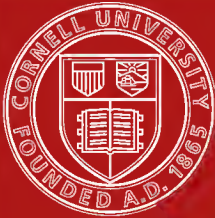


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# TARIFF HEARINGS

BEFORE THE COMMITTEE ON  
WAYS AND MEANS OF THE  
HOUSE OF REPRESENTATIVES

SIXTIETH CONGRESS

1908-1909

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FREE LIST AND MISCELLANEOUS



WASHINGTON  
GOVERNMENT PRINTING OFFICE

1909  
12904

COMMITTEE ON WAYS AND MEANS.

HOUSE OF REPRESENTATIVES.

SERENO E. PAYNE, *Chairman.*

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SAMUEL W. MCCALL.  
EBENEZER J. HILL.  
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EDGAR D. CRUMPACKER.  
CHAMP CLARK.  
WILLIAM BOURKE COCKRAN.  
OSCAR W. UNDERWOOD.  
D. L. D. GRANGER.  
JAMES M. GRIGGS.  
EDGAR W. POU.  
CHOICE B. RANDELL.

WILLIAM K. PAYNE, *Clerk.*

## P R E F A C E .

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Tariff hearings were begun on November 10, 1908, pursuant to the following notice:

The Committee on Ways and Means will hold hearings on tariff revision, at Washington, D. C., commencing on the following dates:

- Tuesday, November 10, 1908, on Schedule A—Chemicals, oils, and paints.
- Thursday, November 12, 1908, on Schedule H—Spirits, wines, and other beverages.
- Friday, November 13, 1908, on Schedule F—Tobacco, and manufactures of.
- Monday, November 16, 1908, on Schedule E—Sugar, molasses, and manufactures of.
- Wednesday, November 18, 1908, on Schedule G—Agricultural products and provisions.
- Friday, November 20, 1908, on Schedule D—Wood, and manufactures of.
- Saturday, November 21, 1908, on Schedule M—Pulp, papers, and books.
- Monday, November 23, 1908, on Schedule B—Earths, earthenware, and glassware.
- Wednesday, November 25, 1908, on Schedule C—Metals, and manufactures of.
- Saturday, November 28, 1908, on Schedule N—Sundries.
- Monday, November 30, 1908, on Schedule J—Flax, hemp, and jute, and manufactures of.
- Tuesday, December 1, 1908, on Schedule I—Cotton manufactures, and on Schedule L—Silks and silk goods.
- Wednesday, December 2, 1908, on Schedule K—Wool, and manufactures of.
- Friday, December 4, 1908, on Sections 3-34, and miscellaneous matters.

Hearings on articles now on free list will be held on the above dates in connection with the above subjects to which they most nearly relate.

The hearings will be held in the rooms of the committee, third floor, House of Representatives Office Building.

Sessions will begin at 9.30 a. m. and 2 p. m., unless otherwise ordered.

Persons desiring to be heard should apply to the clerk of the committee previous to the day set for the hearing, to be assigned a place on the programme for that day. A person making such application should state:

1. His name.
2. His permanent address.
3. His temporary address in Washington.
4. Whom he represents.
5. Concerning what paragraphs he desires to be heard.
6. Briefly, what position he expects to advocate.
7. How much time he wishes to occupy.

He should also inclose a copy of his brief and of any documents he desires filed with the committee.

All briefs and other papers filed with the committee should have indorsed on them the name and address of the person submitting them, and the numbers of the paragraphs of the present law (act of July 24, 1897) to which they relate.

WILLIAM K. PAYNE,  
*Clerk, Committee on Ways and Means.*

The committee subsequently extended the time for hearings to December 24, 1908.

On the opening day of the second session of the Sixtieth Congress (December 5, 1908), the following resolution was passed by the House of Representatives:

*Resolved*, That the Committee on Ways and Means, in their investigation and inquiry for the purpose of preparing a bill to revise the present tariff laws, shall have power to subpoena and examine witnesses under oath, and to send for records, papers, and all other evidence that may be necessary to make the investigation and inquiry full and complete, and that the Speaker shall have authority to sign and the Clerk to attest subpoenas during the recess of Congress.

Pursuant to this resolution, all witnesses appearing before the committee, beginning with the session on December 10, 1908, were sworn before giving their testimony.

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The stenographic minutes of each day's proceedings, together with the briefs and memorials filed, were printed and distributed the following morning, and upward of 2,500 copies of this first print were sent out each day. Copies were sent to each witness, with a request that he correct his statement as printed, and return the revised copy to the clerk. Such corrections have been used in preparing this revised edition of the hearings.

In this edition the chronological order of the statements has been disregarded, and the oral statements and papers filed on each subject have been grouped together, following, as far as practicable, the arrangement of subjects in the present tariff law. The date of each oral statement is placed at the beginning of it.

A large number of letters have been filed with the committee which merely stated the attitude of the writer, or else substantially repeated an argument which had already been printed in the hearings. Such letters have not been included in this work, but instead, a statement is made that such letters have been received. They are all on the committee's files, and accessible to the members of the committee. By this means, the size of the volumes, already bulky, has been somewhat reduced, the printing has been expedited, and, it is believed, many undesirable repetitions have been avoided.

WILLIAM K. PAYNE.

JANUARY, 1909.

## REMARKS BY THE CHAIRMAN.

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Tuesday, November 10, 1908, the chairman of the committee, Hon. S. E. Payne, opened the public hearings with the following remarks:

Gentlemen, the hearings will commence at half past 9 in the morning and continue until 1 o'clock, when a recess will be taken until 2 o'clock. The hearings will then be resumed in the afternoon at 2 o'clock, and if it becomes necessary to take a recess at 6 o'clock the committee can do so and continue the hearings at 8 o'clock.

The opening hearing this morning, as you are aware, is upon the chemical schedule of the tariff, and it is the desire of the committee to hear the parties interested and others who may desire to speak on the subject embraced in the schedule, and also concerning the chemicals on the free list, and so with each paragraph of the bill as we proceed, so that the discussion may continue intelligently, involving every item connected with the subject.

The committee has no apologies to make for the bad acoustics of the hall, as we have nothing to do with that feature. We hope the people in attendance will be able to hear, and I would caution those in attendance that they speak in a sufficiently loud tone of voice that the committee can hear.

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December 22, 1908, at the close of the formal hearings, the chairman said:

Gentlemen, in accordance with the resolution of the committee passed two weeks ago this closes the hearings and there will be no further hearings by the committee unless they desire information on some subject and invite gentlemen to be present to give them that information—that is, there will be no hearings for volunteers as distinguished from those who may be sent for by the committee. Of course, any persons desiring to present briefs and file them can do so, and they will be printed with the hearings. The only difficulty in regard to that is that if they are not brought in promptly they will be printed in a subsequent volume. I think we have material now for five or six volumes, and belated briefs and papers will be printed in a subsequent volume with the index.

Before we adjourn I want to thank the members of the committee for their uniform courtesy, and especially their indefatigable inquiries tending to bring out the facts in reference to the tariff and in order to aid in perfecting the bill. I think the minority members of the committee especially are entitled to thanks for their perseverance and patience in getting at the facts.

Mr. COCKRAN. As the senior member of the minority, Mr. Chairman, I want to say that nothing could be fairer than the manner in which this investigation has been conducted, and no inquiry could be fuller in its scope or more fruitful in its results.

The CHAIRMAN. The chairman is very much gratified at the gentleman's statement. The committee will now stand adjourned.

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**FREE LIST AND MISCELLANEOUS**

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## ARTICLES OF HOME ORIGIN.

[Paragraph 483.]

**HENRY J. WEBSTER, NEW YORK CITY, QUESTIONS THE APPLICATION OF THE PROVISION FOR ARTICLES, THE GROWTH, PRODUCE, AND MANUFACTURE OF THE UNITED STATES.**

17 BATTERY PLACE,  
*New York, January 23, 1909.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: In my experience in tariff matters representing both the Government and importers a matter has frequently come to my attention which I believe deserves the attention of the Congress, particularly as it does not seriously affect any special interest, but is probably of greatest importance to travelers and individuals importing articles for their own use. I refer to the second importation of an article which has once paid duty.

It is submitted that if a man imports an article and pays duty upon it and takes it out of the country he should be permitted to bring it back without additional payment. Every person who has been compelled to pay duty a second time on the same article has certainly felt aggrieved, and Congress itself seems to have taken the same view as to a few articles. For example, paragraph 483 of the present tariff act (which relates chiefly to American products returned) provides for the free admission of quicksilver flasks of foreign make previously exported from the United States. Again, in paragraph 697, personal effects taken abroad by residents of the United States may be brought back by them without payment of duty, without reference to whether they are of American or foreign manufacture.

The Secretary of the Treasury also permits the free entry of automobiles of foreign manufacture when imported for a second time. His instructions to collectors are broad enough in their terms to include any article imported for a second time, but they have not been generally applied to other articles than automobiles. (T. D. 23923.)

The Secretary also permits teams and automobiles to cross the Canadian and Mexican borders temporarily without payment. (Art. 659, Treas. Reg. of 1908.) Sealskin garments of foreign manufacture may also be taken abroad and brought back without duty, if registered. (Art. 633, id.)

If the foregoing articles are properly admitted free upon second importation, would it not be proper to extend the rule to all classes of articles?

Some cases where a second duty was assessed are as follows:

T. D. 15321 (G. A. 2755). A pump of English manufacture was sent from San Francisco to the coast of British Columbia to be used

in raising a sunken vessel. When this pump was brought back into San Francisco duty was assessed and the Board of General Appraisers confirmed the assessment.

T. D. 15474 (G. A. 2823). The same rule was applied to a quantity of prune juice imported from a foreign country, then exported to Honolulu, and reimported into San Francisco. This was before the annexation of Hawaii.

T. D. 15675 (G. A. 2856). Iron tanks originally imported filled with glycerin, exported with acids and reimported with molasses, were required to pay duty on the second importation.

T. D. 25768 (G. A. 5849) relates to an automobile of foreign manufacture imported and duty paid, exported to a foreign country, imported again and duty paid again.

Specifically, my suggestion is that paragraph 483 of the present law be amended by striking out the words "the growth, produce, and manufacture of the United States" and the further words "of American manufacture." The provision for quicksilver flasks would then become surplusage and could as well be omitted, the words "bottles" and "flasks" being inserted in the general clause.

The whole paragraph as proposed would then read:

483. Articles when returned after having been exported, without having been advanced in value or improved in condition by any process of manufacture or other means; casks, barrels, bottles, flasks, carboys, bags, and other vessels exported filled with American products or exported empty and returned filled with foreign products, including shooks and staves when returned as barrels or boxes; but proof of the identity of such articles shall be made under general regulations to be prescribed by the Secretary of the Treasury, but the exemption of bags from duty shall only apply to such bags as may be imported by the exporter thereof, and if any such articles are subject to internal tax at the time of exportation, such tax shall be proved to have been paid before exportation, and not refunded: *Provided*, That this paragraph shall not apply to any article upon which an allowance of drawback has been made, the reimportation of which is hereby prohibited except upon payment of duties equal to the drawbacks allowed; or to any article manufactured in bonded warehouse and exported under provision of law: *And provided further*, That when manufactured tobacco which has been exported without payment of internal-revenue tax shall be reimported it shall be retained in the custody of the collector of customs until internal-revenue stamps in payment of the legal duties shall be placed thereon.

The amendment as proposed would preserve the safeguards of the present law as to proof of identity, drawback, internal revenue, etc.

The persons affected by this question are, for the most part, not continuously interested, and it is natural that they should not appear before your committee. Those who may have to pay double duty in future probably do not anticipate it now, and those who have paid it in the past do not expect to do so again. It is for this reason that I have taken the liberty of addressing you, believing that, under these circumstances, your committee would consider the matter on its merits, although presented by one who has no financial interest in the result.

Respectfully, yours,

HENRY J. WEBSTER.

**THE GRASSELLI CHEMICAL COMPANY, CLEVELAND, OHIO, WISHES  
A SPECIAL PROVISION FOR CHEMICAL CONTAINERS.**CLEVELAND, OHIO, *January 25, 1909.*

HON SERENO E. PAYNE,

*Chairman Ways and Means Committee,  
Washington, D. C.*

DEAR SIR: The Graselli Chemical Company begs to call the attention of your committee to the hardship imposed upon the American manufacturer by a strict interpretation of paragraph 483 of the present tariff act. Paragraph 483 places on the free list "articles the growth, produce, and manufacture of the United States, when returned after having been exported, without having been advanced in value or improved in condition by any process of manufacture or other means; casks, barrels, carboys, bags, and other vessels of American manufacture exported filled with American products, or exported empty and returned filled with American products, including shooks and staves when returned as barrels or boxes; also quicksilver flasks or bottles of either domestic or foreign manufacture, which shall have been actually exported from the United States;" etc.

Under this paragraph the division of customs rules that every time a container or covering which is of foreign manufacture is returned empty to the United States after having been exported filled with American merchandise it must pay duty. For example, the Grasselli Chemical Company is exporting acids to Mexico. The packages for the acid are iron drums which originally came to the United States as coverings or packages for glycerin, which commodity pays a specific duty. These glycerin containers are not manufactured in this country and are the only satisfactory containers or packages which we can use to export our acids to Mexico. We have been unable to find any drums in this country that will stand the severe test of this long haul when filled with heavy chemicals, such as sulphuric acid. When these drums are returned to us to be refilled the collector imposes a duty of 45 per cent ad valorem on them as manufactures of metal. Furthermore, he assesses this duty not only once but every time the same drum comes back. Thus you will see that after it has been returned three or four times the Government would have received in duties considerably more than the full value of the drum.

These drums are not a source of revenue; they are simply packages for our merchandise, and we protest that it is not within the spirit, if it is within the letter, of our tariff laws that packages for American goods should be made to pay such exorbitant tribute. The Mexican market for acids is just opening to the American manufacturer, and it will be hopelessly closed unless this tariff on these iron drums is lifted. Therefore we respectfully ask for careful consideration of the following amendment to paragraph 483 and urge its insertion in the new tariff act which your committee is drafting. The only addition we have made to paragraph 483 is the addition of the words "iron glycerin drums" after the word "bottle," in line 8.

483. Articles the growth, produce, and manufacture of the United States, when returned after having been exported, without having been advanced in value or improved in condition by any process of manufacture or other means; casks, barrels, carboys, bags, and other vessels of American manufacture exported filled with American products, or exported empty and returned filled

with foreign products, including shooks and staves when returned as barrels or boxes; also quicksilver flasks or bottles, *iron glycerin drums*, of either domestic or foreign manufacture, which shall have been actually exported from the United States," etc.

THE GRASSELLI CHEMICAL CO.

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## BEESWAX.

[Paragraph 490.]

**THE W. H. BOWDLEAR CO., BOSTON, MASS., ASKS THAT A DUTY BE PLACED ON REFINED OR BLEACHED BEESWAX.**

BOSTON, *December 9, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: As bleachers and refiners of raw beeswax, we wish to call your attention to the advisability of having a duty placed upon beeswax that has been bleached or refined.

There are several bleachers and refiners in this country, and beeswax without distinction from crude, refined, and bleached is all free. We are meeting competition from foreigners on the refined and bleached article and much of it is coming in here to-day free.

We desire protection as manufacturers to the extent of having a duty placed upon the refined or bleached beeswax. The crude or raw material we desire to come in free of duty.

We would suggest 20 per cent ad valorem or 7½ cents per pound.

Respectfully, yours,

THE W. H. BOWDLEAR Co.,  
W. H. BOWDLEAR,  
*President and Treasurer.*

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## SEA GRASS.

[Paragraph 617.]

**OSCAR SMITH & SONS CO., PHILADELPHIA, PA., WISH A DUTY PLACED UPON UPHOLSTERING GRASS.**

PHILADELPHIA, PA., *November 19, 1908.*

WILLIAM K. PAYNE,  
*Clerk Committee on Ways and Means, Washington, D. C.*

DEAR SIR: In reply to yours of the 11th, in connection with our letter of November 9 to Hon. Sereno E. Payne, to which your letter is a reply, we submit copies of our letter of September 2, 1908, to Hon. Boies Penrose, and copy of letter of V. W. Winchester, Baltimore, Md., to Hon. Isidor Rayner, both of which set forth our claim that a duty of at least \$4 per ton of 2,000 pounds should be placed upon this article imported into the United States. There is also a possibility of this article being imported from Germany.

Respectfully,

OSCAR SMITH & SONS Co.,  
ALBERT T. SMITH, *Manager.*

## EXHIBIT A.

BALTIMORE, *September 9, 1908.*

HON. ISIDOR RAYNER,  
*Baltimore, Md.*

DEAR SIR: For the past three years I have been endeavoring to foster an industry of a product which is of natural growth on our shores and what I believe to be a valuable article to the upholstering line of trade, also for other purposes—that is, I am gathering a sea grass which grows naturally in the waters of the Chesapeake and the neighborhood of Tangier Sound. I have interested quite a number of oystermen to engage in this industry, they having particularly nothing to do between oyster seasons, May to September, and while they have made a partial success, yet I find they are hampered by having in competition a similar product gathered in Canada, principally along the St. Lawrence River. I find there is quite a large demand and ready market for this domestic product (commercially known as sea moss), but as mentioned before, the gatherers can not realize a profit with any degree commensurate to the amount of labor attached. Now, upon some little investigation, I find the Canadian product can be put on the market for less expense, owing to the cheaper labor and general low expenses they have to contend with all around. Therefore I will urge you to take an interest in this matter, with the view in end of having a tariff created to protect and help to foster this industry of your native State.

I trust you will favor my efforts in this respect and take prompt steps to put the matter before a proper committee which would have the most weight in reaching the desired end. If you should want any further information on the subject, I shall be only too glad to cheerfully furnish the same as far as I am able. I beg to remain,

Yours, very truly,

V. W. WINCHESTER.

## EXHIBIT B.

SEPTEMBER 2, 1908.

HON. BOIES PENROSE,  
*Arcade Building, Philadelphia, Pa.*

DEAR SIR: We have within the past few years started a new industry in the United States, the gathering of sea grass, by some termed "sea moss," taken from the bays in the vicinity of Barnegat, N. J., also along the Maryland coast. This grass is sold principally for the filling of mattresses and upholstered furniture. We find, however, that we are discriminated against in the way of competition with a similar product gathered in the vicinity of Isle Verte, Quebec, Canada. First, because of freight rates the Canadian gatherers, having much lower rates for the same haul, are furnished larger cars for the same minimum weights and have labor at their command at one-half the price we are paying.

Sea grass is treated or prepared for market exactly as hay is cured, and when baled for shipment, in the same manner.

As we understand, there is a duty of \$4 per ton on hay shipped from Canada to the United States. We feel we are justified in asking that you, at the proper time, take this subject up with the tariff

commission at Washington and ask that a duty of \$4 per ton be placed on shipments of this product to the United States, which should equalize cost of production with the Canadian shippers.

Four dollars per ton would give us no advantage, and it simply represents difference in cost of labor. The matter relative to freight rates we can take up with the transportation companies.

Very truly,

OSCAR SMITH & SONS CO.

## PETROLEUM.

[Paragraph 626.]

### THE BEAVER REFINING CO., WASHINGTON, PA., PROTESTS AGAINST FREE RUSSIAN CRUDE AND REFINED OILS.

WASHINGTON, PA., *January 4, 1909.*

WAYS AND MEANS COMMITTEE,  
*Washington, D. C.*

GENTLEMEN: We notice by the papers that there is a possibility of taking the tariff off on Russian petroleum. We think it would be a great mistake to take it off the crude and refined oils from that country, as it would be pretty severe competition for the small refiners. We do believe that if the tariff is taken off Russian white paraffin oils from 865 to 885 specific gravity, it would be a great help, as, so far, these oils can not be made out of any oil products in this country.

Yours, truly,

BEAVER REFINING CO.,  
*Refiners of Petroleum and its Products,*  
C. A. WALES, *President.*

## PARAFFIN WAX.

[Paragraph 633.]

### THE WILL AND BAUMER CO., SYRACUSE, N. Y., CLAIMS THAT IT IS IMPOSSIBLE TO IMPORT PARAFFIN FREE OF DUTY.

SYRACUSE, N. Y., *November 20, 1908.*

HON. SERENO E. PAYNE,  
*Chairman Committee on Ways and Means,*  
*Washington, D. C.*

DEAR SIR: Referring to the article paraffin wax, we desire to call your attention to the fact that while this article is upon the free list, in actual practice it is practically impossible to import paraffin wax free of duty.

The article in question is a by-product of petroleum, and is controlled in this country by the Standard Oil Company, their control being more particularly upon the refined and semirefined wax than upon the crude—but all three forms of this wax were intended to be upon the free list.



While it was possible some years ago to purchase this wax at reasonable prices, since the advent of the Standard Oil Company in the candle business they make it a point to maintain a high price for the wax, at the same time constantly depressing the prices of candles, the object of this action being to eliminate competition in the candle business.

The reciprocity feature of the present tariff provides that, upon paraffin wax imported into the United States, the same duties shall be charged as are being exacted by the country from which such wax may be imported.

As a result of this it is possible to import wax only from England, and the Standard Oil people appear to have a working arrangement with the English manufacturers whereby the prices in England are the same as those in the United States, thus completing a monopoly which is almost international in its scope.

With this restriction removed, the candle manufacturer would be in position not only to meet the unjust competition of the Standard Oil Company in this country, but could also compete successfully for the export trade in candles with manufacturers abroad.

We respectfully submit, therefore, that paraffin wax should be completely upon the free list, without modification by any reciprocity clauses.

Trusting your committee will grant our prayer, we remain,

Very truly, yours,

THE WILL & BAUMER Co.

## REGALIA, GEMS, AND STATUARY.

[Paragraph 649.]

### STATEMENT OF WILLIAM L. TIERNEY, 27 WILLIAM STREET, NEW YORK CITY, N. Y., RELATIVE TO CHURCH STATUARY.

SATURDAY, *November 28, 1908.*

The CHAIRMAN. You may have five minutes, Mr. Tierney, on the subject of church statuary.

Mr. TIERNEY. I will simply file a brief on this subject, but there are one or two points that I would like to bring out before I file the brief.

We come under paragraph 649 of the free list. Church statuary comes in free of duty for educational purposes and for churches and other like institutions as "casts of sculpture." That is a decision of the United States Supreme Court, which construed a statue, because it is an article made of composition and cast, as coming under this heading of "casts of sculpture." It is our contention that our article, not being a work of art but being a manufactured product, has no business under that paragraph, and it really does not belong under the heading "casts of sculpture." It is also our contention that in 1897 Congress, in the redrafting of the tariff, intended to protect our industry by putting a duty of from 35 to 60 per cent on the component materials that go to make up the statues. That duty was imposed up to 1904, and as a result of this decision of the United States

Supreme Court the duty has not been levied for the last three or four years.

We ask that this article be treated as a manufactured article, and not that a duty be levied according to its component materials, the component materials being plaster of Paris, terra cotta, and cement.

The changes we ask in the act are in my brief and are pretty well covered, I think. We do not wish to exclude all casts of sculptures, but simply church statuary, where used for church purposes or for any other purpose other than art or art-educational purposes.

**BRIEF SUBMITTED BY WILLIAM L. TIERNEY, NEW YORK CITY,  
FOR AMERICAN MANUFACTURERS, ASKING FOR A DUTY ON  
CHURCH STATUARY.**

NEW YORK, *November 27, 1908.*

WAYS AND MEANS COMMITTEE,  
*Washington, D. C.*

GENTLEMEN: The undersigned are domestic manufacturers of "church statuary," so called, and technically known as casts of sculpture painted and decorated.

The article is imported free of duty by affidavit under paragraph No. 649 of the tariff act of 1897, where used for churches, etc.

We ask to have this article taken from the free list and a duty levied thereon based upon the component materials thereof.

Following is a copy of the present paragraph No. 649, and parallel thereto a draft of the amended paragraph as we propose it. The changes and additions are underlined. The committee will also note that we differ but slightly in language from the proposed amendment now before the committee. Our amendment aims to further protect us in sales to schools and other institutions as well as to churches.

