citrus fruit growers of Florida and California wanting a prohibitive duty put on bananas (although there are no bananas grown in the United States to speak of), in order to stop the people from eating bananas, and make them eat oranges and grape fruit.

As far as the wiping rags being slightly cheaper in price: An industry should not be penalized if it has developed some new product as the result of economic necessity.

As far as the price of cotton threads go, this is determined solely by what these cotton waste machiners pay their cotton mills for their waste, and as this waste is accumulated every day by the cotton mills, and must be moved within a certain time, if for no other reason than a fire hazard alone, they can really buy their cotton threads for any price they set their mind to.

On the other hand, you must remember that old rags do not grow like cotton or wool on a sheep's back that must be clipped every year, as old rags will not be collected unless there is a high enough price paid for them to permit a man at the end of the day, to pay for the cost of horse and wagon, and have enough left over to give himself a day's wages out of what he has collected.

As numerous old rags coming from Europe and other places, consigned to paper mills have also many large rags suitable for wipers, which is bound to lead to endless confusion by the different appraisers, and as paper stock, and old cotton rags, and also old junk have been on the free list in all times past, we trust you could use your good graces to stop any such attempted discriminating and unfair tariff regulation as the proposed duty of 2 cents a pound tacked on by the House, which provision we believe, was just about the last provision made by the House, put on at the twenty-fourth hour.

I can write this letter from an unbiased and unprejudiced viewpoint, because we handle domestic wiping rags, domestic cotton waste, and we import tremendous quantities of cotton thread waste, which we sell to these same machiners, as well as the wiping rags, and while we would benefit slightly perhaps through additional sales of cotton thread waste, to these cotton waste machiners, at the same time I can not stand by, (since I am interested in, and handle all commodities) and remain silent without at least sending an explanatory word (about a commodity which due to its oddness, you may not be familiar with), to you and the other members of the committee, whom I know would rectify such damaging legislation as soon as you have been acquainted with the true facts, and I pledge you there is not an exaggerated word, or statement in my whole letter.

With best wishes, and trust that you will do your best to make a point to have this proposed duty of 2 cents a pound scratched out, and put wiping rags, if they want to specifically designate them, as wiping rags on the free list where they belong, or else have the tariff read "Cotton and linen rags of all descriptions duty free."

The proposed duty of 2 cents a pound amounts to from 25 per cent to over 55 per cent of the value of the goods.

I remain,

Yours very truly,

DANIEL I. MURPHY (INC.),
Per JOHN A. MURPHY.

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| Welting leather. (See Leather.) | |
| Wiping rags..... | 928-949, 960 |
| Works of art..... | 817 |
| Woven labels..... | 384 |