**PARAGRAPH 649.**

*Act of 1897.*

Regalia and gems, statuary, and specimens or casts of sculpture,

where specially imported in good faith for the use and by order of any society incorporated or established solely for religious, philosophical, educational, scientific, or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any college, academy, school, or seminary of learning,

in the United States or any State or public library, and not for sale,

*Paragraph as amended or reconstructed.*

Regalia and gems, statuary, and casts of sculpture *for use as art models or for art educational purposes exclusively,*

where specially imported in good faith for the use and by order of any society incorporated or established solely for religious, philosophical, educational, scientific, or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any college, academy, school, seminary of learning, *orphan asylum, or public hospital,*

in the United States or any State or public library, and not for sale, *subject to such regulations as the Secretary of the Treasury shall prescribe; and such articles shall not be sold, transferred, or used contrary to this provision and shall be subject at any time to examination and inspection by the proper officers of the customs;*

but the term "regalia" as herein used shall be held to embrace only such insignia of rank or office or emblems as may be worn upon the person or borne in the hand during public exercises of the society or institution, and shall not include articles of furniture or fixtures, or of regular wearing apparel, nor personal property of individuals.

but the term "regalia" as herein used shall be held to embrace only such insignia of rank or office or emblems as may be worn upon the person or borne in the hand during public exercises of the society or institution, and shall not include articles of furniture or fixtures, or of regular wearing apparel, nor personal property of individuals.

Our amendments are suggested with a view of removing from the free list our article where used for church, school, convent, chapel, or other such institution as an article of church or school adornment, equipment, furniture, or such that goes to complete its character as such an institution, or which goes to make up the religious or semi-religious purposes of its existence.

Our article is no more entitled to be admitted free of duty for these purposes than are the usual and customary fittings of a church or school of any denomination. Practically all the parts or subjects best known in making up such institutions are subject to duty; for example, stained-glass windows containing religious figures; the outside stone or wooden cross; the material used for mural decorations in the way of devotional paintings; and, in fact, substantially every article, piece of material, or furniture used within the institution or in construction thereof excepting such few and limited articles as come in under the heading of "regalia," and these are specially provided for.

We ask that the words "specimens or casts of sculpture" be supplanted by the words "casts of sculpture for use as art models or for art educational purposes exclusively," the purpose being to establish the duty Congress intended to establish in 1897 on the immense importation of the one article, church statuary, that yearly comes into this country from the numerous well-established Canadian and European houses who deal exclusively in this article, and whose immense profit is reaped from the sale thereof to approximately 15,000 churches, and a like number of religious schools, colleges, and other like institutions in the United States.

Owing to the possibility of a religious statue being used in a religious school and construed by the courts as being in part suited for religious exercises and part for educational purposes, we ask that its use where it is imported free of duty be limited exclusively to educational, and that form of education to be of art instruction.

The use of the words "orphan asylum or public hospital" are intended, we believe, to give the privileges of this paragraph to these institutions and this privilege we favor under the restrictions we are asking for herein.

There is also added the words "subject to such regulations as the Secretary of the Treasury shall prescribe." These words, we believe, form a very necessary amendment, because of the fact that they allow the Treasury Department the powers usually specifically conferred in such sections of the acts, but which were apparently overlooked in the drafting of this paragraph.

The remaining portion of our amendment we desire as a protection against a system of carelessness, and we might say recklessness, in the present method followed by the importer in the use, wording, and

practice of the affidavits under which these goods are imported free of duty. We believe that the intentions of the law will be best preserved and carried out if this safeguard is afforded us, namely, that the custom authorities may have the power to inspect the article at its destination at any time subsequent to its arrival to see that the purpose of the act is lived up to, and that the article is not used for or transferred to a different purpose through the ignorance, forgetfulness, or other motive of the importer.

These last additions that we ask are embodied in substantially the same language in paragraph 702 of the free list of the 1897 act, which is a kindred paragraph on the subject of art. We are informed that this addition to paragraph 702 has worked out well in practice and aids materially to the proper enforcement of the law without undue restraint on the importer.

We are a temporary association, recently formed for the sole purpose of presenting this question to Congress. We represent the bulk of the industry in the United States.

Taking the year of 1907 as a basis, approximately 25,000 religious statues were cast and sold by the domestic manufacturers of the United States. This includes anything over 1 foot and embraces statuary, bas-relief, etc., up to an average height of  $6\frac{1}{2}$  feet. At an average selling price per piece of \$25, the yearly value of our domestic industry is about \$600,000. In the year 1907 the value of the imported goods coming in free of duty is about \$400,000. This is the selling value, which is approximately double the value fixed for duty purposes. We are unable to give any satisfactory figures on the amount imported for other than institutional purposes, owing to the same being dutiable under the subject of the component material, and not in any way distinguishable from numerous other articles imported under the same classification.

A fairly conservative estimate of the yearly sales of this article in the United States, domestic and foreign, will amount to fully \$1,000,000.

The article is best described as a hollow figure of a religious subject cast from a mold. The cast is made up of an earthy substance, plaster of Paris, cement, or terra cotta, painted and decorated. It is used largely for devotional and decorative purposes in churches and religious institutions and private houses. Many of the figures are life-size and range down to a few inches, though the larger figures form the bulk of the industry. These figures are in the round, single, in groups, and in bas-relief. The market prices figure about \$40 to \$50 for a 5-foot statue of "rich" decoration, changing according to the component material or the value of the decorations used.

The article is not a work of art in any sense of the word. A man with some skill makes a clay model; from this model molds and casts are struck off until a final mold is obtained for permanent use. This mold is either made of glue and plaster of Paris or plaster of Paris alone. One is called a "glue mold," and the other a "piece mold." From this final mold is cast the statue. The work of casting is done by a mechanic. They are cast in a workshop in sets of four to six. These casts are then painted and decorated. The caster and molder receives from \$2.50 to \$3 a day in New York and Chicago; the painter and decorator receives about \$4 to \$6 per day. In foreign

cities the caster and molder is paid as low as 85 cents, and the painter and decorator \$1 per day.

The original creation, clay model, final mold as cast, decorated and sold, are not recognized by the art schools or art authorities as works of art; but they are classified and should be classified as a trade article of the production of a factory or workshop similar to profane statuary cast from molds and sold in the market and other articles of like classification.

Previous to 1897 the industry was not recognized to any extent in the United States in the way of tariff protection. Paragraph No. 649 of the act of 1897 was construed by the Treasury department and customs authorities from 1897 to January, 1904, to not include "church statuary," on the theory that the language "specimens, or casts of sculpture" referred to works of art, the exclusive production of an artist or sculptor; while "church statuary" was construed as a cast painted and decorated, the production of a mechanic and laborer, and made in line conflicting with true art. For example, a statue cast in composition, earth, cement, etc., paid a duty of 35 per cent; one cast of plaster of Paris a duty of 45 per cent; one cast of terra cotta, porcelain, etc., 60 per cent; all under the following paragraphs of the act, to wit, Nos. 97, 450, and 95.

The Benziger decision (*Benziger v. United States*, 192 U. S.), in January, 1904, construed our article as coming under the generic heading of "specimen or cast of sculpture." As a result it was permitted to come in free of duty for the churches and other religious institutions which formed the bulk of the trade.

This decision is an extreme case of statutory construction. It reversed the rulings of the collector of the port of New York, Board of Appraisers, circuit court of the United States, and circuit court of appeals. The decision is based largely on the confusion as to the true meaning of paragraph 649. The effect of this decision would be described as ludicrous were it not for its serious and disastrous effects on our industry.

Under the United States Supreme Court's definition that a *cast of sculpture is anything molded or cast from a mold*, there has been imported as "casts of sculpture," free of duty, zinc statues, a marble font, and a lead statue. We see no reason why the court's definition could not include all forms of brass and iron goods molded, even to stove fittings or a "rubber doll," to quote the comparison made by the circuit court judge in that case.

Our theory is that Congress clearly intended to protect us in 1897. That by reason of faulty wording of the act or by reason of a new definition given to an old subject by the United States court we have failed in the protection intended for us. We ask now no more than what Congress intended to give us at that time, namely, an ad valorem duty of from 35 per cent to 60 per cent, according to the basic components of the article. This duty is not wholly adequate to put us on an even basis with the importer, as will be shown by the comparative figures following. However, it will be a long step in the proper direction, and we are willing to make up the difference by keen competition and superior workmanship.

I have taken a 5-foot statue cast in composition, of rich decoration, and compared the cost of the same as based on labor and wages in the cities of New York and Chicago as against the same statue manu-

factured in Montreal, Berlin, or Paris. There is some slight difference in wages in the three cities; my figures are the average and are based on data obtained from various sources, including that given by impartial experts from these cities, and which will be gladly detailed or explained by experts in person at the election of the committee.

*Cost of production of 5-foot church statue cast, technically known as "religious casts of sculpture," painted and decorated.*

	Domestic.	Foreign.
Labor, including casting, molding, cleaning, painting, packing, and shipping-----	\$21.83	\$8.78
Material, including plaster of Paris, cement, fiber, iron, dexterine, oil, turpentine, paints, gold leaf, use of brushes and wood-----	7.00	4.60
Model and mold, including labor and material (this amount is only the proportionate amount of cost to each of the several casts made from the mold)-----	6.00	3.00
Loss and collection (5 per cent)-----	34.83	16.23
Administration (10 per cent)-----	1.75	.81
	3.50	1.62
Transportation:	40.08	18.66
Average cost to New York of 250 pounds from Chicago and vicinity----	3.50	
Average cost, Berlin or Paris to New York of 250 pounds (Montreal to New York rate is but \$1.65, but not taken as a basis.)-----		9.00
Duty of 35 per cent (such as we ask)-----	43.58	27.66
		9.68
Total cost f. o. b. New York of domestic as compared with foreign statue-----	43.58	37.54

These figures do not include the selling costs or sales, commission, interest on principal, capital, etc., or profit of any kind. They represent rock-bottom costs, and show that even with the duty we ask put on the importer can undersell us.

The cost of material is about the same in each of the foreign cities, but the cost of labor differs slightly. Plaster of Paris, pure, or terra-cotta statues cost 15 per cent to 25 per cent more. The smaller statue is proportionately cheaper as to material, but the labor is only slightly reduced.

The foreign houses are paying American agents from 50 per cent to 100 per cent commission. Well-known houses in addition to this are paying dividends of from 25 per cent to 35 per cent on their stock. The catalogue prices of the various foreign and domestic manufacturers, while not uniform and not altogether a fair basis of the selling prices, still show the selling prices of the statues, such as we describe, will run between \$40 and \$50 for both foreign and domestic. These prices give the American manufacturer a loss in some instances and in others a profit of not more than 10 per cent, providing the selling cost is reduced to a minimum by the manufacture in numbers. Ten per cent is not a proper working profit for this line of work.

Competition is so keen and the selling prices so close that smaller statues of the 1 and 2 foot style are frequently sold at a considerable loss.

The one of the largest houses in the business, a house established in 1860, has seriously and is seriously considering a plan to move its factory to Europe and there manufacture the article for pur-

poses of American sale. This they claim is necessary if they wish to remain in business, as the time is close when the domestic manufacturer must close up in the event of another cut in the competitive prices.

An illustration of the hardship worked may be gathered from a comparative estimate of statues made in and about Chicago and shipped to New York with the same statue made in Montreal and shipped to the same point. A Canadian statue reaches New York free of duty at a freight rate of \$0.55 per hundred and takes less time than the statue manufactured in Chicago at almost double the expense and paying a freight rate of \$0.75 per hundred. We need more protection against the Canadian trade than we do the European.

In conclusion, we state that the condition of the American industry is growing poorer each day. The prices obtained for religious statuary average far less than the prices obtained for the same goods made up into profane statuary.

The profits of the business are reduced to a minimum, and in many cases are wiped out altogether. The American manufacturer must undersell the importer to secure the home market. When the production of any one style of article or any one house interferes with the sale of foreign goods, the manufacturer drops his prices to a scale below profit or even the cost of the American manufacturer and still nets a handsome profit. With the increased cost of labor and material in the United States in the last ten years, the prices obtained for statuary have not increased, but in numerous cases decreased, although the quality of the material and the grade of workmanship has been materially bettered. The industry has increased in volume fully 200 or 300 per cent, while the profits have as rapidly decreased. It is only by the number of sales and by superior selling methods and by representing a superior article that the domestic manufacturer has been able to keep his head above water.

We ask, therefore, that the paragraph 649, as amended in the proposed form contained in this memorandum, be inserted in the new revision of the tariff by this committee.

Yours,

Daprato Statuary Company, Chicago, Ill.; Bernardini Statuary Company, New York City; A. Da Prato Company, Boston, Mass.; Munich Statuary Company, Milwaukee, Wis.; European Statuary Company, Milwaukee, Wis.; Bernard Statuary Company, Chicago, Ill.; A. T. Kaletta & Co., St. Louis, Mo.; Dubuque Altar Manufacturing Company, Dubuque, Iowa; A. P. Nardini & Co., Boston, Mass.; Jos. Poli, Pittsburgh, Pa.; Biagi Statuary Company, Chicago, Ill.

WILLIAM L. TIERNEY,

*Counsel, 27 William Street, New York City.*

HON. WILLIAM J. CARY, M. C., SUBMITS LETTER OF THE M. H. WILTZIUS COMPANY, MILWAUKEE, WIS., RELATIVE TO CHURCH STATUARY AND REGALIA.

MILWAUKEE, WIS., *November 28, 1908.*

HON. WILLIAM J. CARY,  
*Washington, D. C.*

DEAR SIR: No doubt you were a little surprised to receive a message from me to-day, for which this letter is a confirmation. To explain more closely the reason for the telegram it will be well for you to know that the Munich Statuary Company, in which I am interested and of which I am the manager, in conjunction with nine or ten other manufacturers of the same article of church decoration commodity, feel that our manufacturing business not alone particularly in this line, but also the manufacturers of church ware, such as chalices, candelabra, vestments, and all other kindred articles that are used for church purposes being now largely made in this country, our tariff needs revision, so that our industries may be protected. There exists at the present time a clause in the tariff which permits all of these various church goods, articles, statuary, etc., to be entered free of duty in this country upon affidavit that the same are intended exclusively for church purposes, and through this fact our American or domestic manufacturers do not receive the benefits that our import tariff should give. You will readily see that through this means our American manufacturers are brought in direct competition with the goods that are manufactured in foreign countries by much cheaper laborers, and through this reason our American manufactured goods of necessity draw the short end.

In connection with statues particularly the combined statue manufacturers of the United States, among which the Munich Statuary Company is one, have had the matter studied up by one Mr. William L. Tierney, an attorney and counselor at law, of No. 27 William street, New York City, and through some unaccountable manner our firm was not apprised of the date when this matter was to be taken up, and we this morning received a communication which notified us that this subject would be taken up before the Ways and Means Committee in Washington on Saturday, the 28th of November, and you can very readily realize then that we were driven to our wits' end in order to be able to get our friends busy, and having no friend at Washington other than yourself, we made free to address you first with a telegram apprising you of this matter, and which this letter now confirms.

As the general subject of the tariff on all religious and church goods articles is one of considerable importance, we would consider it a great personal favor if we could be informed of the approximate time when this matter will be taken up by the tariff committee, and we would make it a point then also to visit you personally, either myself or Mr. Wiltzius, and talk over very carefully all matters that should be taken into consideration in connection. Now, Mr. Tierney, who appears before the Ways and Means Committee to-morrow, has for his subject the revision of the tariff only upon religious statuary, whereas in the general business in the church-goods line there are one thousand and one items that must not be overlooked and which require just as close consideration as the subject of church statuary, and principally to these articles do we refer.



Church vestments, chalices, ciboriums, ostensoriums, which are made in silver, gold, and brass, are all on the free list where they are imported direct for churches, and in this line we have a large number of metal manufacturers that make it a business to supply these things, and in the vestment line our firm is one of the largest domestic manufacturers in this country, and through this free import clause we find ourselves greatly handicapped on account of the excessively high tariff that we have to pay on imported silks, which we use in our manufacture.

Now, there is one thing which we wish to make plain.

We would advocate a reduction of the extremely high tariff so that our American manufacturers in this line would be protected, but the free import clause we feel should be entirely eliminated, as that is radically unjust as against domestic manufacturers. Of course, when we hear from you in connection with this matter we assure you that it will afford us great pleasure to meet you in Washington, where matters of this kind can be better talked over and discussed.

We again ask to kindly inform us when matters of this nature will probably come before your honorable body, and we shall do our best to give you full information as far as we are interested in the subject.

Taking this opportunity to send you a friendly greeting, and hoping soon to hear from you, beg to remain,

Most respectfully, yours,

M. H. WILTZIUS COMPANY.

**HON. J. HAMPTON MOORE, M. C., SUBMITS LETTER OF THE  
WRIGHT MANUFACTURING CO., PHILADELPHIA, PA., RELATIVE  
TO SACRED VESSELS.**

PHILADELPHIA, *November 28, 1908.*

HON. J. HAMPTON MOORE,  
*Congressman, Third District, Philadelphia, Pa.*

DEAR SIR: We wish to interest you on the subject of the free import clause under the existing tariff.

Among other goods that we manufacture, we have a silver department in which we make a specialty of sacred vessels, such as are used by the clergy of the Catholic and Episcopal denominations, namely, chalices, ciboriums, and ostensoriums, etc. Under the existing tariff we have a clause known as the "free import," under which clause a clergyman by simply signing an affidavit can import these articles free of duty. Our domestic manufacture has by reason of this clause fell off to an alarming extent.

Our domestic manufactures in quality are equal in every case and superior to the foreign in many instances, but we find ourselves unable to compete with the foreign manufacturer on account of the clause in question.

The demand for these sacred vessels is in a manner limited, since a clergyman uses but one of each article. On the other hand, there are enough manufacturers who, with their present facilities, can well take care of the demand for these articles should this "free import clause" be stricken out under the tariff revision.

We will be prepared to give you further information should it be desired, and we trust you will interest yourself and refer the matter to the committee in charge of the tariff revision.

Yours, very truly,

WRIGHT MANF'G CO. (INC.),  
LEONARD J. WOLF,  
*Secretary and Treasurer.*

**THE W. J. FEELEY CO., PROVIDENCE, R. I., WISHES CHALICES,  
CIBORIA, AND OSTENSORIA MADE DUTIABLE.**

PROVIDENCE, R. I., *November 30, 1908.*

HON. JOHN DALZELL, M. C., *Washington, D. C.*

DEAR SIR: In reference to the "free list" of the present tariff schedule, we would call attention to article 649, and the abuse of this section as exemplified by the large importations of these articles into this country, as attested by the following facts:

First. That French, German, and Belgian houses circulate catalogues in this country and have their agents in New York, as instance Exhibit A accompanying this letter, Le Roux, of Paris, whose representative is George Gregoire, 1170 Broadway, New York. Also the catalogue of Oberhauer, Budapest.

Second. That many American houses advertise these goods free of import that formerly patronized American manufacturers, as instance Exhibit B, the catalogues of John P. Daleiden, of Chicago; of McKeown Brothers, of St. Louis; of the Stoltzenberg Company, of New York; of B. Herder, of St. Louis; of The T. F. Phillips Company, of Dubuque; of the M. H. Wiltzius Company, of Milwaukee and New York.

Third. The abuse of this article has been so general that many stores not only advertise these goods free of import, but furnish a form of oath for their customers.

Chalices are in many cases the personal property of individuals, and the importation of these articles free of duty, as advertised in many catalogues, defeats the object of that part of section 649 which excepts personal property of individuals.

Ciboria and ostensoria are, properly speaking, furniture or fixtures, as they are used only at intervals and are then put away until again required, and are furniture or fixture in the same sense that they constitute a useful article or article of permanent ornamentation.

In view of these facts, we petition that the words "borne in the hand" be omitted from this section and that the following be inserted as not free from duty: "Chalices, ciboria, and ostensoria." The manufacturing of these goods gives employment to 500 or 600 men in this country, and with no greater protection than is given to other manufactured goods would employ twice or three times that number. We desire that the duty on these goods be the same as on other articles of gold and silver, such as jewelry and tableware.

The exhibits referred to have been forwarded to the chairman of the Ways and Means Committee. We are mailing you a copy of our catalogue, under separate cover, to give some idea of the extent and variety of our manufactures in this line.

Respectfully,

THE W. J. FEELEY CO.,  
WILLIAM J. FEELEY, *Treasurer.*

**SUPPLEMENTAL STATEMENT RELATIVE TO SACRED VESSELS  
SUBMITTED BY THE WRIGHT MANUFACTURING COMPANY,  
OF PHILADELPHIA, PA.**PHILADELPHIA, PA., *December 7, 1908.*

WAYS AND MEANS COMMITTEE,

*Washington, D. C.*

HONORABLE GENTLEMEN: We sent our Representative, Hon. J. Hampton Moore, a communication with relation to the "free import clause" under the existing tariff. At his request we submit you a few brief statements bearing on this subject.

In the present tariff laws there is a clause which allows churches, colleges, schools, etc. (Catholic institutions principally), to import articles used in their devotion, such as candelabra, candlesticks, lamps, chalices, ostensoriums, ciboriums, etc., "free of duty" by simply signing an affidavit. (We attach hereto a form that is used for this purpose.)

This clause has been in existence about ten years and has proven to be a very serious question in our particular industry. We can safely say that to-day 50 per cent of the metal goods required about churches (principally Catholic) are brought in "free" under this clause. Our industry suffers to this extent.

This clause has been the means of foreign manufacturers establishing agencies throughout this country. Every important dealer in this line of goods now holds a foreign agency, and the imported work is placed in direct competition with domestic. The fact that foreign articles can be sold "free of duty" gives them the preference at once, since they can be offered "45 per cent" less than the domestic article. In other words, the purchaser can see more value for his money in buying the foreign article.

We are one of probably six concerns in this country who devote their entire attention to this particular line of work, and there are many less important concerns who simply work a department given to this line. The industry may be termed "art work." We must employ skilled and well-trained mechanics, such as silversmiths, engravers, metal spinners, etc. The workmanship is principally hand work, and therefore labor is the important part of the product. The European mechanics receive about one-third the wages we are obliged to pay our mechanics; besides, the European manufacturer has also the advantage in working his men a greater number of hours. All this is favorable to the foreign manufacturer, and by giving the purchaser here the advantage of the "free import clause" it has been the means of ruining this important industry for both the mechanic and manufacturer in this country. We also want to add that in the entire metal industry our mechanics are only second to the high-class jeweler; the highest grade of workmanship is displayed in "ecclesiastical work."

The importation of this particular line of work has been going on for a century. The industry has developed in this country to such an extent in the past twenty-five years that we are well able to compete with the foreigner in every respect with a reasonable tariff against importation, but since the clause in question was inserted in the prevailing tariff and the misuse of it our industry has suffered.

The institutions who use this class of work are well able to purchase our domestic goods; they are supported wholly by the American pub-

lic, and there is absolutely no reason why they should support or patronize foreign competition in preference to home industry.

We therefore appeal to your honorable commission in charge of these matters to give our cause due consideration and recommend that this "free import clause" be stricken out and a reasonable duty be imposed against the importation of this class of work.

Respectfully submitted.

WRIGHT MANUFACTURING CO. (INC.),  
LEONARD J. WOLF, *Secretary and Treasurer.*

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EXHIBIT A.

OATH ON FREE ENTRY OF ARTICLES INTENDED FOR USE OF COLLEGES, SCHOOLS, ETC.

[Under paragraphs 503, 638, 649, 701, and 702 of the act of July 24, 1897.]

PORT OF \_\_\_\_\_

I, \_\_\_\_\_, do solemnly, sincerely, and truly swear that I am \_\_\_\_\_ of the \_\_\_\_\_, located at \_\_\_\_\_ in the State of \_\_\_\_\_, and that the following articles, viz: \_\_\_\_\_ imported by \_\_\_\_\_, in the \_\_\_\_\_, from \_\_\_\_\_ imported by the order and for the sole use of said \_\_\_\_\_ as its permanent property, and not for sale or distribution.

STATE OF \_\_\_\_\_, *County of* \_\_\_\_\_, *ss:*

Personally appeared before me, the said \_\_\_\_\_, known to me to be the identical person named in the foregoing affidavit, and subscribed and made oath thereto.

Witness my hand and official seal, this \_\_\_\_\_ day of \_\_\_\_\_, 190 \_\_\_\_\_

This oath may be taken before any notary public or collector of customs.

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**THE DAPRATO STATUARY COMPANY, CHICAGO, ILL., WISHES A PROTECTIVE DUTY PLACED UPON CHURCH STATUARY.**

CHICAGO, *November 27, 1908.*

HON. HENRY S. BOUTELL, M. C., *Washington, D. C.*

DEAR SIR: We are among your constituents and are engaged in a business of manufacturing church statuary in the city of Chicago. We are the largest manufacturers of this kind in the United States, though there are several others of considerable size and importance.

Religious statues are allowed to be imported free of duty into the United States where purchased for churches, schools, etc. The great bulk of our trade is with religious churches and schools. The foreign houses are shipping their goods into this country in large quantities and are not only underselling us but doing so at an immense profit.

This subject is covered in paragraph 649, free list, act of 1897. The hearing on this paragraph before the Ways and Means Committee is set for Saturday, November 28. In common with some of the other houses we have sent Mr. William L. Tierney, attorney, of No. 27 William street, New York City, to appear before your committee on that day and ask to have the paragraph so revised that a duty of from 35 per cent to 60 per cent will be levied on the foreign article. We may in addition send one of our own representatives to be heard.

There are also two other houses in Chicago, Bernard Statuary Company and Biagi Statuary Company. We ask you in behalf of ourselves and the other interests to favor us with your attention. We will have our representative, Mr. Tierney, speak to you on the matter.

We know of no serious opposition to our measure excepting from across the water, and our only purpose is to protect ourselves in the prices that now obtain.

We regret your absence in Washington prevents our taking the matter up more fully with you in person at this time.

Yours, respectfully,

DAPRATO STATUARY CO.

**W. WICKHAM SMITH, NEW YORK CITY, COUNSEL FOR IMPORTERS  
OF CHURCH REGALIA AND STATUARY, PROTESTS AGAINST ANY  
CHANGE IN THE PRESENT LAW.**

32 BROADWAY,

*New York City, February 4, 1909.*

COMMITTEE ON WAYS AND MEANS,

*Washington, D. C.*

GENTLEMEN: As counsel for importers of church regalia and casts of sculpture for use in churches I submit the following protest against any change in the existing law relating to these articles.

The present tariff provides duties upon such articles according to their component material, but in paragraph 649 of the free list exempts them from duty, when specially imported in good faith, for use and by order of any society incorporated and established solely for religious, philosophical, educational, scientific, or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any college, academy, school, or seminary of learning in the United States, or any state or public library, and not for sale.

Various domestic manufacturers of what they call church statues have petitioned for the striking out from the free list of this exemption in favor of religious institutions, and they state without hesitation that it was the intention of the Congress which enacted the Dingley bill to impose duties on this article, and that that intent was frustrated by the decision of the Supreme Court of the United States in the case of *Benziger v. United States*, 192 U. S., 38. If, however, the members of your honorable committee will read the decision referred to they will see that the court was giving effect to what it believed to have been the intent of Congress and to the uniform policy not only of Congress, but of the executive branch of the Government. Thus the court says (p. 45):

An examination of the provisions of the various statutes shows a somewhat uniform purpose on the part of Congress to provide free entry to casts of marble, bronze, alabaster, or plaster of Paris, and also statuary and specimens of sculpture, when specially imported in good faith for the societies enumerated in the acts.

The court called attention to a decision of the Treasury Department in 1891, in which, considering such claims as are now made on behalf of the manufacturers, it said:

The department believes that the crude or inartistic character of the figures under consideration can not be urged as a reason for their exclusion from the

benefits of free entry. It is fair to infer a liberal intention on the part of Congress from the fact of its inclusion of religious institutions among those to which the privilege of free entry is extended. Religious institutions are not schools of art, nor can congregations without adequate means always consult æsthetic rules in regard to the equipment of their churches. It is the sentiment of pious associations which gives the figure its efficiency as an aid to the religious worship, and the plaster cast may in this way be as serviceable to the humble worshiper as the more costly work of genius.

We respectfully submit that the court was right in its recognition of the policy of the Government, and that no reason has been shown why that policy should now be discontinued. There is an abundant field for the manufacturers of so-called statuary in this country now without further stimulating their business by imposing a tax upon churches; and any policy which would permit the importation of costly statues by rich congregations and entitle them to free entry as works of art, and which would impose taxes upon articles of a less artistic and expensive character imported by poor congregations, is a most unjust discrimination to which Congress should never give its sanction. If the whole scheme of the tariff, as applied for many years, by which articles imported for educational or religious purposes are accorded free entry is to be abandoned, then, of course, these particular articles are entitled to no different treatment from others, but we can not believe that it will be the policy of Congress to make such a radical change in the law. If, on the other hand, any articles imported for religious or educational purposes are to be admitted to free entry, then we submit there are no articles which are more entitled to that privilege than those which form the subject of this communication. The amount of revenue that the Government would derive by taxing these articles would be trivial. The manufacturers who are reaching out for further advantages and higher profits are few, but the benefits which are conferred upon poor and struggling churches, by reducing the cost to them of indispensable articles of church decoration which are calculated to inspire and foster religious feeling and devotional aspiration, are extended over the whole country, and we respectfully urge that no good reason has been shown for withholding them.

In the statement of William L. Tierney, No. 27 William street, New York City, counsel for the domestic manufacturers of church statuary, so called, we find it stated that the cost of a 5-foot statue cast in composition of rich decoration in Chicago, exclusive of transportation charges to New York, and of selling costs, sales commission, or profit of any kind, is \$40.08. We inclose herewith, as Exhibit A, a copy of extracts from the catalogues of the Daprato Statuary Company, of Chicago, and the Bernardini Statuary Company, of New York. From these it will be seen that the Daprato Statuary Company offers for sale a 5-foot statue of rich decoration, a statue called "Mother of grace," at a price of \$41. If this statue costs \$40.08, exclusive of transportation charges, selling costs, sales commission, or profit, how can the manufacturer offer it freely for sale to the public at less than 3 per cent over the manufacturing cost? As a matter of fact, we are advised that this manufacturer allows 20 per cent trade discount, so that his real selling price is less than \$33 net, when he claims that it costs him \$40.08 for material and labor to make the statue.

With regard to the Bernardini statue, the catalogue price for a 5-foot statue of rich decoration, St. Joseph with lily, is \$35. We are advised that the trade get 20 per cent discount. This would make an actual selling price of \$28 net. Yet the manufacturer claims that his actual cost to manufacture it, exclusive of transportation charges, or selling costs, or sales commission, or profit of any kind, is \$40.08.

These facts will speak for themselves, and we do not consider that any comment on them is necessary.

We therefore respectfully urge that no change be made in the existing law with reference to these articles.

W. WICKHAM SMITH,  
*Counsel for Importers of Church Regalia and Casts of Sculpture.*

## NATURAL-HISTORY SPECIMENS.

[Paragraph 666 and Section 6.]

**EDW. A. KLAGES, OF CRAFTON, PA., WISHES NATURAL HISTORY, BOTANICAL, AND MINERALOGICAL SPECIMENS FOR SCIENTIFIC PURPOSES ADMITTED FREE OF DUTY.**

CRAFTON, ALLEGHENY CO., PA.,  
*December 20, 1908.*

HON. SERENO E. PAYNE, M. C.,  
*Chairman Committee on Ways and Means,*  
*Washington, D. C.*

DEAR SIR: In the proposed revision of the tariff, the writer, as a naturalist, and more especially in behalf of entomology—the science of such immense importance to agriculture—most earnestly requests that the word “public” be stricken out of paragraph 666 of the tariff law of 1897, which reads as follows: “Specimens of natural history, botany, and mineralogy, when imported for scientific public collections, and not for sale.”

I trust that the Committee on Ways and Means will recommend the change above named, and that the Congress shall make the desired amendment and thus not only encourage useful sciences, but, at the same time, relieve our country of the ignominious distinction of being the only one that puts a tariff (tax) on private scientific research.

Very truly, yours,

EDW. A. KLAGES.

**W. J. HOLLAND, OF PITTSBURG, PA., THINKS THAT ALL NATURAL-HISTORY SPECIMENS SHOULD BE FREE OF DUTY.**

5545 FORBES STREET,  
*Pittsburg, December 21, 1908.*

HON. JOHN DALZELL, M. C.,  
*Washington, D. C.*

DEAR SIR: Natural-history specimens imported for study by individuals, as well as by colleges and museums, should be put on the free list. They were free formerly, and are free now when imported by institutions of learning. They are not free now in the case of the

student who is not an officer of an institution of learning. We have a number of scientific students in this country who from time to time get collections of plants, dried insects, minerals, bird skins, etc., for study from abroad. It is small business for a great nation to tax the men, usually poor, who need these things in their work, and I am sure it only needs that attention be called to the matter to put it right.

Scientific books imported for the use of schools and colleges and museums are now free. Why should they not be free when imported for use by scientific individuals? It is a hardship for a poor man who is a student to rake and scrape up money enough to purchase a book (often published by a learned society or a foreign government) which he needs, and then to have to pay the nation a quarter of its price for the privilege of its use. Such cases are frequent, as I happen to know. Why should I, for instance, be made to pay 25 per cent on a book published about butterflies, which I need and which I must have to understand the latest work of my foreign fellow-students? I have done it often lately. I did not do it in former years before the Dingley bill went into effect. The amount the Government gets from this source is a mere bagatelle, but the tax bears hard on many a poor student, as I know. This is a tax on knowledge. These books do not come into competition with the productions of American publishers in nine hundred and ninety-nine cases in a thousand. It is un-American and un-republican to lay taxes on things which poor men need in their researches and which can not be produced, and are not produced, in America.

Put natural-history specimens imported not for sale or distribution and scientific books imported not for sale or distribution on the free list and you will have the thanks of many a laborious and poor student.

I am, yours, faithfully,

W. J. HOLLAND.

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## CERESINE.

[Paragraph 695.]

BOSTON, *December 2, 1908.*

HON. SERENO E. PAYNE,

*Chairman Ways and Means Committee,  
Washington, D. C.*

DEAR SIR: We desire to call your attention to an article called yellow and white ceresine. This is manufactured from ozokerite and all are admitted free at the present time.

The white and yellow ceresine are manufactured principally in Germany, and as a manufactured article should have a duty placed upon it to encourage the manufacturers in this country.

The ozokerite we desire to have come in free of duty.

Respectfully, yours,

THE W. H. BOWDLEAR CO.  
W. H. BOWDLEAR,  
*Pres. and Treas.*



## PERSONAL BAGGAGE.

[Paragraph 697.]

## A. R. SMITH, NEW YORK CITY, OPPOSES ANY INCREASE IN ALLOWANCE FOR PERSONAL BAGGAGE.

NEW YORK, *November 27, 1908.*

COMMITTEE ON WAYS AND MEANS,

*House of Representatives, Washington, D. C.*

GENTLEMEN: I respectfully address you in opposition to any increase whatever in the amount of exemption accorded imports of personal articles brought into the United States by American travelers. Paragraph No. 697 of the existing tariff act limits such exemption to articles of a value of \$100.

I address you as one neither interested as a merchant or as a manufacturer, nor in any other manner whatever except as any other ordinary American citizen is interested, in this matter. I have no business or interest to protect in registering my opposition.

If any change is made in paragraph 697 it should be in reducing or wiping out this exemption rather than in increasing it. All articles brought into the United States by Americans, if dutiable, should pay the same duty whether purchased in a foreign country or in the United States. The fact that an American is able to, or for any reason desires to, go abroad, should not exempt articles that he may purchase abroad from the duty that he would have to pay upon such articles if purchased in the United States. If there is any justification for exempting from duty any articles purchased abroad by an American citizen, then similar purchases and to the same amount made by citizens in the United States should be exempted from the payment of the duty. No American citizen should be favored in this respect; all should be treated precisely alike. The fact that the stay-at-home American prefers to make his purchases of foreign articles here should not impose upon him a tax from which he would be exempted if he made such purchases abroad. Or, if an American does not possess the means with which to travel abroad, he should not be compelled to pay a duty upon articles he purchases in the United States which, if purchased by him abroad, would be exempted from the payment of any duty.

There are two reasons why I am addressing you upon this matter, namely:

1. An organization has been formed, called the American Travelers' League, for the purpose of having the amount of the value of personal articles purchased abroad by American travelers that shall be exempted from the payment of the lawful duty increased from the present limitation of \$100 to from \$300 to \$2,500. I am opposed to such a modification.

2. The Secretary of the Treasury in his last annual report recommended that the exemption be made on personal articles to a value of \$200, instead of the \$100 fixed in the existing law. To that proposed modification I am also opposed.

In a circular issued by the American Travelers' League, and, I understand, widely distributed among foreign merchants, this statement occurs:

Americans are largely your patrons, and if the American tariff law can be amended as contemplated it will tend to largely increase the purchases by Americans abroad.

To that end the American Travelers' League appealed to foreign merchants for contributions to help defray the expense of bringing about the change suggested. Manifestly, if the result predicted by the American Travelers' League should be accomplished, it would be at the expense of merchants in the United States. It would be at the expense of the people of the United States who, for any reason, preferred to remain at home and to make such purchases of foreign articles as they desired in the United States instead of abroad. It would build up a favored class, a result that should be repugnant to the sense of justice of every honest American citizen.

The reason advanced by the American Travelers' League in its appeal to foreign merchants should be decisive with your committee, in my judgment, in permitting no such modification—no modification whatever—in the direction suggested. Whatever foreign articles are exempted from the payment of duty should be within the reach of stay at home Americans to the same extent that they are within the reach of American travelers. The fact that an American citizen made such purchases when traveling abroad should not entitle him to an exemption from the payment of a duty which the purchaser of such articles in the United States would have to pay.

The proposed modification would be an act of gross injustice to the great bulk of the American people who do not go abroad, and who never expect to go abroad, but who spend their money wholly in the United States; it would be extremely injurious to American merchants in depriving them of business they would otherwise obtain; it would greatly curtail the employment of American labor; it would also materially reduce the revenues of the Government. So, the stay-at-home Americans, the American merchants, and American labor would have to bear their full share of the taxes that would be imposed to make good the loss of revenue the Government would suffer if this modification were made. It is inconceivable to me that your committee, or that the Congress, could be persuaded to make so unfair a discrimination in favor of a few well-to-do American citizens, and against the great bulk of American citizens, because the first are able to go abroad and because the others prefer to stay at home.

In his last (1907) annual report, the Secretary of the Treasury, in discussing this subject, says, in part:

The present exemption of \$100 seems to me to be an amount too low to meet the case of the average traveler and causes unnecessary annoyance and complaint.

What is "the case of the average traveler?" Is it that he is entitled to the free admission of practically all of the personal purchases he may make abroad? And if he is, why is he? Is the reason that he is entitled to such exemption inapplicable to such Americans as prefer to stay at home, but who choose to purchase foreign-made articles that are dutiable for their personal use? If it is, why is it?

Again, why does the limitation of the exempted articles to a value of \$100 "cause unnecessary annoyance and complaint?" Merely because the traveler tries to evade the payment of the proper and lawful duty? If he properly declares the value of his purchases, and willingly pays the duty, as he should do, there would be no "unnecessary annoyance and complaint." The American merchant who imports dutiable foreign articles does not try to evade payment of lawful duties nor does he "cause unnecessary annoyance and complaint"

when asked to do so. He does his duty uncomplainingly, like a loyal citizen, just as the traveler should do his duty.

The Secretary of the Treasury says further:

In my judgment, this exemption should be increased to \$200, which would provide for the personal purchases abroad of the average traveler and not be large enough to work injustice to domestic merchants by permitting articles of great value to be brought in without payment of duty to compete with and injure their legitimate trade.

But why should "the personal purchases abroad of the average traveler" be exempted from the payment of duty when brought into the United States? If it is just to exempt such purchases, to such an amount made by a traveler, why not exempt similar purchases, to the same amount, by the stay-at-home American? But what justification has the Secretary of the Treasury for saying that \$200 represents the value of the "personal purchases abroad of the average traveler?" The American Travelers' League comes forward and places the amount of such purchases at from \$300 to \$2,500, according to the person's station in life. Why is not this league better informed in this matter than is the Secretary of the Treasury?

There is no justification for any exemption. To the extent that there is any exemption it creates favoritism—moreover, it favors the well-to-do at the expense of those not so well to do. If this modification is made, if any modification is made, it will be in the interest of foreign merchants and American travelers, and against the interests of the great bulk of the American people, against the interest of American merchants, and it will cause a serious reduction in the revenues of the Government. All of these reasons combine, in my judgment, to induce your committee and the Congress to permit no modification of paragraph 697 of the existing tariff act in the direction of increasing the value of articles brought into the United States by American travelers that shall be entitled to exemption from the lawful duty.

Respectfully submitted.

A. R. SMITH.

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**STATEMENT OF CLARENCE W. DE KNIGHT, WASHINGTON, D. C.,  
OF COUNSEL FOR THE AMERICAN TRAVELERS' LEAGUE, RELATIVE  
TO PERSONAL BAGGAGE PROVISION.**

SATURDAY, *November 28, 1908.*

Mr. Chairman and gentlemen of the committee, I appear in behalf of the American Travelers' League. This organization was formed so that people who travel should have proper representation made of their claims at the next tariff revision.

For the first time this great traveling public has the opportunity to present their views and their claims. This public is so large, both in number and influence, that a fair representation of their claims should have great bearing upon the travelers' baggage paragraph in the next tariff revision.

It is asked that Congress will see the justice of increasing the amount from \$100 to \$500, which, to our mind, would be fair and just to all concerned, giving a needed amount of freedom to the American individual and sacrificing nothing of the principle of protection for which the Government stands. Specifically, what we ask for is as follows:

The objects of the American Travelers' League are two in number. It seeks to obtain the following revisions or amendments of the existing tariff law, to wit:

First. To permit Americans returning from abroad to enter, duty free, such articles of wearing apparel, personal adornment, or presents as they may have purchased abroad not exceeding \$500 in value in any one year, provided that the same are for their personal use and not intended for sale.

This form of amendment has been decided upon after mature consideration as expressing the views of the great majority of travelers.

Second. To amend, modify, or abolish the present form of entry of passengers' baggage so far as it applies to returning American citizens, and which now requires a signed declaration upon arrival, supplemented by an examination of the passengers' baggage. One or the other should be abolished.

#### CUSTOMS SERVICE DOING ITS BEST.

A great change for the better has been made within the past year in the way of making declarations and abolishing the sworn statement which was formerly required of each passenger. The Treasury Department can go no further than it now goes without a change of law.

#### UNPOPULARITY OF THE LAW.

The one great bugbear that Americans traveling abroad have constantly before them is the customs ordeal that awaits them upon their return. It mars the entire trip and takes away much of their pleasure.

European travel has now so increased that from all parts of the United States there go great numbers of persons, nearly all of whom return to their homes dissatisfied and disgusted with what seems to them a narrow and petty method for the Government to obtain financial revenue.

This is the only time that the average citizen of the United States comes in contact with the tariff law and the customs administration, and it furnishes him with what he considers a just grievance against both the laws of the country and their administration.

#### CHANGE ASKED NOT SUCH AS WOULD INJURE THE MANUFACTURER.

It is not the intention to ask that such a change be made as will permit the entrance, without payment of duty, of large amounts of wearing apparel, personal effects, and other purchases.

We desire to have the law changed so that the average traveler will be permitted to bring in with him souvenirs, novelties, articles of that character, and wearing apparel which he has found necessary to acquire during his journey, not exceeding in value \$500, and not intended for sale.

We do not favor any such change as would permit a person to bring into the United States, duty free, large quantities of valuable goods, which would interfere with American manufacturers and conflict with the principle of protection to American industries in which the country does and should believe.

The present limit of \$100, we submit, is unjust.

A review of the tariff laws enacted during the past twenty years shows that the existing tariff is the only one which places a limitation upon the amount of wearing apparel purchased abroad which the returning American traveler may bring in free of duty. This was the result of concerted action on the part of retailers, mostly located in New York City, who united and employed counsel for the purpose of advocating the \$100 limit, which in effect puts upon the average American traveler making usual and necessary purchases abroad an unreasonable limitation. This is so stringent as to be un-American.

#### INJUSTICE OF THE PRESENT LIMIT.

The spirit of the tariff act is to impose duty in order to collect revenue. Primarily, such duty is imposed upon luxuries, wines, jewels, etc., imported in the line of commerce. It is contrary to accepted principles to impose duty upon a reasonable amount of wearing apparel purchased as a necessary by the American traveler abroad, or upon presents such as any citizen would purchase in his own country while visiting another part thereof and then returning to his family. Furthermore, such duty is not necessary as a protection to the American manufacturer.

The present limitation of \$100 is protested against by every returning American citizen.

#### THE ARGUMENT THAT WAS PRESENTED FOR THE \$100 LIMIT.

It is understood that the argument presented in 1897 why the \$100 limit should be enacted was to the effect that a trip abroad was a luxury; that a person indulging in it should be subjected to some sort of a tax; that wearing apparel, particularly women's gowns made in Paris, could be purchased abroad so much cheaper than in the United States that it paid a person of means to go abroad to make such purchases and return to the United States therewith; that this was seriously affecting the retail trade in the United States; that there should, therefore, be imposed a duty upon all wearing apparel purchased by American citizens while traveling abroad; that the only exemption extended to Americans should be \$100 to cover souvenirs purchased during their journey; and that all persons who could afford to go abroad and buy any clothing there should pay duty thereon.

#### THEORY OF \$100 LIMIT OUT OF DATE.

The present limit of \$100 is fixed and arbitrary. It is impossible to reach any understanding as to how it was arrived at. To anyone trying to purchase anything abroad, either for himself or his family, this limitation seems unreasonable and unjust. If any reason existed for the fixing of this arbitrary amount in 1897 it has been swept away by the changes in the standard of living in the past ten years.

Realizing that the American traveler has a just complaint against the existing tariff act, the Secretary of the Treasury has seen fit to recommend that the present exemption be increased from \$100 to \$200.

The recommendation of the Secretary of the Treasury is as follows:

The advisability of increasing the amount of our duty exemption in the matter of articles acquired abroad now permitted citizens of this country returning from foreign travel is recommended for the serious consideration of the Congress. The present exemption of \$100 seems to me to be an amount too low to meet the case of the average traveler and causes much and unnecessary annoyance and complaint. In my judgment, this exemption should be increased to \$200, which would provide for the personal purchases abroad of the average traveler and at the same time not be large enough to work injustice to domestic merchants by permitting articles of great value to be brought in without the payment of duty to compete with and injure their legitimate trade. (Report of the Secretary of the Treasury for the year 1907, p. 52.)

#### WHY THE AMOUNT RECOMMENDED BY THE TREASURY DEPARTMENT IS NOT SUFFICIENT.

It is claimed that the increase from \$100 to \$200, as recommended by the Secretary of the Treasury, is not sufficient, for the reason that since the tariff act of 1897 prices have increased 100 per cent, so that this increase to \$200 would serve only to meet the rise in prices of personal effects in the last decade, and is, therefore, not an increase, but merely a readjustment to meet these prices. Hence it would serve to leave the American traveler only where he stood at the time of the passage of the act of 1897.

It is not believed that the Treasury Department took this into consideration when making its recommendation.

Furthermore, an increase to \$500 would be a fair and just limitation, considering all the circumstances, as shown by the facts herein presented.

#### REASONS FOR THE \$500 LIMIT ASKED FOR.

The injustice of the \$100 limit, or even the \$200 limit, as recommended by the Treasury Department, is at once apparent when it is seen that it is made to apply to all American travelers, irrespective of their length of stay abroad. In other words, an American going over and remaining one or two weeks is now accorded as much consideration, in the matter of bringing home with him a limited amount of wearing apparel, as is accorded an American remaining abroad for a year. This operates to give a greater advantage to the traveler who makes a short stay than to the one who oftentimes finds it necessary to remain for a much longer period. It is believed that this circumstance has never been taken into consideration either by the committee or the Treasury Department.

The theory upon which the \$500 limit is based is to make the limit so elastic as to deal equitably with all American travelers. In other words, the American traveler whose stay is short (say two weeks) would doubtless not need to bring in \$500 worth of personal effects, while the American traveler whose stay is prolonged for a year would find it absolutely necessary to bring in at least that much. This limitation, it is believed, would be sufficient to meet the requirements of all classes of American travelers.

Travel abroad has now become so general among Americans that it is no longer limited to people of large means. It is resorted to by college professors and teachers as a matter of health and education, as well as by the family of the average man of limited means who himself finds it a welcome escape from business cares. Others are forced to take it for recreation, study, and health.

Travel abroad makes broader and better Americans and is therefore a direct advantage to the United States.

#### A TRIP ABROAD IS NOT A LUXURY.

As already shown, a trip abroad is no longer a luxury. If, indeed, it was so considered in 1897, conditions have changed in the past ten years. In other words, many things considered luxuries then are not considered such to-day. There can be no question about that. According to the present standard of living, such a trip is no longer a luxury with the average American.

#### WEARING APPAREL ONE MUST NECESSARILY PURCHASE WHILE ABROAD.

A stay of three to six months is a fair estimate of the time consumed by an American of limited means in a trip abroad.

In starting out he carries with him the smallest amount of wearing apparel possible, so as not to be encumbered with much baggage, in view of the excessive charges for baggage upon all European railroads. He takes with him only that which is absolutely necessary to meet his present requirements. In visiting countries of different altitudes he finds it necessary to equip himself with clothing of various weights, and often before returning to the United States he finds it necessary to purchase articles of clothing to meet the change in seasons and to replenish part of his wardrobe lost, injured, or worn out in travel. He buys these as a matter of necessity, not because he finds them more satisfactory or cheaper than he can purchase them in the United States. The rapid rise in prices in Europe no longer enables Americans to buy clothing or personal effects there much cheaper than here, and the cost of living abroad is practically the same as that in the United States, so far as the American traveler is concerned. So that, taking into consideration the cost of his steamship transportation, it is no longer true that one can save money by going abroad to make purchases of personal effects.

While one is abroad it is often absolutely necessary to purchase a few suits of underwear, at least one suit of clothes, a hat, and gloves. Yet upon returning to this country the value of that very wearing apparel is often sufficient to impose the payment of a duty by the average American traveler as he steps on the dock.

Particularly does this injustice affect American women, who to-day can scarcely purchase one plain gown, with hat, gloves, and wrap, for \$100, and therefore are subjected to the tariff laws for articles of clothing worn the very moment one steps off the ship, and the duty has to be paid unless the traveler is willing to practice deception.

Oftentimes Americans, not finding it possible to travel abroad frequently, remain over at least a year; but if they have had no fixed

place of abode abroad during that period they must, of necessity, because they do not come within the definition of nonresidents, as defined by the customs regulations, upon reentering the United States, pay duty upon wearing apparel purchased by them during their stay of one year abroad. They have doubtless expended legitimately five times the present allowance, and upon all over \$100 they must pay duty. Here is an example of the injustice of the present tariff act to an American woman of moderate means who has remained abroad for that period.

At the beginning of a season, either summer or winter, it is a simple necessity for a woman to buy at least two gowns. If she has been abroad a year, she is obliged to have something to travel home in. A simple dress in Paris, without a coat, costs at the least price from \$75 to \$85. For a suit with a coat one must pay from \$100 to \$125. Hats in Paris are almost as expensive as in New York—from \$20 to \$30 is considered a fair price to the average American woman. So, after buying one suit to come home in, she has far exceeded the amount allowed by the Government. This does not take into consideration other necessary purchases or a few presents. In going abroad to travel for a year she takes as little baggage as possible, on account of the high charge for expressage, so that at the end of a year's trip many necessaries are worn out and must be replenished.

Such articles as stockings and underwear are almost as expensive as at home, and, as already pointed out, there is little or no difference in the cost between gowns in America and abroad.

Furthermore, women going over in the spring or summer and not returning to the United States until October or November must of necessity make their purchases while in Europe, for the reason that by the time they reach this country they must be provided with a gown and coat for the season in which they arrive. These are necessary on the voyage and immediately upon arrival.

**MUCH OF THE WEARING APPAREL PURCHASED ABROAD DOES NOT ENTER INTO COMPETITION WITH AMERICAN TRADE.**

From the foregoing it will be seen that much of the wearing apparel purchased abroad does not enter into competition with American trade. It is purchased there as a matter of necessity, and the imposition of a duty will not restrict its purchase, nor will such duty be of benefit to the manufacturer or tradespeople of the United States.

**ESTIMATED AMOUNT OF PRESENTS PURCHASED BY THE AVERAGE AMERICAN TRAVELER**

It is estimated that the average American traveler usually takes home with him at least \$100 worth of presents. He does not go abroad frequently, and he takes advantage of the opportunity to carry home souvenirs from a foreign land to his friends and relatives.

Yet a strict interpretation of the act does not give him that privilege, and when the department attempted to so interpret the law it met with protests from the same people who were responsible for the present unjust tariff limitation.



**Attention is invited to the following:**

[Journal of Commerce, New York, September 10, 1908.]

**GIFTS MUST PAY DUTY—UNSUCCESSFUL ATTEMPT TO HAVE APPRAISERS LIBERALIZE THE LAW.**

An unsuccessful attempt was made yesterday by Herbert A. Munson to persuade the Board of United States General Appraisers to liberalize the scope of the paragraph in the tariff governing the entry into this country of purchases made by Americans abroad and intended for gifts to friends at home.

Mr. Munson returned from Europe several months ago and brought with him vases, doilies, table covers, wearing apparel, and other articles intended as souvenirs and presents for his family and friends. As the law stands, it specifies that not more than \$100 in value of articles purchased abroad by residents of the United States shall be admitted free of duty upon their return.

General Appraiser Hay, in his decision for the board, says that the tendency of the Treasury Department has been to administer the personal-effects provision liberally, while the tendency of the courts is to construe the paragraph according to the exact meaning of the language used by Congress. A recent decision of the federal court is cited, and from it Mr. Hay draws the deduction that it is impossible for customs officials to admit duty free any other articles than wearing apparel and similar personal effects accompanying the returning traveler, and then only such as are necessary for his wear and use during his journey. Most of Mr. Munson's importations were in the shape of wearing apparel for women.

This is the condition that faces all returning travelers. If the amendment proposed by the American Travelers' League is successful the above condition will be changed.

**PRESENTS PURCHASED ABROAD NOT IN COMPETITION WITH AMERICAN TRADE.**

The articles which one purchases abroad, intended as presents, are not those which he would purchase at all if he remained at home. They are usually picked up because they are found in foreign parts and for their peculiar association.

The spirit of travel creates the desire to buy a present for some friend or relative whom one would otherwise not think of making a present to at that particular time, or if he were at home. The impulse comes with the foreign surroundings, and as the purchase would not have been made at home there is nothing lost to the manufacturer or the Government.

**ADVANTAGES TO TRADE IN INCREASING LIMIT.**

The increase in the limit from \$100 to \$500 would be an advantage, rather than a detriment, to the tradespeople of this country. Every novelty brought home by Americans, either as a present or wearing apparel, if it proves popular, is copied by the trade here, and thus assists instead of injures the American dealer at home. It is short-sighted on his part to seek to prevent such small purchases by the American traveler. For example, when the small supply of such things as one has purchased abroad and becomes accustomed to and likes has become exhausted, he will order from his retailer a further supply, who, of course, imports it, subject to the duty which is paid to the Government, or it is reproduced in this country. In either case it results to the advantage of the tradespeople or manufacturer.

Having shown that purchases in excess of \$100 would be made in any event by the average American traveler, it follows that this limitation is not a benefit to the manufacturer or tradespeople of the United States and is an injustice to the American traveler. Furthermore, it is not a source of revenue to the Government.

The fact that the Government has already seen fit to recommend the increase of the limit from \$100 to \$200 makes it at once apparent that such increase must have been suggested in view of the interests of the American traveler and of the Government as well.

It is submitted that a limitation of less than \$500 will prove, as it has already proved in the case of the \$100 limitation, a source of inconvenience and continuing annoyance to the public and the officials who enforce it. It is also submitted that an examination of the statistics herewith filed with the committee will prove that the revenue derived from the imposition of the present limit is infinitesimal, and, in fact, a source of loss rather than of gain to the Government.

**DEFINITION OF AN AMERICAN TRAVELER "RESIDENT," AS DISTINGUISHED FROM AN AMERICAN TRAVELER "NONRESIDENT."**

With a view to distinguishing an American traveler "resident" from an American traveler "nonresident," attention is invited to the following extract from "Notice to passengers," issued by the Treasury Department, July 31, 1907:

For the purposes of customs administration, passengers are divided into two classes, viz, (1) nonresidents of the United States; (2) residents of the United States.

The division of passengers into nonresidents and residents in no wise affects citizenship.

Nonresidents are: (a) Actual residents of other countries; (b) persons who have been abroad with a fixed foreign abode for one year or more, who elect to declare as nonresidents; (c) persons who have been abroad for two years with or without a fixed place of foreign abode, who elect to declare as nonresidents.

Persons of class (c) may erase the second and third lines within the brackets on the "Baggage declaration and entry" for nonresidents.

Residents are such persons as are not included in the definition of nonresidents.

There is no limitation as to the value of articles free of duty brought in by persons declaring as nonresidents, provided such articles are in the nature of wearing apparel, articles of personal adornment, toilet articles, and similar personal effects actually accompanying the passenger and necessary and appropriate for his or her wear and use for the purposes of the journey and present comfort and convenience, and are not intended for other persons nor for sale.

Persons declaring as residents are entitled to bring with them free of duty all wearing apparel and other personal effects taken by them out of the United States which have not been remodeled or improved abroad so as to increase their value, and articles obtained abroad by purchase or otherwise of a value not exceeding \$100, provided they are not for sale; but in the case of a minor the exemption of \$100 worth of articles obtained abroad is restricted to such articles as are intended for the bona fide personal use of such minor.

**THE SAME PRINCIPLE OF TARIFF EXEMPTION WITH REFERENCE TO AMERICAN "NONRESIDENT" AS DISTINGUISHED FROM AMERICAN "RESIDENT," WHICH LATTER IS THE AVERAGE AMERICAN TRAVELER, SHOULD OBTAIN—LENGTH OF STAY ABROAD THE BASIS.**

As already shown, the average American traveler comes within the designation of "residents of the United States," for the purposes of customs administration, and is one who may have been abroad for any

period less than two years without a fixed place of abode in a foreign country. It is upon this traveler that the \$100 limit is fixed. It does not fall upon the American traveler who has been able to maintain a fixed place of abode abroad for a year or more, as for the purpose of customs administration he comes within the designation of a "non-resident of the United States."

There is no limitation as to the value of articles free of duty brought in by persons declaring as nonresidents, provided such articles are in the nature of wearing apparel, articles of personal adornment, toilet articles, and similar personal effects actually accompanying the passenger and necessary and appropriate for his or her wear, and use for the purposes of the journey and present comfort and convenience, and are not intended for other persons nor for sale. (See "Notice to passengers" issued by the Treasury Department.)

The inequality of the \$100 limit put upon the average American traveler defined as "resident," as distinguished from the American traveler defined as "nonresident," for the purpose of customs administration, is at once apparent.

An American who goes abroad and remains there a shorter period than is required to qualify him as a "nonresident" in a foreign country for any period short of two years has to pay duty on all of his personal effects purchased abroad in excess of \$100; while the American who goes abroad and remains there, with a fixed place of abode, for one year or more, is entitled to claim as a "nonresident" and is allowed to bring in all his personal effects free of duty.

All that is asked for the American traveler who may have been abroad without a fixed place of abode is that he be allowed to bring in \$500 worth of personal effects free of duty.

This exemption would be but sufficiently elastic to deal equitably with all classes of American travelers, according to their length of stay abroad up to the time limit necessary to entitle them to claim as "nonresidents."

To designate oneself a "nonresident" for the purposes of customs administration does not affect one's citizenship.

THE \$500 LIMIT WOULD BE OF ADVANTAGE TO THE AMERICAN WHO  
STAYS AT HOME.

The \$500 limit would prove of advantage to the American who can not afford to go abroad, or who for other reasons is compelled to remain at home. Since the enactment of the \$100 limit, gifts for the stay-at-home are no longer purchased by the American traveler, as he finds it too inconvenient and annoying to produce them, on arrival, for appraisement and to pay the duty.

The enactment of the \$500 limit would serve to insure for the poor relative, the poor friend, and the faithful servant their customary gifts from abroad by the returning American traveler.

INCREASE IN AMERICAN TRAVEL NO ARGUMENT AGAINST THE \$500  
LIMIT REQUESTED.

The fact that American travel is increasing and that more American travelers are returning from trips abroad each year is no reason why the limit we request should not be accorded. In fact, it shows that the country is rapidly growing in prosperity, and that it is therefore better able to deal generously with its citizens.

In conclusion, we invite attention to the fact that the American traveler represents a fair proportion of the wealth and intelligence of the nation. He, too, is a taxpayer, and is as much entitled to consideration as the tradesman and the manufacturer. For the first time the claims of the American traveler are presented in the matter of tariff revision.

It is a well-known fact that a very high duty on personal effects encourages smuggling, tends to lower the morality of citizenship, and causes loss to the Government. The \$100 limit, as now imposed, is regarded by the masses of travelers as an act of injustice, and tends to encourage deception.

A \$500 limit would stimulate fair dealing, cause less annoyance, prove of more advantage to the Government, the manufacturer, the tradespeople, and the American who stays at home, and accord just relief to all classes of American travelers.

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**STATEMENT OF FRANCIS E. HAMILTON, OF 32 BROADWAY, NEW YORK, FOR THE AMERICAN TRAVELERS' LEAGUE, RELATIVE TO THE PERSONAL BAGGAGE PROVISION.**

WASHINGTON, D. C., *November 28, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

Mr. Chairman and gentlemen of the committee, the American Travelers' League presents for the great majority of the 100,000 Americans who annually go abroad its earnest request that paragraph 697 of the tariff act of 1897 be amended to read as follows:

697. Wearing apparel, articles of personal adornment, toilet articles, and similar personal effects of persons arriving in the United States; but this exemption shall include only such articles as actually accompany such persons and are in use by them, and as are necessary and appropriate for the wear and use of such persons for the immediate purposes of the journey and for present comfort and convenience, and shall not be held to apply to merchandise or articles intended for other persons or for sale: *Provided*, That in case of residents of the United States returning from abroad, all wearing apparel and other personal effects taken by them out of the United States to foreign countries shall be admitted free of duty, without regard to their value, upon their identity being established, under appropriate rules and regulations to be prescribed by the Secretary of the Treasury, but no more than five hundred dollars in value of articles purchased abroad by such residents of the United States, either for themselves or for presents, shall be admitted free of duty upon their return.

To support the justice, equity, and good judgment of this request, the following facts are submitted, to wit:

First. The Secretary of the Treasury in his annual report for 1897 recommends an increase of the free importations allowed returning American travelers from the present amount of \$100 to the sum of \$200. (See Annual Report, p. 52.)

This actually amounts to no increase, as the cost of goods has advanced fully 100 per cent since 1897, so that to amend the law only to this extent would mean simply to grant the same privilege now as was originally granted in 1897.

The American traveling public believes that it is entitled to a larger privilege.

The American Travelers' League speaks for all Americans who travel, and will later submit petitions to Congress bearing thousands of signatures from all classes of travelers urging this amendment.

This movement has no connection with but is a renewal of the effort that was made in 1899 by a large body of representative citizens known as the American Travelers' Defense Association, and which was opposed by an association then organized and known as "The Merchants and Manufacturers' Board of Trade of New York."

At that time the request of the American traveler was to repeal entirely any limitation covering purchases abroad by the returning American citizen, and such repeal was asked for the following reasons:

"First. Because the enforcement of the proviso produces only an insignificant revenue to the Government, and affords no real protection to any American industry.

"Second. Because the enforcement of the proviso causes vexatious delays and unnecessary and troublesome examination of personal baggage of American travelers returning to their homes.

"Third. Because the proviso discriminates against residents of the United States and in favor of foreigners, in violation of the fundamental rights of citizens and residents of the United States.

"Fourth. Because the repeal of the proviso will conform the law to that of other civilized countries, including the regulations promulgated by President McKinley affecting the entry into Cuba and Porto Rico."

The subject at that time was so ardently discussed in the newspapers in the country at large that it became apparent that the universal desire on the part of travelers was to modify the existing law so that the honest traveler might make purchases abroad and return with the same without being called upon to pay duty in this country, but such effort at that time was unsuccessful, more especially because it was so strenuously opposed by a small body of tradespeople and because there was no opportunity then for tariff revision.

Since that time experience has proved that the reasons advanced by the late American Travelers' Defense Association for the broadening of the law were based upon good judgment and facts.

Especially is this so for the first reason which it assigns, to wit: "The enforcement produces only an insignificant revenue to the Government and affords no protection to any American industry."

During the past year the total number of passengers at the port of New York have been—

First cabin.....	27, 966
Second cabin.....	18, 814
Steerage.....	568, 290

This makes an aggregate of over 600,000 passengers, and required the services of more than three hundred (300) inspectors, at \$5.00 a day, for a period of fully six months. This expense of about \$45,000 per month, or \$270,000 in the six months, has resulted in the collection of a total sum of \$466,661, which means that it has cost about 66 cents to collect each dollar of duty from returning passengers.

When it is shown that the smaller portion of this sum is collected from the half million steerage passengers who are not American travelers, and that about \$250,000 was collected from the first and second class passengers, nearly 50,000 in number, which is a fact, it will be observed that each dollar collected from the first-class passenger has been at a cost of nearly or quite 100 cents.

That is to say, the Government has received from first and second class passengers no more than the amount which it has paid to the inspectors for their services in collecting the duties.

During the last six years the larger part of cases requiring investigation upon the part of the Government, aside from those affecting merchandise importations, have arisen from complaints made by returning passengers of delays, irritations, unjust treatment, and improper duties levied and collected upon the docks.

The records of every port will bear this out, and it is safe to state it is beyond contradiction that no one branch of the customs service is provocative of more trouble and greater irritation upon the part of the traveler, and is harder to supervise on the part of the Government, than the collection of the pittance of duties from returning passengers of American citizenship.

The records show that about one-fifth of the returning passengers bring back purchases from the other side of greater value than \$100, but not more than one-twentieth of the number bring purchases of more than the value of \$500.

Almost without exception these purchases are for personal use or as gifts, and it is a very rare exception when any merchandise for sale is brought in by a passenger under paragraph 697 of the tariff act.

The desire for the change suggested by the American Travelers' League may be said to be universal in so far as it expresses the wishes of the great American public who travel, and it may as justly be said that such amendment of the law will not result in any pecuniary loss to the Government, nor as so ably shown by my colleague, Mr. De Knight, will it result to the disadvantage of the manufacturer or the tradespeople of this country.

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**MILLER & PAINE, LINCOLN, NEBR., OPPOSE ANY EXTENSION OF  
PERSONAL-BAGGAGE PRIVILEGES TO TOURISTS.**

LINCOLN, NEBR., *December 9, 1908.*

Hon. S. E. PAYNE,  
*Washington, D. C.*

MY DEAR SIR: I wish to enter an emphatic protest against any change in the personal-baggage law which will permit tourists to bring into the country a larger amount of merchandise without duty than is now allowed. The proposition that travelers shall be rated "according to their station in life" is so absurd and so un-American that I believe the Congress which enacted such a measure would be laughed into oblivion. It certainly should be. If there is any justice in a tariff tax, certainly those who can afford to travel can afford to pay.

I am, very respectfully, yours,

J. E. MILLER,  
MILLER & PAINE, *Dry Goods.*

**STULL & SONNIKSEN, SAN JOSE, CAL., OBJECT TO ANY INCREASE  
IN AMOUNT OF BAGGAGE ADMITTED DUTY FREE.**

40-44 SOUTH FIRST STREET,  
*San Jose, Cal., December 22, 1908.*

Hon. S. E. PAYNE,  
*Chairman Ways and Means Committee,  
House of Representatives, Washington, D. C.*

DEAR SIR: We are informed that there is a movement on foot to change the law, so as to raise the amount of goods which may be brought into the country free by Americans returning from abroad.

We wish to enter our protest against the passage of this proposed law, deeming it to be unjust and a menace to our business and mercantile interests.

Very respectfully, yours,

STULL & SONNIKSEN.

**CHICAGO BUSINESS HOUSES OBJECT TO EXTENSION OF THE  
PERSONAL-BAGGAGE EXEMPTION PRIVILEGE.**

CHICAGO, ILL., *January 1, 1909.*

To the COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

SIRS: We, the undersigned, desire to refer to the recommendation made to your committee by the American Travellers League to increase the amount of merchandise permitted to free entry by travelers from \$100 to \$500, and as importers of the city of Chicago we desire to enter an emphatic protest against any extension of the free-entry privilege whatsoever.

It is safe to say that practically all of the vast number of American travelers abroad exercise the privilege granted under the present laws of bringing in \$100 of merchandise free of duty, and to increase the amount would bring in a flood of merchandise which is directly competitive with that of every merchant in the United States and would open up the door to gross fraud.

We therefore urge your committee when reporting the tariff bill to Congress to make no extension of the privileges of free entry granted to travelers under paragraph 697 of the present act.

MARSHALL FIELD & Co.  
CARSON, PIRIE, SCOTT & Co.  
JOHN V. FARWELL COMPANY,

By JOHN V. FARWELL, *Treas.*

MANDEL BROTHERS.

WILSON BROTHERS.

A. C. McCLURG & Co.,

By F. B. SMITH, *Chm.*

CHAS. A. STEVENS & BROS.

CHICAGO MERCANTILE CO.,

By CHAS. E. HYMAN, *Treas.*

CHICAGO, ILL., *January 2, 1909.*

To the COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

SIRS: We, the undersigned, desire to refer to the recommendation made to your committee by the American Travellers League to increase the amount of merchandise permitted to free entry by travelers from \$100 to \$500, and as importers in the city of Chicago we desire to enter an emphatic protest against any extension of the free entry privilege whatsoever.

It is safe to say that practically all of the vast number of American travelers abroad exercise the privilege granted under the present laws of bringing in \$100 of merchandise free of duty, and to increase the amount would bring in a flood of merchandise which is directly competitive with that of every merchant in the United States, and would open up the door to gross fraud.

We therefore urge your committee, when reporting the tariff bill to Congress, to make no extension of the privileges of free entry granted to travelers under paragraph No. 697 of the present act.

Jacob Sutter & Sons, Chas. Schwarzbach, secretary; The Fromherz-Berlizheimer Co., per F. H. J. Berlizheimer; Mussallem & Saydah, per E. J. Mussallem; W. J. Whushie; John H. Meyer & Son, by John M. Meyer, president; John L. Bobo & Company, by Lawrence Whitty; T. Buettner & Co. (Inc.), T. Buettner, president and secretary; E. Gutwillig & Co.; Bohemian Importing Co., per B. F. Porzen, president, 238 Fifth avenue; F. Vogel & Sons, M. A. Vogel, 234 to 240 Fifth avenue, Chicago; John C. Michael & Oaxes Co., per G. W. L. Oaxes, 228-230 Fifth avenue, Chicago; A. B. Fiedler & Sons, per A. B. Fiedler, treasurer, 266 E. Adams street; Chas. Demehy & Company, by T. C. Demehy, secretary, 218 Randolph street; Henry Kleine & Co., J. A. Bigelow, cashier, 200 Lake street; Devse & Reynolds Co., Hall, 176 Randolph street; E. Goldman & Co., Inc., by A. McN. Goldman, vice-president, 175 Randolph street; Haedsonly, 163 Randolph street; Robt. Fairweather, 441 Postal Telegraph Building, Chicago; L. Heller & Co., L. Heller, 200 Jackson boulevard, Chicago; Francis T. Simmons & Co., 242 Adams street, Chicago; Shibley & Co., 210 E. Madison street; Straus Bros. Co., per O. Schaefer, 203 E. Madison street; Brause Pen Company, Paul Wilke, 70 La Salle street; Falker & Stern Company, by Geo. W. Mackie, secretary, 144 Lake street; Theo. Assher Company, by Theo. Assher, vice-president, 135 Michigan avenue.

CHICAGO, ILL., *January 3, 1909.*

To the COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

SIRS: We, the undersigned, desire to refer to the recommendation made to your committee by the American Travellers League to in-



crease the amount of merchandise permitted to free entry by travelers from \$100 to \$500, and as importers in the city of Chicago we desire to enter an emphatic protest against any extension of the free entry privilege whatsoever.

It is safe to say that practically all of the vast number of American travelers abroad exercise the privilege granted under the present laws of bringing in \$100 of merchandise free of duty, and to increase the amount would bring in a flood of merchandise which is directly competitive with that of every merchant in the United States and would open up the door to gross fraud.

We therefore urge your committee when reporting the tariff bill to Congress to make no extension of the privileges of free entry granted to travelers under paragraph No. 697 of the present act.

Edson Keith & Co., by E. H. Barrow, acting treasurer, 132 Michigan avenue, Chicago; Carl Netschert, 140 Wabash avenue; Burley & Tyrrell Co., by T. O. Coleman, treasurer, 120 Wabash avenue; D. B. Fisk & Co., per R. H. Harvy, president, 103 Wabash avenue; Lyon & Healy, by M. A. Healy, treasurer; Weiskopf & Co., F. Heugersh, president, 156 Wabash avenue; The Tobey Furniture Co., per F. McMartin, secretary, 100 Wabash avenue; Best & Russell Company, Charles Jessup, treasurer, 42 Randolph avenue; Hibbard, Spencer, Bartlett & Co., A. C. Bartlett, president, State Street Bridge; The Lipman Supply House, per Geo. Kaul, manager, 56 Fifth avenue; Hart, Schaffner & Marx, Harry Hart, Market and Van Buren streets; Nonotuck Silk Co., W. W. Sampson, general manager, 268-272 Adams street; Worms & Loeb, per Ralph Worms, president, 197 and 199 Adams street; Carter & Holmes, by W. J. Lipsey, secretary, 300 Fifth avenue; The Brunswick-Balke Collender Co., by Julius Balke, second vice-president, 263-265 Wabash avenue; Fifield & Stevenson, E. R. Fifield, vice-president, corner Jackson and Michigan avenues; Elgin National Watch Co., by Charles H. Hulburd, president, 131 Wabash avenue.

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**BOSTON COMMITTEE OF BAGGAGE INSPECTION REFORM WISHES  
THE FREE ENTRY PRIVILEGES ACCORDED FOREIGNERS.**

BOSTON, MASS., *February 3, 1909.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: We the undersigned respectfully petition the Committee on Ways and Means to seriously consider the revision of the tariff concerning the personal luggage of the American citizen returning from Europe.

We ask for equally favorable treatment with the foreigner, who is allowed to bring in free of duty his clothes, jewelry, and such like personal effects, with the very proper proviso that they should be strictly personal and not intended for gift or sale. We ask no more

for ourselves than for them, and this claim simply restores the provisions of the McKinley tariff as applied to the American, who is now restricted to \$100 of personal effects.

We therefore urge upon your honorable committee the framing of more lenient laws than the present ones, and so clear that they shall not be open to diverse and sometimes contradictory interpretations by successive Treasury officials.

If our claim for equal rights with the foreigner is disallowed may we at least hope for a much larger limit than the amount now permitted—say at least \$600. We urge this change in the present system all the more confidently for two reasons: First. Because the revenue which it was expected would be derived from the operation of the present law has not been realized and a great deal of said revenue has been absorbed by the very expensive and complicated methods necessary to carry it out. Second. By the demoralization of the traveling public, who almost unanimously feel that the law is not only oppressive in its nature and vexatious in its mode of application, but inherently inequitable, particularly the absolutely unjust charge on clothing partly worn out. The Dingley law demands that clothing purchased abroad and partly worn out by the traveler should pay the same duty as if it were new. This stipulation was, however, so preposterous that it has in its application been partly rescinded. But the custom-house officer still claims the payment of duty on a 50 per cent basis, whereas the market value of such garments is actually not above 10 or 15 per cent. The average conscience impels the average citizen to obey a just law, but can not bear the strain of obedience to an unjust one. Hence the almost universal effort to evade this last clause.

Mrs. THACHER LORING,  
 Mrs. JAMES M. CRAFTS,  
 Mrs. WIRT DEXTER,  
 Miss AGNES IRWIN,  
 Miss SARAH ORNE JEWETT,  
 Mrs. MARY MORTON KEHEW,  
 Miss MARTHA SILSBEE,  
 Mrs. PAUL THORNDIKE,  
 Mrs. HENRY PARKMAN,

*The Boston Committee of Baggage Inspection Reform.*

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## BRONZE STATUARY.

[Paragraph 703.]

WASHINGTON, D. C., *November 25, 1908.*

COMMITTEE ON WAYS AND MEANS,  
 Washington, D. C.

GENTLEMEN: On behalf of the bronze foundries of the United States, we desire a more definite interpretation of the paragraph No. 703 as relating to "works of art, the production of American artists temporarily abroad," as applied to bronze statuary.

The work of art in this connection is the production by the genius and skillful hand only of the artist, making no difference in the mate-

rials employed, whether colors, clay, wax, plaster, metals, or stone. If the artist desires to live abroad temporarily to study examples and complete his work from foreign inspiration, such work being his own personal efforts, there could, in our minds, be no objection to a broad construction of the paragraph. We claim, however, that after the plastic model is made and a plaster cast of same is obtained any reproduction made to perpetuate the subject, whether in stone, wood, or bronze, such reproduction is purely mechanical and can be made only by mechanical labor, either in the United States or Europe, and if made in Europe should pay the full duty assessed according to its value in this country.

Respectfully submitted.

JNO. WILLIAMS (Inc.).

(On behalf of The Gorham Company, New York; Henry Bonnard Co., New York; Bureau Bros., Philadelphia; Roman Bronze Works, Brooklyn, N. Y.; Winslow Bros., Chicago, Ill.)

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## COMPOSITION COUNTERS AND POKER CHIPS.

[Section 6.]

**THE G. H. HARRIS COMPANY, BROOKLYN, N. Y., WISHES AN INCREASE OF DUTY ON COMPOSITION COUNTERS.**

BROOKLYN, N. Y., *December 1, 1908.*

HON. SERENO E. PAYNE, M. C.,

*Chairman Committee on Ways and Means,*

*Washington, D. C.*

DEAR SIR: In acknowledging the receipt of your esteemed favor of November 29 we desire to lay before your honorable committee for its attention the necessity of placing a specific tariff upon what are now known as composition game counters, coming chiefly or wholly from Japan.

Our letter of the 27th ultimo explained the situation regarding the manufacture and importation of these game counters.

Our best advices on the subject from those resident in Japan, and from those who have lived there and understand the conditions, are to the effect that the same man who makes these game counters, under the same conditions and with the same tools and dies, receives in Japanese equivalent about 25 cents per diem and the hours of labor are far in excess of ours, our basis of labor being on that of nine hours, and the average earnings of the employees (males) is \$2.80 to \$3 per day. In addition to this labor, there are many female employees engaged in the finishing process.

The Japanese, as you are well aware, ship their goods entirely in subsidized steamship lines, getting a very low through rate to the various large cities of the country from their shipping points in Japan.

The raw materials entering into the manufacture of the composition game counters, where imported, come into this country as free raw materials; therefore the basis of duty to be computed should be the difference between the industrial conditions existing in Japan

as against America, the mixing of these composition materials, commonly called "plastic or mineral composition," being an American idea, and the manufacture of game counters, or, as we call them, "poker chips," also being an American idea.

The investment of capital in ours and the other composition manufacturers of poker chips will amount to \$250,000 to \$300,000, on which at the present time there is absolutely no return by reason of the fact that the largest consumption of it being of the composition cheaper grades known as "plain, embossed, and fancy engraved," all of which are made in Japan, and their importations being large enough and their prices sufficiently below the American manufacturer to use up the consumption of these game counters, all of which would be used and bought here in this country if this competition did not exist under the present unclassified tariff.

In the humble opinion of the other manufacturers and ourselves the duty should lie between 50 and 60 per cent of the invoice value, in order to give the American manufacturer and the laborer that protection that he is entitled to, and will give him the business taken away from him by this Japanese importation; and will also give the manufacturer an opportunity to reemploy the large number of hands formerly employed in this industry, and in their train the large number of female employees.

We hope that your honorable committee will fully consider and weigh carefully the representations made by us, and that they will insert into their revised tariff, under the heading of "Miscellaneous manufactured articles," a paragraph on game counters largely composed of shellac and clays, commonly known as "plastic or mineral composition game counters," at a specified duty of 50 to 60 per cent.

We do not ask that the Japanese shall be barred from offering their goods in our market, but we wish a duty placed between the figures named, in order that there may be equality in the asking price of the American and Japanese manufacture.

Yours, very truly,

THE G. H. HARRIS COMPANY,  
G. H. HARRIS, *Secretary*.

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## ELECTRIC SPARKLERS.

[Section 6.]

**THE EASTERN TOY HOUSE WISHES ELECTRIC SPARKLERS CLASSIFIED AS "MANUFACTURED METAL NOVELTIES."**

PROVIDENCE, R. I., *December 6, 1908.*

COMMITTEE ON WAYS AND MEANS.

GENTLEMEN: The pyrotechnic novelty commonly known as "electric sparklers," which we manufacture, which article for several years has been imported from Germany (though more recently has also been manufactured in this country), should, in our humble judgment, be classified as "manufactured metal novelties." Our reason is based upon the fact that the component parts entering into the manufacture of this article are 87 per cent metals and 13 per cent chemicals, these proportions having been found by careful analysis.

This would clearly place electric sparklers in the class named above. Consequently the item should be taxed at 60 or 65 per cent duty. Under this fair and honest classification of imported electric sparklers in the various sizes and styles, the home industry will be reasonably protected, and should be, as the American manufacturers are competent to supply the demands of the United States. If fairly protected, their struggle against foreign invasion at the hands of European manufacturers and their resident agents in this country would be lessened.

Yours, respectfully,

WILLIAM GOLDSCHINE, JR.,  
Proprietor Eastern Toy House.

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## DRAWBACK.

[Section 30.]

### MERCHANT & EVANS COMPANY, PHILADELPHIA, PA., OFFERS SUGGESTIONS RELATIVE TO APPLICATION OF DRAWBACK LAW TO MANUFACTURED ARTICLES.

PHILADELPHIA, PA., *July 17, 1908.*

HON. SERENO E. PAYNE, *Auburn, N. Y.*

DEAR SIR: We take the liberty of addressing you relative to the following suggested amendment to the customs tariff, because we understand that, as chairman of the Ways and Means Committee, you are now occupied in considering a proposed revision of same. The amendment which we propose to the tariff—or at any rate to the Treasury regulations governing same, ought to be really acceptable to everybody, although it did not appear to be so when Congressman Lovering, of Massachusetts, advocated it several years ago.

We propose that when a manufacturer has imported or received on certificates of importation and delivery a certain quantity of foreign material, he should be allowed the drawback of 99 per cent of the duty paid on same when he exports his manufactured articles, although said manufactured articles may have been made up of the same quantity of similar domestic material.

We know of a number of firms who could increase their foreign business under the above-changed ruling, as it would enable them to actually take advantage of the tariff provision allowing a rebate of the duty paid on imported material going into the manufacture of exported articles.

The necessity of segregating this foreign material from the domestic material in and through each department and process of manufacture under the present regulations is so troublesome and expensive for most of those who are not very large manufacturers or who do not manufacture almost entirely for export that the number of American manufacturers who find they can actually avail themselves of the aforesaid tariff provision under present regulations is comparatively small, although quite a large number of manufacturers do make application for the establishment of a rate of drawback, only to find out later that under present regulations it is not practicable for them to very frequently take advantage of the rebate of drawback granted.

We respectfully submit that a change in Treasury regulations, which we have outlined above, would not enable anyone to defraud the Government and, on the contrary, it would eliminate a tendency for an exporter to swear that his raw material was imported when quite possibly his imported raw material may very naturally have become mixed in his factory with the domestic, especially if same has to be put through a number of processes.

Commending this matter to your attention, we remain, sir,

Yours, respectfully,

MERCHANT & EVANS COMPANY,  
POWELL EVANS, *President*.

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PHILADELPHIA, PA., *July 23, 1908.*

HON. SERENO E. PAYNE, *Auburn, N. Y.*

DEAR SIR: We thank you for your favor of the 20th informing us that ours of the 17th will be brought before the attention of your committee, and with further reference to the revision of the tariff, we respectfully suggest modification of sections 7 and 19 of the customs administrative act as far as they concern patented articles made and sold abroad at enormous profits.

The writer secured the rights in America for the Hele-Shaw patent clutch and clutch plates, and has spent considerable time and money in endeavoring to push the business, and has had to import quite a number of patented bronze clutch plates, which are of course dutiable at 45 per cent ad valorem.

Now, the manufacturers abroad charge very big prices for their patented clutches and clutch plates, and can get these prices over there for them, but the circumstances in this country are such that it is not practicable to get enormous profits on these goods, and the manufacturers of these goods in Europe (realizing this) have agreed to sell the writer these bronze patented plates at the cost of manufacture plus 10 per cent, and the goods are so invoiced to him.

But in making customs entries on these bronze plates, the writer of course having before him sections 7 and 19, etc., of the customs administrative act, is obliged to add to the purchase price of these bronze plates on his customs entries quite a considerable amount to bring them to the foreign market value, on which the duty of 45 per cent is to be assessed, and the consequence is that this duty becomes quite onerous.

Now, we respectfully suggest that a modification of the customs administrative act be made, to the effect that on importation of patented articles from abroad on which the makers abroad are able to get over there a very big profit and price, the American importer shall be allowed to use his purchase price as the basis of valuation for duty where that purchase price is, shall we say, 10 per cent above the cost of manufacture abroad.

We believe that such an amendment to the customs administrative act would afford a just and proper relief in a number of cases of similar nature to that of the writer.

Respectfully, yours,

MERCHANT & EVANS COMPANY,  
POWELL EVANS, *President*.

PHILADELPHIA, PA., *December 2, 1908.*

HON. SERENO E. PAYNE,

*Chairman Committee on Ways and Means,  
House of Representatives, Washington, D. C.*

DEAR SIR: Referring to our letter of July 17, we regret to find ourselves unable to be present at Washington on the 4th instant, but we hope that your committee can seriously and favorably consider the aforesaid letter, copy of which we inclose you.

Whatever may be said in favor of or against changing the tariff schedules, surely everybody ought to be in favor of facilitating the obtaining of the drawback of duty on raw materials imported for the purpose of manufacturing here in America goods for a foreign market, and the writer would actually imagine that this idea would be supported even more enthusiastically by an advocate of a high duty than by opponents of same.

Everybody is agreed that whatever advantages or disadvantages a manufacturing country may have from the absence of a tariff or from a low tariff, it at any rate has the advantage of getting readily and at low cost the material for the manufacture of articles for sale in foreign countries, and the gentlemen who have for years helped to write up a high tariff for this country have as an offset relied upon the fact that this Government allows a drawback of 99 per cent of the duty paid on imported material which goes into the manufacture of exported articles.

Now if your committee would do some work with a view to simplifying the obtaining of this drawback and particularly if it would endeavor to arrange something on the lines of the attached letter of July 17 there would be real life and vitality and strength in the claim of the friends of protection that our tariff does not prevent our manufacturers from readily competing in foreign markets.

The writer regrets that owing to illness he has been unable to give time to ventilating this matter among the different manufacturers, but we have before us letters from manufacturers who are in favor of the proposition outlined in our letter of July 17, and the fact is that present regulations are troublesome and expensive for most of those who are neither large manufacturers nor manufacturers almost entirely for export, and as pointed out in the attached letter what we therein propose would not enable anyone to defraud the Government, as no man could get more drawback than 99 per cent of the duty which was paid on the imported goods, for which he would have to produce a certificate of delivery, just as he does to-day. Therefore the fact that (if, for instance, it was tin cans that he was exporting) he did not keep his domestic tin separated from his foreign, and that the particular cans that he was exporting might have been made of part of each would not work any injustice to anyone whatever, while, on the other hand, it would enable a comparatively small manufacturer and one who does not chiefly manufacture for export to have a try at the foreign market, and we are all of us agreed no matter what may be our political faith that the better the share of foreign trade that we obtain the better it is for this country.

The writer has tried to put in few words what he would have been glad to have had the pleasure of saying to your committee and feels confident that your committee will give serious consideration to this matter and not be deterred therefrom by some superficial objection,

such as may be readily raised against any first-class proposition whatever.

Yours, respectfully,

MERCHANT & EVANS COMPANY,  
DOUGLAS LEESE,  
*Assistant Treasurer.*

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PHILADELPHIA, PA., *January 8, 1909.*

HON. SERENO E. PAYNE,  
*Chairman Ways and Means Committee, Washington, D. C.*

DEAR SIR: Since we had the pleasure of writing you on July 17 last and also on December 2, relative to the simplifying of the matter of obtaining drawback on imported articles used by manufacturers who export their product, we have received several indorsements from American manufacturers who export to some extent, but who would be able to export to a greater extent if our suggestions were carried out. These suggestions, I understand, were more or less embodied in what is known as the "Lovering bill." We are very busy people and have not time to go around the country getting indorsements for this proposition, but we know from business experience that there must be scores of American manufacturers who are largely prevented from trying for export business by the fact that it is impracticable for them to keep their domestic and foreign material separate in all the stages of manufacture of the articles which they might otherwise export in quite large quantities.

We suggest that the present Treasury requirements that an exporter shall swear that the articles exported were made from the identical material imported is simply offering a premium to the man who is unscrupulous to the extent that he does not mind swearing to what he really does not know to be a fact, and what it might often be impracticable to make a fact, and we further suggest that those manufacturers who are too scrupulous to swear to what they do not positively know to be true are debarred from trying to get export business because the bulk of their trade being domestic it would not pay them to have separate bins and racks and separate accounts for all the foreign raw material in its various stages of manufacture, unless they were a very large concern and doing quite a large export business. The writer can not see where the Government would suffer any injustice if the domestic raw material did enter into the imported articles as long as the exporter produced certificate of delivery, etc., showing that he had received an equal amount of imported material on which the duty has been paid.

It occurs to the writer that whatever difference of opinion there may be as to this rate of duty or that rate of duty on tin plates, for instance, there ought not to be any difference as to the advisability of giving any American manufacturer a chance to get export business by obtaining his drawback in the manner indicated above, as no one could obtain a drawback on any cans exported, for instance, without producing certificate showing delivery to him of an equal quantity of imported tin plates.

Yours, truly,

MERCHANT & EVANS COMPANY,  
Per D. LEESE, *Assistant Secretary.*



**HON. H. S. BOUTELL, M. C., SUBMITS OPINION OF THE ATTORNEY-GENERAL RELATIVE TO BLENDED FLOURS.**

DEPARTMENT OF JUSTICE,  
*Washington, September 19, 1908.*

The SECRETARY OF THE TREASURY.

SIR: Reading together in their proper order the several statements submitted by you, the following appear to be the facts upon which an opinion is sought:

First. Blending flour consists in selecting the kinds, qualities, and quantities of flours necessary to make the required blend, and in thoroughly mixing and aerating the same, which is purely a mechanical process and involves no chemical action.

Second. This is done by machinery especially manufactured for that purpose, and the labor is principally unskilled, but is performed under the direction of a skilled miller.

Third. Blended flours have different qualities and characteristics from and are better adapted to the uses for which intended than flours not blended. Their qualities and characteristics are the mean between the corresponding qualities and characteristics of the flours unblended. They remain wheat flour, having the same uses as unblended flours, but being better adapted to sound preservation for those uses in tropical climates.

Fourth. The blended flour produced by the Copeland-Raymond Company, to whom the drawback in question has been allowed, is produced from Manitoba hard spring wheat, containing a high percentage of gluten, blended with domestic flour of medium strength, of a high color and great keeping qualities, thus producing a flour having the proper proportion of gluten to obtain the best results in bread making and also superior keeping qualities, which are necessary for flour used in warm climates. It differs from the imported flour used in the blending, in color, texture, and keeping qualities, and in the quantity and quality of the gluten contained therein.

Fifth. The proportion of the imported flour used varies from 33½ to 45 per cent, according to the varying requirements of the seasons and climatic conditions.

Sixth. The cost of blending is about 2½ per cent of the value of the blended flour, which is exclusive of the packages in which the same is exported.

Seventh. Blended flours have a distinct commercial designation in the markets of this country, the imported flour being known in the trade and commerce of this country as spring-wheat flour, and the flour produced by blending being known and sold in the market as blended flour; but this term is applied commercially to all flour to the ultimate production of which spring and winter wheat, wherever grown, have contributed, whether through the blending of flours or through the blending of the grain prior to its manufacture into flour.

The question for consideration is whether the Copeland-Raymond Company, when exporting the blended flour above described, is entitled to a drawback on the imported flour used in producing said

blended flour under section 30 of the tariff act of 1897, which reads as follows:

That where imported materials, on which duties have been paid, are used in the manufacture of articles manufactured or produced in the United States, there shall be allowed on the exportation of such articles a drawback equal in amount to the duties paid on the materials used, less one per centum of such duties—

the only question now presented being whether or not the imported flour upon which a drawback is being allowed is used in the "manufacture" of an article "manufactured or produced in the United States," within the meaning of said act.

Numerous authorities have been called to my attention by those interested in the determination of this question, of which the following are the most important:

In *Hartranft v. Wiegmann* (121 U. S., 609), decided in 1887, the Supreme Court held that shells cleaned by acid and then ground on an emery wheel, and some of them afterwards etched by acid, and all intended to be sold for ornaments, as shells, were not dutiable at 35 per cent ad valorem as "manufactures of shells," but were exempt from duty as "shells of every description not manufactured." Congress, however, does not appear to have taken the view that such a treatment of shells was not a manufacture, as in paragraph 450 of the tariff act of 1897 it was provided that "shells engraved, cut, ornamented, or otherwise manufactured," should be assessed 35 per cent ad valorem, thus clearly indicating that engraving, cutting, and ornamenting shells is a manufacture within the meaning of that act.

In *Dejonge v. Magone* (159 U. S., 562) it was held that papers coated, colored, and embossed to imitate leather, and papers coated with flock, to imitate velvet, were not "manufactures of paper, or of which paper is a component material." This decision, however, turned very largely on what the court understood, from the classification of the several varieties of paper and the well-known signification of the word "paper" in commerce, Congress had in mind when the act was passed. This is apparent from the following language of the court:

But it is established by the evidence beyond dispute that at the time of the passage of the tariff act of 1883 "fancy papers" were largely dealt in in commerce and were well known in the commerce and trade of this country; that there were a great variety of fancy papers, and that such designation covered both the importations out of which this controversy arose. It is not reasonable to suppose that Congress assumed that the manipulation or treatment of particular paper in the completed condition in which produced at a paper mill, by mere surface coating, a process which did not change its form, but only increased the uses to which such paper might be put, had the result to cause the article to cease to be paper and to become a manufacture of paper, especially in view of the continued commercial designation of the article as a variety of paper and its sale and purchase in commerce as paper.

In *Tidewater Oil Co. v. United States* (171 U. S., 210) the facts were that box shooks had been manufactured in Canada by planing boards and cutting them into required lengths and widths for making into boxes without further labor than nailing them together. They were then tied into bundles and imported and made into boxes or cases by nailing the proper parts together with nails manufactured in the United States out of imported steel rods. The drawback was claimed under section 3019, Revised Statutes, which provided that—

There shall be allowed on all articles wholly manufactured of materials imported on which duties have been paid when exported a drawback, etc.

The court interpolated the words "in the United States" after the word "manufactured," making it read:

There shall be allowed on all articles wholly manufactured in the United States of materials imported, etc.—

and held that the putting together of the shooks by fitting, nailing, and trimming them was not an entire manufacture, and that consequently the boxes were not "wholly manufactured" within the United States required by the statute. The opinion in this case is an interesting one, and in the discussion of the general subject of what processes constitute a manufacture throws some light upon the question under consideration.

In *United States v. Dudley* (174 U. S., 670) the question was whether boards dressed on one side and tongued and grooved should be assessed with a tax of 25 per cent ad valorem as "manufactures of wood or of which wood is the component material of chief value," or be exempt as "sawed boards, plank, deals, and other lumber, rough or dressed." The court held that the boards were dressed lumber and not manufactures of lumber within the meaning of that provision.

The case of *Anheuser-Busch Brewing Company Association v. United States* (207 U. S., 556) is much relied on by those who oppose the drawback. In that case it appeared that the company had imported corks and had subjected them to a special and rather elaborate treatment, as a result of which they would not permit the escape of gas from the bottled beer or impart thereto the cork flavor. It was insisted by the company that when it shipped bottled beer corked with these corks it was entitled under the statute now in question to a drawback thereon. The court disallowed the claim, holding incidentally that the corks were not manufactured after their importation, but mainly resting the case on the opinion of the court in the case of *Joseph Schlitz Brewing Company v. United States* (181 U. S., 584), in which it was held that "bottles and corks in which beer is bottled and exported for sale are not 'imported materials used in the manufacture' of such beer within the meaning of the drawback provisions of the customs revenue laws, although the beer be bottled and corked and subsequently heated for its better preservation." In the opinion in the Schlitz case the court said:

The fact that the beer must be steamed after bottling to a point necessary to kill the germs of yeast, and for that purpose must be inclosed in some vessel to prevent the escape of the carbonic acid gas, only shows that the beer is bottled before it is finally manufactured and ready for the market. This process certainly does not convert a bottle from an incasement into an ingredient. In this particular beer does not materially differ from a hundred other articles which require to be incased for their proper preservation. Thus, champagne and other sparkling wines must be bottled while yet effervescing or they will lose the twang which gives them their principal value. The same remark may be made of Apollinaris and other effervescing water, though not manufactured, and of certain canned fruits and vegetables which are required to be incased while hot and still in the process of preservation.

This reasoning was equally conclusive of both the Schlitz and the Anheuser-Busch cases; and the opinion of the court in the latter case contains no intimation as to what the result would have been had the claimant imported corks and united them with other varieties of corks, if such a process were possible, and subjected the corks thus made to special treatment fitting them for certain uses, and had then exported the corks thus produced as corks and not as beer. Such a

state of facts would have presented a case something similar to the question now under consideration; and it must be conceded that there is little in common between the facts in the Anheuser-Busch case and the facts here presented.

In *The Brooklyn Cooperage Company v. City of New Orleans et al.* (47 La. Ann., 1314) it was held that the putting together, by means of machinery, of staves, hoops, and heads, thus forming a barrel, does not constitute a manufacture of an article of wood. This case is similar in its facts to that of *Tide Water Oil Company v. United States*, supra, wherein it was held that the nailing of shooks together in the form of a box is not a whole manufacture of the box.

In *The People ex rel. v. Roberts* (145 N. Y., 375) the relator claimed that it was exempt from taxation because it was a manufacturing corporation. It appeared that the company took tea in the original state and mixed together various kinds, thus producing a compound which was called "combination tea," and that it took coffee in the raw bean and roasted and ground it, and in some instances different kinds of coffee were mixed together, forming, as in the case of tea, a combination article. The court held that the handling of tea and coffee in that manner was not a manufacture in any legal sense, and that the relator was not a manufacturing corporation. It is apparent that if the roasting and grinding of coffee, and thus putting it in shape for use, is not a manufacture, then the grinding of corn into corn meal or of wheat into flour is not a manufacture. In fact, the same may be said of lumber when cut from the logs. The material is subjected to only a mechanical process and still remains wood, but in a different form; yet it is conceded by all authorities that it is a manufacture to make lumber from logs.

This case of *The People v. Roberts* does not appear to have been uniformly followed, even in the State of New York, as in *The People ex rel. Devoe v. Roberts* (51 App. Div., 77, 1900) the mixing of paint was held to be a manufacture; and in *The People ex rel. Waterman v. Morgan* (48 App. Div., 393) it was held that the mere assembling and fitting together of gold pens and holders which were made by others and purchased by the Watermans and assembled by them was a manufacture entitling the corporation to exemption from taxation on its capital stock under the same statute.

In *Murphy v. Arnson* (96 U. S., 131) it was held that a substance which was obtained by the chemical action of benzole and nitric acid upon each other and then refined and cleaned by distillation was a manufacture from these substances.

The material distinction between the facts in that case and those herein presented is, that in the process there involved there was chemical action, and the resulting article was wholly different from and in fact possessed none of the properties of either of the substances from which it was made. The word "blend" is hardly appropriate to describe the union between those two substances, as that word implies a mechanical mixture.

In *Meyer v. United States* (124 Fed., 296), District Judge Townsend held that hemstitched cotton lawns made by subjecting cotton cloth to the processes of turning over the edges, drawing certain threads, and other manipulation, but not appropriated by these processes to any particular ultimate use, were advanced beyond the

condition of "cotton cloth," and were dutiable as "manufactures of cotton."

The above-cited cases involve about all the principles which have been considered by the courts in determining what constitutes a manufacture.

In applying these decisions it must be kept in mind that each case presented a peculiar state of facts, and especially that those facts were applied to peculiar statutes, and that in no case did the court intend to lay down a general and inflexible definition of the word "manufacture," which should govern under all conditions and in all cases. For illustration, in *United States v. Dudley*, supra, the question was whether boards dressed on one side and tongued and grooved fell within the classification "manufactures of wood or of which wood is a component material of chief value" or "sawed boards, plank, deals, and other lumber, rough or dressed." Since dressed lumber was within the express terms of the second clause, such lumber could not be taken as a manufacture of wood within the meaning of the first clause; and the court held that merely tonguing and grooving the lumber, therefore, did not convert it into such a finished product as to constitute a manufacture of wood within the meaning of that statute, but that it still fell within the classification of dressed lumber.

It is apparent that this decision furnishes no criterion as to what the court would hold were a case presented wherein rough lumber had been imported into the United States and had been dressed and tongued and grooved, and thus prepared for use as ceiling, flooring, and numberless other uses to which such lumber can be put, and by this means had been fitted for foreign markets, when otherwise it could not have been sold in such markets, and when exported a drawback had been demanded thereon. Or, an illustration more apt to the question under consideration: Suppose lumber be imported and then dressed and veneered with domestic walnut lumber, or by machinery dressed and joined with another class of common lumber, as is often done for the manufacture of doors and other articles, and as a result of such combination and alteration of the original materials the product can be sold in a foreign market, can it be doubted that Congress intended that a drawback should be allowed in such a case, or that such veneered lumber is a manufacture or product within the meaning of this statute, and could the case of *United States v. Dudley* be considered as an authority against such a view?

It is insisted that the principle that a governmental grant of a privilege or benefit, where doubt as to its meaning exists, is to be construed in favor of the Government, should be here applied. This principle has been repeatedly recognized by the United States Supreme Court: *Hannibal, etc., Railroad Co. v. Packet Co.* (125 U. S., 260, 271); *United States v. Allen* (163 U. S., 499, 504); *Swan & Finch Co. v. United States* (190 U. S., 143, 147); *Cornell v. Coyne* (192 U. S., 418, 431).

The cases of *United States v. Allen*, and *Swan & Finch Co. v. United States*, each involved a claim for a drawback; and in the first case it was held that the provision of the tariff act of 1883, whereby a drawback was allowed on imported coal used for fuel on vessels engaged in the coasting trade of the United States, was repealed by implication by the tariff act of 1890; and in the second case it was held that the placing on board a vessel bound for foreign ports,

lubricating oils manufactured from imported rape seeds, which oils were used in and to be consumed by the vessels, was not an exportation of the oils within the meaning of the drawback provision. Neither of these cases, therefore, involved an exportation of a manufactured product, or had any bearing upon our foreign trade. On the other hand, it was manifestly the intention of Congress that when the question involved affected domestic manufacturers in their efforts to build up a foreign trade, the drawback provision should be liberally construed in favor of the exporter; and such has been the rule of construction adopted by your department, and the more recent rule adopted by this department. The purpose of this provision is thus stated in *Tidewater Oil Co. v. United States*, supra:

The object of the section was evidently not only to build up an export trade, but to encourage manufactures, in this country, where such manufactures are intended for exportation, by granting a rebate of duties upon the raw or prepared materials imported. \* \* \*

When this provision was under consideration by Congress, Mr. McKinley, who was chairman of the Ways and Means Committee, and the author of the tariff act under discussion, said:

We have extended this provision and in every way possible liberalized it, so that the domestic and foreign product can be combined and still allow to the exporter 99 per cent upon the duty he pays upon his foreign material intended for export, which is, in effect, what free traders and our political opponents are clamoring for, namely, free raw material for the foreign trade. And, if you are desirous of seeing what you can do in the way of entering the foreign market, here is the opportunity for you \* \* \* It completely, if the provision be adopted, disposes of what has sometimes seemed to be an almost unanswerable argument that has been presented by our friends on the other side, that if we only had free raw material we could go out and capture the markets of the world. We give them now within 1 per cent of free raw material, and invite them to go out and capture the markets of the world.

It is true that it has been held that debates in Congress are not appropriate sources of information from which to discover the meaning of the language of a statute passed by that body: *United States v. Freight Association* (166 U. S., 318); but in *ex parte Farley* (40 Fed. Rep., 69) it was said that "The statements of those who had charge of the law, made to the legislative body passing it, as to its meaning and purpose, are always competent." Moreover, it is one of the oldest and best recognized principles of construction that "The pre-existing law, and the reason and purpose of the new enactment, are considerations of great weight;" *Smythe v. Fiske* (90 U. S., 380); and that the court should consider the external or historical facts which lead to the enactment of the statute; 26 A. M. and E. Encyclopedia, 632, and the many cases there cited. And Mr. McKinley was but stating the purpose of this provision and the reasons for its enactment, which were a part of the political history contemporaneous with its passage.

It is also worthy of consideration that in every instance but one in this entire section the words "produced," "production," and "producer" are used in connection with the words "manufactured," "manufacture," and "manufacturer." The section thus begins: "Where imported materials on which duties have been paid are used in the manufacture of articles manufactured or produced," etc.; and the second proviso reads:

That the imported materials used in the manufacture or production of articles entitled to drawback \* \* \* when exported shall \* \* \* be identified \* \* \* the facts of the manufacture or production \* \* \* shall be determined, and the

drawback due thereon shall be paid to the manufacturer, producer, or exporter, to the agent of either, or to the person to whom such manufacturer, producer, exporter, or agent shall, in writing, order such drawback paid.

Why this careful and repeated use of the idea of production in connection with that of manufacture? Was it intended as a mere surplusage and to add nothing whatever to the meaning of the act? It can hardly be thought that such was the purpose of Congress. But if it means anything at all, it must broaden the provisions of the act and make it include cases which would not be embraced in the word "manufacture." The fourth definition of the word "produce" as given by Webster, and the only one that can be here applicable, is: "To give being and form to; to manufacture; to make." There can therefore be but little difference between the two words "produce" and "manufacture" as used in this provision, but under this definition the word "make" can very properly be substituted for the word "produce," and since the technical meaning of the first part of the word "manufacture" has long since disappeared, the word "make" has substantially the same meaning as the word "manufacture," stripped of its strict legal interpretation, and it is but reasonable to suppose that Congress intended that this drawback provision should apply to cases which might not fall within the strict and limited construction given to the word "manufacture" by the courts, and for this reason added the word "produce" or its proper derivative.

This is further indicated by the use of the single word "manufacture" in the beginning of the section, to wit: "Where imported materials \* \* \* used in the manufacture of articles manufactured or produced \* \* \*," etc.; that is, before the drawback can be allowed, the resultant article must have been "manufactured" somewhere, but it is sufficient if it be either manufactured or produced (made) in the United States. The statute under consideration in *Tide Water Oil Company v. United States*, supra, did not contain the word "produce" or "production" at all, and the decision rested upon the theory that all the processes of manufacture had to be carried on in the United States; and the addition of the words "produced," "production," and "producer" in the present law would indicate that a different construction in this particular was intended.

Your department has, as I understand, with but one exception, interpreted this drawback provision favorably to the contention of the Copeland-Raymond Company.

In the order directing that the drawback be allowed to said company, Assistant Secretary Reynolds cited the following decisions of the Treasury Department, which bear more or less upon the question here involved (T. D., vol. 9, p. 400):

Lubricating oil formed by mixing imported rape-seed oil and products of domestic petroleum. (T. D., 16747, February 6, 1896.)

Blended oil produced by mixing imported olive oil and domestic cotton-seed oil. (T. D., 25141, March 23, 1904.)

Diamond dyes formed by mixing dry colors imported in bulk. (T. D., 22714, January 9, 1901.)

Butter color produced by mixing imported coal-tar colors. (T. D., 22580, November 2, 1900.)

Newfoundland cod oil produced by mixing imported crude cod oil and domestic fish oil. (T. D., 24791, November 21, 1903.)

Mixed sirups formed by combining glucose and sugar sirup manufactured from imported raw sugar. (T. D., 23625, March 31, 1902.)

However, when this question was presented to Secretary Shaw, on June 19, 1902, he held that "the mere admixture of imported and domestic flour does not constitute manufacture within the meaning of the drawback laws" (T. D., vol. 5, p. 510); but on March 7, 1905, while Mr. Shaw was still Secretary of the Treasury, the former ruling disallowing the drawback on such flour was reversed and the drawback was allowed.

This practically uniform construction of the statute by the department having its enforcement in charge is entitled to great weight, and should be followed unless the meaning of the statute is clearly to the contrary. (*United States v. Hill*, 120 U. S., 180; *United States v. Tanner*, 147 U. S., 663; *United States v. Alger*, 152 U. S., 397; *United States v. Johnson*, 173 U. S., 378.)

The previous expressions of this department in construing this drawback provision of the tariff act of 1890 are not quite uniform. While it has not heretofore been called upon to determine what constitutes a manufacture or product within the meaning of the act, yet four opinions have heretofore been given your department with reference to the effect of the proviso—

That when the articles exported are made in part from domestic materials, the imported materials, or the parts of the articles made from such materials, shall so appear in the completed articles, that the quantity or measure thereof may be ascertained.

#### Attorney-General Olney held:

That this proviso forbids the allowance of a drawback except in cases where the article manufactured or produced can be so separated chemically or mechanically into its component materials that the relative proportions of each material may be ascertained without reference to past books of account. (21 Op. A. G., 111.)

This view was subsequently concurred in by Attorney-General Harmon (21 Op. A. G., 229); but in a carefully considered opinion subsequently prepared by Solicitor-General Richards and approved by Attorney-General Griggs this view was overruled, and it was held sufficient if the quantity or measure of the imported product in the completed article could be shown by books and accounts and such other evidence as would convince the judgment of the administrative officers (22 Op. A. G., 111). One of the principal grounds for this conclusion is thus expressed in that opinion:

In view of this change from a policy excluding domestic materials to one permitting their use, it may fairly be inferred that Congress intended to encourage the use by our manufacturers of domestic in connection with imported materials, thus promoting home industries which produce such domestic materials. This evident object of the law should not be forgotten in construing it.

In an opinion prepared with equal care and thoroughness Attorney-General Moody subsequently concurred in this view, adopted by Attorney-General Griggs, and held that the drawback should be allowed on flour manufactured partly from imported and partly from domestic wheat, basing his concurrence largely upon the manifest purpose of Congress in passing the act to encourage home manufactures (25 Op. A. G., 344).

In the present instance, while the ratio of the value of the labor required to the value of the completed product is small, yet if a foreign trade is thereby created it will not only be beneficial to the manufacturers of blended flour, but also to the domestic wheat growers, because from the facts submitted it appears that from 55 to 66 $\frac{2}{3}$  per cent of the flour thus made is ground from domestic wheat, and every



bushel of wheat thus ground will find its way into a market which would not have existed had not the foreign trade been acquired.

We may now return for a moment to a consideration of what constitutes a manufacture, as defined by the courts. In *Hartranft v. Wiegmann*, supra, the court incidentally remarked:

They (the shells) had not been manufactured into new and different articles, having a distinctive name, character, or use from that of a shell.

And from this remark it has been said in some cases that to constitute a manufacture a "different article must emerge, having a distinctive name, character, or use." This would imply that if the product had either a distinctive name, character, or use, it would be a manufacture. Of course, if the material is changed in no respect except in name, no court would hold it to be a manufacture. In fact, I am unable to see how the name of the product can be of any material moment in determining whether or not it is a manufacture.

Again, the word "character" is too general to give any definite idea as to what change is necessary to constitute a manufacture. Many articles may have a distinct character in some respects from that from which it is made, and yet not be a manufacture. For illustration, the boxes in the Tidewater Oil Company case, had an entirely different character from the box shooks, but the mere process of putting them together was not held to be a manufacture.

It appears to me that the matters to be principally considered, in determining whether or not a certain process constitutes a manufacture, are—

First. The character and extent of the process or processes to which the substance or substances are subjected. For certainly, where complicated and expensive machinery is involved, and the substance or substances subjected to repeated manipulations, such facts are entitled to some consideration. However, they are of minor importance, and can never be wholly determinative of whether or not the resultant product is a manufacture.

Second. The extent of the difference between the character of the product and the substance or substances from which it is made. This difference may be in the form or in the use or uses to which it may be put or in the degree and manner in which it may be applied to the same uses. For I fail to see any good reason in laying it down as a rule for universal application that the product shall be susceptible of different uses from those to which the material from which it is made can be applied, and I do not understand that the courts have adopted any such rule. Certainly if, by expensive and elaborate manipulation, a product is adapted in a much higher degree or in an essentially different manner to the same uses to which the substance or substances from which it is produced can be put, the process is just as important and is as much entitled to be called a manufacture as if it should result in rendering the article manipulated susceptible of a different use, and there is nothing in the inherent meaning of the word "manufacture" contrary to this view.

Applying these various principles to the matter in hand, is blended flour, having the characteristics and uses described and made in the manner described from flour, a part of which is imported from a foreign country, a "manufacture" or "product," within the meaning of the drawback law?

In the first place, it can not be denied that blended flour is a manufacture. It is a finished product, ready to be converted into all

kinds of bread, cakes, pastries, etc., and possesses every element of a manufacture. It finds its being as a result of the process of mixing and aerating other flours, as described in the facts submitted by you. Before being subjected to this process, there exist different varieties of flour, the one imported being known as "spring wheat flour," each of which possesses certain characteristics peculiar to itself, but does not possess those characteristics which will enable the miller to find a market in warm climates, and thus to acquire a certain class of foreign trade. After the manipulation and treatment by expensive machinery, as above described, there results a product known as "blended flour," which is in form like the several component flours, and possesses the same ingredients as those flours, with a certain degree of moisture extracted, but so combined as to possess the required richness of bread making and keeping qualities, which gives the manufacturer or producer an opportunity to obtain a foreign trade, and thus to aid in "capturing the markets of the world."

Is not, therefore, this process a manufacture or production, within the meaning of this statute? It may be urged with reason that it falls within the technical description of a manufacture as described by the court in the Tide Water Oil Company case. There it was held that the nailing together of box shooks, thus forming a box, was not the whole manufacture of the box from the boards, the reason being that the shooks themselves, being adapted for only the one use, were not a finished manufacture. That is, in order for there to be a completed manufacturing process it must begin with a completed product and end with a completed product. But if we apply this principle to the facts here presented the blended flour is a finished product or manufacture, and with equal certainty the flours from which it is made are completed products or manufactures. It does not follow that because blended flour can be made directly from the wheat the various processes through which it passes in being made into blended flour can constitute but steps in one manufacture and not separate and distinct manufactures. The primitive method of making a canoe was, by means of the ax, the broadax, and foot adz, to make it—literally to manufacture it—directly from the log. Now the log is converted into lumber, and the canoe is made from the lumber, yet both the lumber and the canoe are manufactures.

I am of the opinion, therefore, that your department acted properly in allowing the drawback upon the blended flour manufactured by the Copeland-Raymond Company in the manner heretofore described.

Respectfully,

CHARLES J. BONAPARTE,  
*Attorney-General.*

**THE HECKER-JONES-JEWELL MILLING COMPANY, NEW YORK CITY, WRITES RELATIVE TO THE DRAWBACK PROVISION AND CANADIAN WHEAT.**

NEW YORK CITY PRODUCE EXCHANGE,  
*November 30, 1908.*

HON. SERENO E. PAYNE,  
*House of Representatives, Washington, D. C.*

DEAR SIR: We write in order to say to you that we wish to join in the earnest application now being made by the various milling inter-

ests for an adequate opportunity to be heard before the Ways and Means Committee of the House, on December 4 next, on the subject of the modification of the drawback provisions and regulations under the tariff act, with more particular reference to their bearing upon importations of Canadian wheat for manufacture into flour by American millers. The welfare and future of American milling interests engaged in the export trade, as affected by the keen competition of cheap Canadian labor and cheap Canadian wheat available to all Canadian milling interests, will be largely dependent upon the course which shall be adopted in the framing of these regulations and provisions in question. We may mention the fact that we alone manufacture and export, on the average, yearly, upward of 750,000 barrels of flour. Our domestic output is over 1,000,000 barrels per year.

We earnestly bespeak favorable consideration for this application, and ask that a time be fixed for the proposed hearing.

We are, dear sir,  
Yours, very truly,

HECKER-JONES-JEWELL MILLING Co.,  
A. RUYTER, *General Manager.*

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**SULLIVAN N. CROMWELL, NEW YORK CITY, REPRESENTING THE  
HECKER-JONES-JEWELL MILLING COMPANY, FILES BRIEF  
RELATIVE TO THE DRAWBACK PROVISIONS.**

NEW YORK, *December 1, 1908.*

HON. HENRY S. BOUTELL, M. C.,

*Ways and Means Committee, Washington, D. C.*

DEAR SIR: Our client, the Hecker-Jones-Jewell Milling Company, has, in common with other milling interests, addressed to Mr. Payne, as chairman of the Ways and Means Committee, a formal application for a hearing on December 4, next, on the subject of the required modification of the drawback provisions and regulations, in order to furnish adequate protection to domestic milling interests in their export departments, as against the keen and ruinous competition of Canadian milling interests having the advantage of cheap Canadian labor and cheap Canadian wheat.

The Hecker Company is one of the great milling interests and one of the largest exporters of flour in this country. Their yearly export trade amounts, on the average, to over 750,000 barrels. May we trouble you in the matter so far as to ask that you emphasize the importance of an adequate hearing being granted to these interests and secure for them the attention which the subject demands? We understand that they will have present a representative familiar with the facts and able to make an illuminating presentation of the subject to the committee.

More particularly, however, the subject having been drawn to our attention, we write you at this time in order to enlist your interest as a lawyer in the technical side of the matter. It has recently been made very clear to us that there must be closer definitions and a more detailed expression in the drawback provisions if they are to have the effective scope and beneficial operation upon domestic trade for which they were originally designed.

As you know, the present drawback provision is contained in section 30 of the tariff act of 1897 (30 Stat., 211). That simple provision, in its use of the undefined words "manufacture" and "produced," has led to endless controversy.

As the matter is of such consequence we do not hesitate to ask you to seize a spare moment and consider the opinion of the Supreme Court in *Anheuser-Busch Brewing Association v. The United States* (207 U. S., 556), decided on January 6 last, in connection with the most prolix and, if we may be permitted to say so, obscure opinion from the Department of Justice, bearing date September 19, 1908, a copy of which we send you inclosed herewith. We do not think that our characterization of this latter opinion or promulgation is seriously affected by the fact that it embodied a decision adverse to us in an application which we had presented to the department. We simply mention that fact, however, to show our personal relation to and knowledge of the subject and to give point to what we are about to say.

A consideration of the matter and of the procedure under the drawback section has made it clear to us that not only must some statutory definitions be incorporated in the act, but that some procedure must be devised by which a judicial review may be promptly secured, in due course, of all administrative rulings under that provision. As it is, you will observe, there is no remedy whatever open to the protesting exporter or group of competing exporters where the Treasury Department, with or without the sanction of the Attorney-General's office, has in fact granted a drawback. Suit may always be brought to enforce a drawback, but where a drawback is in fact allowed there is no known way of obtaining a judicial review or determination of the question involved, which may present the most intricate question of construction under the act. In view of our complicated trade relations and the tremendous power for injury which thus resides in a single executive department in the manipulation of this great engine of competition involved in the allowance or disallowance of drawbacks, it is of course clear to us lawyers that some plan must be devised which not only will permit but will compel in all cases, as well in those of allowance as of disallowance of drawbacks, an expeditious judicial determination of the whole matter.

In the case to which we have drawn your attention, covered by this opinion of the Attorney-General of September 19, 1908, the whole subject of drawbacks upon Canadian wheat was involved, and yet, because for one reason or another a drawback was in fact allowed to a single manufacturer importing such wheat, it became impossible for us judicially to review the question, notwithstanding the fact that the Solicitor of the Treasury Department and all other lawyers who have considered the question had been, as we had supposed all lawyers must be, in agreement with us in holding that there was no possible justification for such drawback under a proper construction of the statute.

The milling companies as a class, apart from the particular milling company whose interests were served in this matter, had their hands tied in any attempt to secure judicial review.

Without wearying you further, we hope that we have shown you that there is here an opportunity for the competent drafting of certain technical provisions of the new act which shall, beyond per-

adventure, prevent all arbitrariness in the action of executive departments and open up the usual opportunity for judicial intervention. We may add that it may be doubtful if there is any more important matter for consideration before the committee than that involved in the adequate protection of the great domestic milling interests in the manner suggested as against the use of Canadian wheat and the competition of Canadian milling interests, with their cheaper labor and material.

We shall be glad to have any suggestions from you in this matter, and hope that we have not overburdened you with needless and unimportant observations.

With kind regards, we remain,

Yours, very truly,

SULLIVAN N. CROMWELL.

**STATEMENT FILED BY THE AMALGAMATED ASSOCIATION OF IRON, STEEL, AND TIN WORKERS OF NORTH AMERICA RELATIVE TO TIN PLATE DRAWBACK.**

PITTSBURG, PA., *December 1, 1908.*

CHAIRMAN OF WAYS AND MEANS COMMITTEE,  
*Second Session Sixtieth Congress.*

GENTLEMEN: We desire to file this brief on behalf of the Amalgamated Association of Iron, Steel, and Tin Workers of North America, in accordance with promise made at hearing before your committee on November 27, 1908, by John Williams, secretary of said association.

STATEMENT SHOWING DRAWBACK PAID ON TIN AND TERNE PLATES BY THE UNITED STATES TREASURY DEPARTMENT, EACH FISCAL YEAR 1902 TO 1907, INCLUSIVE; ALSO ESTIMATED NUMBER OF BOXES IMPORTED TIN PLATE USED IN MANUFACTURE OF IMPORTED ARTICLES, TOGETHER WITH ESTIMATED AMOUNT AMERICAN LABORERS WOULD HAVE RECEIVED HAD THIS TONNAGE BEEN MANUFACTURED IN THE UNITED STATES.

*Drawback payments.*

	Amount.
1902 -----	\$1, 860, 104
1903 -----	1, 826, 966
1904 -----	1, 658, 139
1905 -----	2, 252, 382
1906 -----	1, 788, 762
1907 -----	1, 525, 282
Total -----	10, 911, 635

Based on above payments, approximately 7,347,902 base boxes imported tin plate was used in the manufacture of cans or other articles exported.

For each box of tin plate manufactured in the United States American laborers receive from \$1.50 to \$1.75 in wages. Based on \$1.50 per box, American laborers would have received in wages during the period of six years covered by the above statement \$11,021,853.

Amount of wages included in above that would have been paid to hot-mill workers, based on 30-gauge rates, \$3,430,428.

Amount contributed in the past five years ending December 31, 1907, by the Amalgamated Association of Iron, Steel, and Tin Workers in wages to assist American tin-plate manufacturers to compete with imported tin plate, \$282,560.36.

Appended is a copy of agreement now in effect with tin-plate manufacturers, which is submitted as per verbal agreement at hearing held on November 27:

Memorandum of agreement made and concluded this — day of —, 19—, between the — Tin Plate Company, a corporation organized under the laws of —, party of the first part, and the Amalgamated Association of Iron, Steel, and Tin Workers, by its officers and committee, party of the second part.

Whereas an agreement has been made between the — Tin Plate Company and the Amalgamated Association of Iron, Steel, and Tin Workers, as appears by two papers executed simultaneously, true and correct copies whereof are hereto attached, wherein it was provided that said tin plate company might reduce the wages of its employees 3 per cent of the wages paid under the scale heretofore agreed upon between said tin plate company and said amalgamated association for the purpose of creating a fund to be deposited in trust and applied upon rebates on all reexport plates (as explained in said agreement) rolled by said tin plate company during the period of this agreement, namely, between —, 19—, and 19—, inclusive;

And whereas it is the purpose of said agreement that this fund shall be used with which to pay 25 per cent of the scale rates of wages on all reexport plates upon which said tin plate company is compelled to pay a rebate to the purchasers and which are rolled by them during said term of this agreement: Now, therefore, this agreement witnesseth:

(1) That said — Tin Plate Company is authorized to reduce the wages of its employees 3 per cent of the wages payable to said employees under the scale rates aforesaid on all plates rolled during the term of this agreement, said amount of said reduction to be paid semimonthly to the trustee hereinafter named for the purposes hereinafter set forth.

(2) Out of said fund created by said reduction as aforesaid said trustee shall pay to said tin plate company 25 per cent of the scale rate of wages on all plates exported and which were sold to be employed in place of plates which, if imported and subsequently exported, would entitle the buyer to the benefit of any drawback or refund clause of the present tariff laws.

(3) Should the party of the second part at any time within three months previous to the expiration of said agreement desire to confer with said tin plate company with a view to readjust the percentage of reduction necessary to secure the funds with which to make the rebate payments as provided by this agreement, then, upon fifteen days' notice of such desire, the committee of said amalgamated association provided for by this agreement shall meet with the representatives of the said — Tin Plate Company, and the amount of said reduction shall be readjusted, if necessary, in accordance with the information then available, but in no event shall said reduction exceed 3 per cent.

(4) Said payments shall be made by said trustee out of said fund in his hands to said tin plate company upon ten-day draft made by said tin plate company upon said trustee, with certificates of export thereto attached, properly verified, of the form hereto attached, marked "Exhibit A," with summary thereto attached, marked "Exhibit B," and also attached to said drafts shall be copies of the bills of lading of the goods exported, or, where it is impracticable to obtain such bills of lading, other equally satisfactory proof.

(5) Each time that drafts are made by said tin plate company on said trustee, as herein provided, but not oftener than once a month, and ten days before the same is due, notice thereof, stating the amount of such draft, shall be given to a committee appointed by the amalgamated association, to wit, \_\_\_\_\_, of which committee the president or secretary of the Amalgamated Association of Iron, Steel, and Tin Workers, or both, shall be members. Said committee, or such other committee of like number that may be substituted for the parties named, or any of them, from time to time, (such) substitution to be made by the Amalgamated Association of Iron, Steel, and Tin Workers and certified by proper notice from the officers of said association to the said tin plate company, and said trustee shall have the right to examine said draft and bill of lading and certificate of export in the hands of said trustee, and unless said committee notifies said trustee of objections thereto, the said draft shall be paid by said trustee, who shall return the original papers with its payment.

(6) In case of objection to any portion of any payment by said committee for any reason, the trustee shall withhold such portion until an agreement thereon is reached or the matter settled between said committee and said \_\_\_\_\_ Tin Plate Company, and in case of their disagreement the president of the bank where deposit is made shall decide the question at issue, and the trustee and all parties shall accordingly be bound by said decision.

(7) The trustee who shall act under this agreement and receive said money and make such payments as aforesaid is the \_\_\_\_\_ National Bank of Pittsburg, Pa.

(8) Any interest allowed by said trustee upon said fund shall be credited to a separate interest fund until \_\_\_\_\_, 19—, and then paid over to the amalgamated association, less such amount as shall be due upon any deferred payments due to the tin plate company on account of delayed payments of any of its drafts, the interest to be paid on said deferred payments to be at the same rate as shall be allowed by the trustee on the fund. Any interest that may accrue on said fund after \_\_\_\_\_, 19—, shall be paid over to the amalgamated association at the end of each three-months' period until the balance of the fund shall be paid over.

(9) Said trustee assumes and is under no obligation as to said fund except as to its safe custody, and both it and said tin plate company are only obligated to apply the same so far as necessary to the purposes of this contract and in accordance with its terms, and no farther. Any balance that shall remain after such application to the purposes of this contract shall be paid over to said amalgamated association.

(10) The tin plate company shall report to the amalgamated association each month the amount of the pay roll and of the re-

duction made from the wages of its employees under this agreement, and the said trustees shall likewise each month report to said amalgamated association the amount in its hands to the credit of said fund, showing the balance at last report, the deposits, the credits of interest, and the payments made out of said fund during the month.

In witness whereof said \_\_\_\_\_ Tin Plate Company has caused these presents to be executed in its behalf by \_\_\_\_\_, and the Amalgamated Association of Iron, Steel, and Tin Workers have caused these presents to be executed by its president and secretary and by the tin-plate wage conference committee of said association the day and date aforesaid.

\_\_\_\_\_ TIN PLATE COMPANY,  
 \_\_\_\_\_,  
 AMALGAMATED ASSOCIATION OF IRON,  
 STEEL, AND TIN WORKERS.  
 \_\_\_\_\_, *President.*  
 \_\_\_\_\_, *Secretary.*  
 \_\_\_\_\_,  
 \_\_\_\_\_,  
*Tin-Plate Wage Conference Committee.*

Memorandum of agreement entered into between the \_\_\_\_\_ Tin Plate Company, party of the first part, and Amalgamated Association of Iron, Steel, and Tin Workers, party of the second part, this \_\_\_\_\_, 19—. This agreement to govern on all orders rolled prior to \_\_\_\_\_, 19—, and to expire \_\_\_\_\_, 19—.

The \_\_\_\_\_ Tin Plate Company agrees not to take during the period of this contract more reexport business than will require a general 3 per cent concession from scale rates, and also that the fund thus created shall be held in trust to reimburse the \_\_\_\_\_ Tin Plate Company for rebates paid on presentation of documentary evidence satisfactory to a committee of your association indicating that \_\_\_\_\_ Tin Plate Company has paid such rebates.

\_\_\_\_\_ TIN PLATE Co.

AMALGAMATED ASSOCIATION OF IRON,  
 STEEL, AND TIN WORKERS.

It is also agreed that the following shall be the rules for interpreting the rebate or drawback agreement between the \_\_\_\_\_ Tin Plate Company and the Amalgamated Association.

The Amalgamated Association agrees to pay the \_\_\_\_\_ Tin Plate Company a rebate of 25 per cent from scale rates on all reexport plates (by which is meant such plates as are employed in place of imported plates, which, if subsequently exported, would entitle buyer to benefit of drawback clause of Dingley tariff).

It being understood that the \_\_\_\_\_ Tin Plate Company will not sell during the term of this contract more of above-described plates than will require a general 3 per cent allowance from scale rates; also, that such allowance shall be employed to create a trust fund to be used for reimbursing \_\_\_\_\_ Tin Plate Company for rebates paid by it on presentation of documentary evidence satisfactory to a committee of Amalgamated Association indicating that \_\_\_\_\_ Tin Plate Company has paid such rebates.



The following shall be the method of distributing the fund created, as arranged for above:

The \_\_\_\_\_ Tin Plate Company shall place before a committee of the Amalgamated Association evidence of the number of boxes converted into cans or other receptacles to convey American commodities or products abroad; at which time the \_\_\_\_\_ Tin Plate Company shall be reimbursed from said fund to the extent of 25 per cent of the scale rate of wages paid by them for making said plates.

\_\_\_\_\_ TIN PLATE CO.  
AMALGAMATED ASSOCIATION OF IRON,  
STEEL, AND TIN WORKERS.

The only possible justification for continuing the application of drawback clause to tin plate is that the concession enables American packers and can manufacturers to obtain foreign trade that otherwise they would lose. The present difference between market value of imported tin plate and domestic tin plate, exclusive of duty, would amount to less than 2 cents on a 5-gallon oil can, and would amount to approximately one-fifth cent per can on a 1-pound salmon or fruit can. In many lines like canned salmon and canned fruit this difference would amount to less than 2 per cent of the valuation. In some other lines it might amount to as much as 4 per cent and, in extreme cases, 5 per cent of total valuation.

It is a natural inference that so small a difference would not appreciably affect our export trade in cans or canned goods.

The largest beneficiaries of the drawback provisions of the Dingley tariff, as applied to imported tin plate, are the following industries: Oil refineries; tobacco manufacturers; exporters of cottolene, lard, and canned meats; fruit and vegetable packers; salmon and other fish canneries; can and tinware manufacturers doing an export trade.

An examination of reports published by the United States Treasury Department will show that during the past six years a greater amount has been paid by the Government for drawback on imported tin plate used in the manufacture of exported articles than on any other one item.

*What the securing of the export business in tin plate will mean to the tin-plate workers and manufacturers of the United States.*

The amount of tin plate annually imported to the United States amounts to 1,000,000 to 1,500,000 boxes. Using 1,000,000 boxes as a basis for calculations, we have the following: One million boxes 100-pound plate equals 50,000 tons.

	Tons.
Hot-mill product per week.....	40
Hot-mill product per month.....	100
Hot-mill product, ten months.....	1,600

Fifty thousand tons divided by 1,600 equals 31½. In other words, it will take 31 mills running full time for ten months to make the 1,000,000 boxes.

The hot-mill rate on 100-pound plate is \$9.75 per ton, or \$488,000 on 50,000 tons. The hot-mill workmen, however, are not the only beneficiaries, as it will give an ordinary sheet-bar mill twenty-three

weeks' work at six days per week. It will require 55,000 to 57,500 tons of pig iron, or six months' work of a 400-ton blast furnace. To follow the 1,000,000 boxes from the ore mines, where the ore is worth about 50 cents per ton, or \$50,000, to the finished product, which is worth for export purposes about \$3 per box, or \$3,000,000, a difference of \$2,950,000, about \$2,200,000 of which, after allowing for the pig tin, will go to the American workmen, manufacturers, railroad and vessel companies, all of which at present is absorbed by the foreign competitors. One million five hundred thousand boxes will keep 220 mills in full operation for a period of seven and one-half weeks, or 35 mills in constant operation for a period of forty-seven weeks.

In view of the fact that the tin-plate mills of the United States have not operated during the past year more than 70 per cent of their total capacity for want of business, we petition your honorable body to recommend the abrogation of the drawback agreement and the maintenance of a duty sufficient to enable American manufacturers and workmen, not only to make the plate for domestic purposes, but that used for reexport purposes also. It is our opinion that a lowering of the duty would demoralize the tin-plate industry in the United States, which is apparent by a comparison of the wages paid in the United States with the amount paid by our largest foreign competitor.

The following is a comparative statement of tonnage and day rates in Wales, with tonnage and day rates prevailing in the United States:

*Comparative statement showing rates and earnings of tin-plate workmen in the United States and Wales.*

[Rate per gross ton.]

Occupation.	United States.	Wales.	Differential.	
			United States.	Wales.
Roller.....	\$2.25	\$1.38	\$0.87	.....
Rougher.....	.97	.....	.97	.....
Doubler.....	1.44	1.11	.33	.....
Helper.....	.68	.....	.68	.....
Heater.....	1.47	1.04	.43	.....
Helper.....	.73	.....	.73	.....
Catcher.....	1.10	.51	.59	.....
Shearman.....	.40	.44	.....	\$0.04
Screw boy.....	.72	.....	.72	.....
Total.....	9.76	4.48	5.32	.04

*Production.*

As stated in previous statement relative to hot-mill product per week, the figures given approximately are 40 gross tons per week, or  $2\frac{1}{2}$  gross tons per turn. In Wales the average weekly production of a four-mill plant is 700 boxes per week, or  $1\frac{9}{10}$  gross tons per turn, or approximately 30 tons per week.

You will note on examination of comparative statement showing rates and earnings of tin-plate workmen in the United States and Wales that there are four extra men employed in the mills of the United States—viz, rougher, doubler's helper, heater's helper, and screw boy—which in a measure accounts for the larger output in the United States.

## Total differential in favor of the United States, \$5.28 per ton.

[Rate per day.]

Occupation.	United States.	Wales.	Differential.	
			United States.	Wales.
Cutting and delivering bars .....	\$1.36	\$0.73	\$1.13	.....
Openers .....	2.82	1.33	1.49	.....
Scrap boy .....		.28		\$0.28
Pickling foreman .....	3.10	1.19	1.91	.....
Pickling assistant .....	2.29	.36	1.93	.....
Swilling .....		.36		.36
Annealer .....	4.23	1.61	2.62	.....
Helpers .....	1.75	1.02	.71	.....
Cold-roll foreman .....	3.37	.97	2.40	.....
Boy rollers .....	2.67	.36	2.31	.....
Catchers .....	2.41	.32	2.09	.....
Greasers .....	1.50	.32	1.18	.....
White-plate weigher .....		.77		.77
<i>Tinning.</i>				
Tinners .....	2.78	1.68	1.10	.....
Risers .....	1.82	1.68	.14	.....
Grease boys .....		.56		.56
Bran .....	1.86	.30	1.56	.....
Laborer .....	1.55	.73	.82	.....
Firemen .....	2.10	.73	1.37	.....
Sorters .....	1.18	1.45		.27
Reckoners .....	1.90	.36	1.54	.....
Boxers .....	2.23	.81	1.42	.....
<i>General.</i>				
Roll turner .....	3.70	2.42	1.28	.....
Tin-house foreman .....	4.81	2.02	2.79	.....
Engineers .....	2.64	1.19	1.45	.....
Fireman .....	1.87	.81	1.06	.....
Blacksmith .....	2.75	1.19	1.56	.....
Helper .....	1.70	.73	.97	.....
Bricklayers .....	4.05	1.19	2.86	.....
Helpers .....	1.50	.73	.77	.....
Engineer .....		.60		.60
Driver .....				
Millwright .....	2.13	2.02	.11	.....
Carpenter .....	2.16	.97	1.19	.....
Laborers .....	1.50	.73	.77	.....
Superintendent .....	14.42	4.04	10.38	.....
Bookkeeper .....	5.76	1.62	4.14	.....
General clerk .....	3.27	1.34	1.93	.....
Timekeeper .....	1.54	.81	.73	.....
Total .....	95.20	40.33	57.71	2.84

Net differential on day rates in favor of United States, \$54.87.

There are fully 17,000 people employed directly in the tin-plate factories of the United States, receiving \$12,376,000 a year in wages (year estimated at two hundred and sixty working days); the number is still larger of those employed in steel works, blast furnaces, ore and coal mines, box factories, acid works, machine shops, and other industries engaged in furnishing supplies to the tin-plate world, and the employment of all these would be seriously curtailed by a change of duty injurious to the tin-plate industry.

*British tin plates in the United States.*

For the purpose of showing how the customs drawback system in the United States works out in practice, the British consul in New York supplies figures referring to the tin-plate imports into the United States during the four years, 1904-1907. The first column

shows the weight of tin plates imported and paying duty, and the second column shows the weight of tin plates exported with benefit of drawback.

Year ending June 30—	Imported.	Exported.
	<i>Pounds.</i>	<i>Pounds.</i>
1904 .....	126,959,000	111,658,352
1905 .....	161,410,000	151,677,870
1906 .....	120,841,000	120,455,345
1907 .....	141,766,000	102,712,630

From this table it will be seen that in the four years 550,976,000 pounds weight of imported tin plate paid duty, while 486,504,197 pounds were reexported, 90 per cent of the duty being refunded. The duty on tin plates under the tariff being  $1\frac{1}{2}$  cents per pound, the duty actually paid was only one one-hundredth of  $1\frac{1}{2}$  cents.

#### *Sheet-mill schedule.*

The following is the approximate differential in labor cost on tonnage basis on sheet mills in the United States compared to labor cost on tonnage basis in Wales, taking 28 gauge as the standard:

[Rate per ton, 2,240 pounds.]

Positions.	United States.	Wales.	Differential.
Roller .....	\$3.081	\$1.65	\$1.431
Rougher .....	1.058	.....	1.068
Heater .....	1.553	1.16	.393
Helper .....	.799	.....	.799
Catcher .....	1.068	.625	.443
Doubler and matcher .....	1.472	1.19	.282
Fair heater .....	.878	.....	.878
Shearer .....	1.343	.49	.853
Totals .....	11.262	5.115	6.147

The above shows a differential in wages on hot mills alone of 120 per cent in favor of American mills. We presume that the differential on day rates will be approximately the same as that on tin mills.

#### *Bar iron and steel schedule.*

Under the subject of bar iron and steel we do not desire to burden the committee with a repetition of figures as to wages in other countries. In the brief submitted by Mr. J. H. Nutt to your committee on Friday, November 25, are to be found practically all the available data on the subject of comparative wages.

So far as we can learn, those figures are substantially correct, and we take it that the difference in favor of the American workman is the best reason that we could advance against any change in the tariff rates that would materially affect the present competitive relations of the United States and foreign countries.

While the brief of Mr. Nutt does not deal with the subject of bar steel we are convinced that the wages paid to the men employed in

the production of steel bars is greater in the United States than in foreign countries, and in the same relative proportion as those for which comparative figures have been submitted, when the materials are produced under similar methods.

In making this reference to bar iron we have in mind its general application to the semifinished products from which bar iron is made, such as muck bar and scrap bar.

Muck bar is the product of the puddling furnace, and the men who operate it are referred to in Mr. Nutt's brief as puddlers.

Scrap bar is the product of the scrapping or busheling furnace in which old scrap iron is reworked, and it is the largest factor in the present cost for material in the production of bar iron.

Respectfully submitted.

AMALGAMATED ASSOCIATION OF IRON,  
STEEL AND TIN WORKERS,  
P. J. McARDLE, *President*.  
JOHN WILLIAMS, *Secretary-Treasurer*.  
LLEWELLYN LEWIS, *Vice-President*.  
WALTER LARKIN, *Vice-President*.

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**THE NATIONAL LEAD COMPANY, NEW YORK CITY, WISHES THE  
DRAWBACK PROVISION TO APPLY TO SEEDS.**

NEW YORK, *December 2, 1908.*

HON. SERENO E. PAYNE,  
*Chairman Ways and Means Committee,*  
*Washington, D. C.*

DEAR SIR: We beg to call the attention of your committee to paragraph 254, Schedule G, of the tariff act of July 24, 1897, dealing with seeds. We quote as follows from that paragraph: "but no drawback shall be allowed upon oil cake made from imported seed, nor shall any allowance be made for dirt or other impurities in any seed." This is the only instance in the present tariff where the benefit of drawback is denied to a manufacturer on the exportation of the product of an imported material, and we call your attention to its obvious injustice with the hope that it may be corrected in any future bill. We also think the provision of the paragraph above quoted, which denies any allowance for "dirt or other impurities," is unjust and should not be included in another bill. All seeds imported into this country bear the certificate of "The Incorporated Oil Seed Association" of London, certifying to the exact amount of dirt or other impurities present in any importation, and the accuracy of such certificates is readily determined by the customs officers at the port of entry. We do not think it was the purpose of the committee to impose a tax on dirt as such or they would have made a special paragraph imposing such a duty.

Very truly, yours,

NATIONAL LEAD COMPANY,  
L. A. COLE, *President*.

**THE STANLEY WORKS, NEW BRITAIN, CONN., MAKES SUGGESTIONS RELATIVE TO THE APPLICATION OF THE DRAWBACK PROVISIONS TO METAL MANUFACTURES.**

NEW BRITAIN, CONN., *December 3, 1908.*

HON. SERENO E. PAYNE,

*Chairman Committee on Ways and Means,  
Washington, D. C.*

GENTLEMEN: The Stanley Works, of New Britain, Conn., have been manufacturers of wrought iron and steel hinges for upward of fifty years.

We have for twenty-five years past been making special efforts in building up the export trade for such goods and for a variety of other steel goods classed as builders' hardware, such as steel shelf brackets, steel door bolts, etc.

For many years, when domestic steel billets were selling at \$15 to \$20 per gross ton at Pittsburg, we were able to sell our goods at a fair profit in all the markets of the world excepting in countries where the tariff is prohibitive, as France and Germany. For a few years past we have been handicapped owing to the high cost of materials here and low costs of material and labor in Europe and the introduction there of American machinery.

The profits on export goods of our manufacture have been reduced to such an extent that we must have relief in some form.

We manufacture and carry in stock for domestic trade upward of 6,000 varieties of hinges and other articles of builders' hardware, counting the various finishes such as plain (the plain steel finish), electroplating, japanning, galvanizing, etc.

We print in our export catalogue and keep in stock upward of 1,500 sizes (counting the various finishes, about 4,000 varieties), mainly of the same description as required for our domestic business.

Between the years 1895 and 1905 we made, at considerable expense, two separate tests of manufacturing a limited number of sizes of hinges, making an aggregate of several thousand tons, from foreign steel billets, obtaining such drawback as was possible under the Dingley tariff. As a result of these tests we reluctantly decided to abandon as unprofitable the plan of securing relief by this method. Our reasons for reaching this conclusion are as follows:

According to our usual custom of making goods for both domestic and foreign trade, all goods manufactured are made from steel of a quality suitable for the respective classes of goods, using billets and slabs (mainly 4-inch square billets) which are converted by hot rolling into plates varying from 2 inches to 16 inches in width and from one-sixteenth to one-fourth inch in thickness.

A large proportion of the plates are further reduced and finished by cold rolling. The cold-rolled plates are cut into blanks and, by successive steps (10 to 20 operations) are manufactured into hinges.

Cutting up metal for about 2,000 sizes of hinges, brackets, bolts, etc., each size requiring about sixty days' time (from start to finish), necessitates keeping about 300 sizes (900 different kinds of blanks, weighing about 1,000 tons) in process of manufacture all of the time.

Our workshops are filled with goods in process, and we are crowded with operatives, necessarily of many nationalities, speaking various languages, making it almost impossible to give sufficiently intelligible instruction to prevent mixing of material.

Now, in reference to the manufacture of goods from foreign steel, it is practically impossible for me to draw a pen picture showing the difficulty we would encounter if we were to undertake to manufacture at the same time, in the crowded space mentioned above, and keep absolutely separate (although very small quantities) 200 additional lots of goods which are identically the same as to size and description, the difference being only in the fact that the 300 sizes referred to above are made from domestic steel and the 200 sizes from foreign steel, that no person is able to distinguish one from the other, excepting that some receptacles may be marked "domestic" and others "foreign."

This plan of making goods at the same time from domestic and foreign steel, and keeping them separate, increases the labor cost fully 20 per cent, the labor item wiping out a large proportion of our profits on goods made for export, and we must add to this the cost of providing additional storeroom for 4,000 varieties of goods made specially for export trade; also a large item of interest in carrying largely increased and separate stocks for both domestic and foreign trade which is necessary for prompt execution of orders.

There are other features of expense which make the present drawback plan of no practical value in our business. For example:

The exclusion of claims for drawback on at least one-third in number of our export shipments because of the small amounts involved. The cost of collection of numerous small claims is also a considerable handicap.

The low costs obtained by making large quantities at one time for both domestic and foreign markets, by means of expensive labor-saving devices, are changed to high costs when we are compelled to put through our works small quantities, in great variety, made from foreign material and keep the goods in process separate and distinct from those for our domestic trade.

The foreign orders are for small quantities of considerable variety, and in the case of new markets they are practically sample lots. But they require prompt shipment and must be filled complete in every detail. Partial or incomplete shipments of foreign orders will not be permitted by our customers.

The makers of the present laws relating to drawbacks were farsighted and endeavored to build up by wise legislation American manufacturing enterprises. In many lines of production this legislation doubtless accomplishes the result in building up foreign trade and employing larger numbers of American workmen at remunerative wages.

In enterprises similar to ours the result is not obtained for the reasons stated. It is more desirable that employment should be given to labor here in America than that any great number of manufacturers should be compelled to establish branch works abroad to take care of foreign markets and meet foreign competition.

The proper modification of the drawback laws in the direction of simplicity and freedom from unnecessary "red tape" is most desirable.

What we need to make the drawback feature of the tariff of any value in this business is relief from the necessity of complete separation in the process of manufacture and the identification of products made from imported material.

The government records show that we import and pay the duty on the steel. They also show that we export quantities of hinges, etc., made therefrom.

Now, why destroy the benefit and the profit that the makers of the law intended by requiring the detail and expense of absolute separation and identification of the foreign material? Why not frame a law that will properly safeguard the Government, both as to the manufacture of goods and the exportation, and will not be so onerous and exacting as to make the business unprofitable?

We suggest that a government inspector visit our works and make a thorough examination to determine whether we manufacture the steel that we import into goods suitable for foreign markets, and that an employee of the Government shall visit our works monthly or quarterly and inspect our books and our custom-house bills of lading to determine what quantities of goods we have shipped out of the country made from both domestic and foreign material; he to certify to the fact that in accordance with the provisions of the tariff we are entitled to a definite drawback on a specified quantity of steel required to produce the goods shipped to foreign countries, whether made from domestic or foreign steel, provided, of course, that the quantity does not exceed the quantity imported and on which we have paid the established duty.

From an experience of fifty years, as an official of this company in the manufacture and sale of goods, and from personal investigations that I have made in the principal markets of Europe, I am satisfied that not only this company but hundreds of American manufacturers can quadruple their business with foreign countries if a plan can be carried out similar to what I have crudely outlined above.

We are now protected under the Dingley tariff by a duty on wrought hinges of  $1\frac{1}{2}$  cents per pound. A tariff of three-fourths of a cent per pound on these goods, and on other builders' hardware of our manufacture, such as steel shelf brackets, steel door bolts, etc., will afford us sufficient protection.

If pig iron, wrought-iron scrap, wrought-steel scrap, and steel billets were admitted to the country free of duty we would require little if any protection. If we are permitted to import steel billets free of duty, we can compete successfully with foreign manufacturers in all the countries of the world, excepting countries like France and Germany, where the duty is almost or quite prohibitive.

The foregoing is respectfully submitted.

Very truly, yours,

THE STANLEY WORKS,  
WM. H. HART, *President*.

**STATEMENT MADE BY HON. WILLIAM C. LOVERING, A REPRESENTATIVE IN CONGRESS FROM MASSACHUSETTS, RELATIVE TO THE DRAWBACK LAW.**

FRIDAY, *December 4, 1908.*

Mr. LOVERING. The few moments that I shall occupy of your attention will be devoted to section 30 of the Dingley Act, namely, the drawback law.



One of the objects of the law authorizing the payment of a drawback on exported articles of domestic manufacture, made in whole or in part of imported dutiable materials, is to grant the same freedom from customs duties that our tariff laws have extended to the producers of foreign merchandise through the bonded warehouse system since our Government was founded.

All civilized nations have adopted the plan of allowing goods to be imported without the payment of duty, provided that such goods are deposited in a warehouse under the control and custody of government officials. If withdrawn for sale in domestic markets the duty must be paid. If withdrawn for export no duty is paid.

We adopted this system immediately after gaining our independence, and, in fact, I believe the practice of bonding imported goods in lieu of demanding duties was in vogue when this country was a colony of Great Britain.

At the present time, at all our great seaports, imported merchandise, the product of foreign labor, is stored in bonded warehouse under government custody and is daily offered for sale on the floors of our commercial exchanges on a duty-free basis, for export in competition with like domestic goods. It frequently happens that the like domestic articles are manufactured in whole or in part from imported materials, the duties paid on which, if not returned to the American manufacturer in the form of a drawback when exported, would make it impossible for him to compete with the foreign duty-free goods in the bonded warehouses. Accordingly, it may be safely asserted that whether tariff duties are levied solely for the protection of domestic industries or for revenue purposes, or for both, a workable drawback law is an indispensable feature of any kind of a tariff act.

From time to time certain selfish interests have advocated the withdrawal of the drawback privilege from the particular materials or articles which they are engaged in producing, entirely overlooking the fact that protection from foreign competition extends only to the home market and that it always has been the policy of the Government to grant, as far as possible, free materials for the export trade.

The wisdom of the law providing for a drawback of duties paid on imported materials used in the manufacture of exported articles has been amply justified by its operation. Many products of our farms and factories are now being exported in large quantities, which could not be sold in neutral markets if it were not for the drawbacks secured on a part of the materials used in their manufacture. The benefit to our export trade resulting from the drawback system can not be precisely ascertained, but it is certain that it was made possible by the annual exportation of articles valued at many millions of dollars.

While the present drawback law and the regulations issued under it have been highly advantageous to our export trade, it has been found in practical experience to have certain defects which tend to limit its usefulness, and it is simply my purpose in addressing you to bring to your attention some facts showing that the several amendments of that law proposed by exporting interests would be of great benefit to our foreign trade.

These proposed amendments have been the subject of several extended hearings before this committee, constituting a record of

some 200 pages, including copies of the bills, all of which are available for your investigation and guidance when this branch of the tariff subject is under consideration.

I regret that there are only four members sitting here, of the present committee, who were members of the committee at the time of the last hearings upon this subject, and only three members are now present of the committee who were on the committee at the hearings in 1902 and 1903; but copies have been kept of those hearings, and I am informed that they are accessible for the use of this committee, and I hope that they may be filed with the committee.

The CHAIRMAN. Those hearings are all printed.

Mr. LOVERING. They are all printed. I do not know whether it would be important to reprint them; that depends on how many copies are left.

The CHAIRMAN. Doubtless the members of the committee will make themselves familiar with those other hearings.

Mr. LOVERING. Briefly summarized, these proposed amendments are:

First. Provision for the allowance of drawback on article of domestic manufacture, made in whole or in part from imported duty-free materials used in the construction and equipment of vessels built for foreign account and ownership and for the foreign trade. It has been ruled by the Treasury Department that the present law can not be so construed as to authorize the payment of drawback under such conditions. In the testimony of Edwin A. Cramp, he included the following decision of the Treasury Department to show the urgent necessity for the amendment desired by the shipbuilding industry:

TREASURY DEPARTMENT, July 7, 1899.

GENTLEMEN: Replying to your inquiry of the 3d instant, whether drawback under section 30 of the act of July 24, 1897, will be allowed on boiler tubes manufactured by the Shelby Steel Tube Company, of Cleveland, Ohio, from imported Swedish billets and intended to be used in the construction of boilers for two Russian battle ships, now being built by Messrs. Cramp & Sons Company, of Philadelphia, I have to inform you that no drawbacks of duties under section 30 of the act of July 24, 1897, can be allowed on the boiler tubes in question, as the use thereof in the construction of the boilers for the battle ships referred to can not be considered an exportation within the meaning of section 30.

Mr. Cramp then called attention to section 12 of the Dingley Act, which provides for the importation, free of duty, of all materials and articles necessary in the construction of vessels built in the United States for foreign account and ownership and for the foreign trade, on which he comments as follows:

Under this law foreign manufacturers who either pay no duty on their materials, or who receive a drawback on the exportation of their goods to the United States, can sell to American shipbuilders absolutely free of duty, while domestic manufacturers employing American labor, who are compelled to import materials from abroad, are denied a refund of the duties thereon when their goods are sold and used for a similar purpose.

This is a serious discrimination against American labor, American manufacturers, and American shipbuilders, and should receive immediate consideration by Congress.

Mr. Cramp then gave a partial list of some of the more important articles which could be manufactured as cheaply in this country from imported materials and used by American manufacturers, provided a drawback was allowed, which included steel plates, engines, boilers,

wire cable and rigging, bolts and nuts, windlasses, lead pipe, and various kinds of machinery.

Second. Amendment of the present law so as to provide for the allowance of drawback when the manufacturer is unable to positively identify the actual material used. Under existing law and the regulations of the Treasury Department, manufacturers are required to swear that certain specified imported materials were used in certain specified exported articles. The conditions in our factories which this amendment to the law is proposed to meet are described on page 192 of the printed hearings, as follows:

The imported and domestic materials are used in manufacturing processes at the same time. The labor and expense involved in keeping these materials separate and tracing them through all the various operations, so as to be able to state under oath that they form the whole or a certain percentage of the finished articles which are to be exported, is frequently so great as to discourage the attempt to secure foreign orders. The manufacturer can swear that the foreign material was used in making a certain lot of goods; he can swear that the articles to be exported were a part of that particular lot of goods; but he can not swear that the exported articles on which he desires to collect drawback were manufactured either in whole or in part from imported material. The finished articles in his warerooms all look alike; the articles made from domestic materials are worth as much as the articles made from foreign materials, but he is unable to tell one from the other. The articles which he exports may or may not contain the imported materials. In all such cases he only asks that the Government will assume that the imported materials are in the exported articles, and in lieu of the present oath of identification permit him and his foreman to swear that the actual materials in the exported articles are equal in kind, quality, and productive, effective, or mechanical value to the imported duty-paid materials on which his claim for drawback is based.

I am confident that careful investigation of the reasons set forth in the printed hearings for this amendment will convince you that it may be safely enacted without increasing the danger from fraud on the revenue.

Third. Provision for the withdrawal from bonded warehouse free of tax and duty of domestic articles subject to internal-revenue tax and foreign articles subject to customs duties, which are used as ship's stores on the high seas by vessels clearing for foreign ports. Also the allowance of drawback on articles of domestic manufacture made in whole or in part from dutiable materials when consumed as ship's stores on the high seas. I am informed on reliable authority that Spain and the United States are the only civilized countries which refuse to treat as exports articles sold as ship's stores to vessels clearing for foreign ports.

Absolutely nothing can be gained by refusing to exempt such goods from taxation, for the reason that foreign vessels trading with the United States invariably purchase sufficient stores to last over the return voyage until a port is reached where the bonded warehouse laws permit withdrawals for ships' use free of duty or tax.

It is asserted that at the present time domestic products subject to internal-revenue tax are exported to foreign countries free of tax, there placed in bonded warehouses and withdrawn from time to time free of duty for use on vessels trading with the United States. Since our Government is powerless to derive a revenue from goods consumed in that way is there any reason why we should decline to permit our own merchants to transact the business?

The enactment of this amendment will create a new business for American merchants and warehousemen in all our seaport cities from

Seattle, Wash., to Portland, Me., with consequent advantage to American labor and without injury to a single domestic interest.

Fourth. Provision for the allowance of drawback on domestic tax-paid alcohol when exported as a constituent part of medicine, perfumery, flavoring extracts, etc.

Our internal-revenue laws make no provision for the payment of a drawback of the internal-revenue tax paid on alcohol used in the manufacture of exported articles. Since, however, the present customs-drawback law allows a drawback of the duties paid on all imported materials used in the manufacture of the exported articles, a number of manufacturers on the Atlantic seaboard have for several years imported alcohol from Germany and collected a drawback when used as a constituent part of the exported article.

If we can safely allow a drawback on foreign alcohol on which the customs duty is \$1.75 per proof gallon, it is absolutely clear that no more difficulty would be experienced in allowing a drawback on domestic alcohol on which the internal-revenue tax is \$1.10 per proof gallon, so that the administrative difficulties need not be discussed. Neither shall I do more than refer to the absurd policy of allowing a drawback on alcohol made by foreign distillers by refusing to extend a similar privilege to our own distillers.

The quantity of foreign alcohol imported during the past fiscal year to be used in the production of articles intended for exportation is said to be in excess of 250,000 proof gallons.

Fifth. Repeal of that clause in the drawback law (sec. 30 of the Dingley Act) which provides for the retention of 1 per cent of the amount of drawback payable.

Perhaps the strongest reason which can be urged in favor of the repeal of that clause is that it would place American manufacturers on an equal footing with foreign manufacturers in the administration of that part of our tariff system relating to the export trade. As previously stated, we permit the withdrawal of foreign merchandise from bonded warehouses for export absolutely free of duty, and I believe it has been repeatedly shown that the cost of maintaining a bureau in the various custom-houses to perform the clerical work incident to the exportation of such goods is far in excess of the cost of supervising the exportation of a like quantity of articles of domestic manufacture on which drawback is claimed. It is submitted that we should accord to our own manufacturers identical privileges with those granted foreign manufacturers.

In conclusion I would respectfully refer this committee to the remarks on this subject by the late President McKinley, the author of the present drawback law, in reporting the tariff act of October 1, 1890, to the House. (See Congressional Record, p. 4247.) Mr. McKinley's concluding words on this branch of the subject at that time were:

It completely, if the provision be adopted, disposes of what has sometimes seemed to be an almost unanswerable argument that has been presented by our friends on the other side, that if we only had free raw material we could go out and capture the markets of the world. We give them now within 1 per cent of free raw material, and invite them to go out and capture the markets of the world.

That is all I have to say unless there are some questions.

The CHAIRMAN. I notice that you say that 1 per cent would more than pay for the supervision.

Mr. LOVERING. I so understand it.

The CHAIRMAN. It would not pay in addition to that the cost of the collection of that money, the average cost of collecting the revenue, would it?

Mr. LOVERING. I think it has been pronounced an immaterial cost.

The CHAIRMAN. Would it not cost more than 1 per cent to collect the revenue, the customs revenues?

Mr. LOVERING. If you collect the revenue, then you get it, but if there is no revenue collected—

Mr. DALZELL. You would have to collect it before you would refund it?

Mr. LOVERING. Well, you have officers enough to do that without any extra expense.

The CHAIRMAN. Of course that was done to reimburse the Government.

Mr. LOVERING. I understand that.

The CHAIRMAN. That is the reason it was put in there. My idea is that it is not enough to cover the necessary cost to the Government really, instead of being in excess, when you take into consideration the collection of revenues as well as the superintendence and the transportation afterwards, in order to decide the amount of drawback to be paid.

Mr. LOVERING. My information from the department was that it was more than enough.

Mr. UNDERWOOD. I think the average cost of collecting customs revenues is something over  $2\frac{1}{2}$  per cent.

Mr. LOVERING. Even if it were, this would be according a relief to our manufacturers which would be well worth the cost to the Government.

Mr. UNDERWOOD. I think it is 2.58 per cent on the average.

Mr. DALZELL. I thought it was nearly 3 per cent.

Mr. UNDERWOOD. It is probably a little lower than that in New York.

Mr. DALZELL. Yes; that is the most advantageous point, but it is over 2 per cent even there.

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**JAMES KENNEDY, M. C., FILES BRIEF WITH COMMITTEE RELATIVE TO DRAWBACK ON TIN PLATE.**

WASHINGTON, D. C., *December 8, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: The Carnahan Tin Plate and Sheet Company, manufacturers of tin plate, whose factory is located in the city of Canton, Ohio, have requested me to urge the committee on their behalf to maintain the existing duties on tin plate. They especially desire that the drawback or rebate now given on all tin plate exported be reduced to 40 or 50 per cent. The tin-plate mills in this country are able to make the tin plate used and annually exported in the form of manufactured cans, and the differential of one-half of the existing tariff upon tin plate would seem to be abundantly adequate to afford sufficient protection to the manufacturers of tin cans.

I am informed that the tin workers who work in the tin-plate factories in their annual contract with their employers agreed to throw off 25 per cent of their wages when manufacturing tin plate for

export. While I have not been asked to interpose this request in the name of the tin workers of Canton, Ohio, I have no doubt that they would unanimously urge your committee in their interests to change this rebate clause, at least to the extent of retaining one-half of the duty paid by all foreign tin plate that is shipped in here for reexport. If this change is made, the then existing differential will be far more protective than the canning factories have any decent claim to, and with the reduction in wages already provided for in the annual contract of the tin workers, the mills would be constantly employed, and I trust the tin workers of America would have steady employment.

Respectfully submitted.

JAMES KENNEDY,  
*Member Congress, Eighteenth District, Ohio.*

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**THE MANUFACTURING PERFUMERS' ASSOCIATION OF THE  
UNITED STATES FILES RESOLUTIONS RELATIVE TO MODI-  
FICATIONS OF THE DRAWBACK PROVISIONS.**

ROCHESTER, N. Y., *December 14, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: On behalf of the Manufacturing Perfumers' Association of the United States I desire to support the amendment to the tariff bill to encourage the sale and exportation of articles of domestic manufacture, in order that we may successfully compete with foreign manufacturers in the sale of our products. Besides aiding our industry, it will in connection also aid the lithographers, glass works, silk mills, paper-box factories, paper-board mills, distilleries, farmers, etc., besides giving employment to a large number of skilled labor necessary to the production of the various articles.

The present system of manufacturing in bond requires a second and separate plant, which is so costly as to be virtually prohibitory.

It will not result in reducing our Government income, but will aid the industries.

Respectfully submitted.

MANUFACTURING PERFUMERS' ASSOCIATION,  
Per ALFRED G. WRIGHT.

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**STATEMENT MADE BY EDWIN A. BURCH, OF DETROIT, MICH.,  
WHO WISHES A DRAWBACK ON ALCOHOL.**

TUESDAY, *December 15, 1908.*

The CHAIRMAN. What is your name?

Mr. BURCH. Burch is my name.

The CHAIRMAN. What do you represent? What do you want to talk about?

Mr. BURCH. I want to talk about a drawback.

The CHAIRMAN. Just one moment. Is there any other gentleman here who desires to be heard now? There does not seem to be. We will give you fifteen minutes.

Mr. CLARK. I suggest this gentleman testify in the morning.

The CHAIRMAN. We have got a full day to-morrow.

Mr. CLARK. All right; go on.

The CHAIRMAN. Is your brief all written out?

Mr. BURCH. No, sir; this is a proposed amendment to the tariff bill.

The CHAIRMAN. What paragraph?

Mr. BURCH. That I have not gotten here.

The CHAIRMAN. What is the subject?

Mr. BURCH. Drawbacks.

The CHAIRMAN. Oh, drawbacks.

Mr. BURCH. Yes; this has nothing to do with increasing the tariff or lowering the tariff.

The CHAIRMAN. Go ahead; read it.

Mr. BURCH (reading):

That on the exportation of spirits, whisky, brandy, and cordials manufactured or produced in the United States on which an internal-revenue tax has been paid there shall be allowed a drawback equal in amount to the tax paid on same—

The CHAIRMAN. I want to suggest to you that it is unnecessary to read that full amendment. You can file that and it will be printed. Now, state the reasons for it, and we will consider your amendment. State the reasons for a drawback on alcohol.

Mr. BURCH. The reasons for it mainly are that the present manner of exporting spirits is so tied up with red tape and circumlocution that we are absolutely prevented from getting our stuff out of the country, and if we are going to get an export business we have got to have the laws modified so that we can export.

This also provides for a drawback on manufactures of distilled spirits. A concern in my city—Detroit—in October of 1908, this year, got this decision on the exportation of herpicide, manufactured by the Herpicide Company, of Detroit, Mich.: That in the use of imported alcohol a drawback will be allowed equal in amount to the duty paid on the imported materials used, less the legal deduction of 1 per cent.

Those people are compelled to import German alcohol to Detroit, manufacture it, and get a drawback of the duty paid, instead of using domestic, American alcohol, which they could do with the proposed amendment that I am asking for.

The CHAIRMAN. We will have your amendment submitted to the Internal Revenue Bureau and have their opinion of it, as well as printed in the record, and study it carefully ourselves.

Mr. BURCH. This matter came up, Mr. Chairman, in 1902, and that time the objection raised was that we already had a method of exporting. Now we have two ways of getting spirits out of this country. One is by putting them up in a manufacturing warehouse set aside specially for that purpose, which is very cumbersome and very expensive; the other is to export bottled in bond from distillery warehouses.

Both of them have proved ineffectual. We are unable to do business under the regulations as provided by the department, and we desire to get some simple method of getting our product out of the country. In fact, the same product is brought in from foreign countries now, and this amendment provides that the appraiser of customs at the port of export shall determine the amount of the

drawback. In other words, we want to get the matter so simple that we can get our product out of this country as easily as the foreign shipper can get his product in here. If we can do that we can get a foreign business.

Mr. FORDNEY. You have an amendment prepared, have you?

Mr. BURCH. I have, Mr. Fordney.

The CHAIRMAN. Hand that to the reporter and let him put it in.  
(The amendment referred to is as follows:)

*An amendment to the tariff bill to encourage the sale and exportation of articles of domestic manufacture.*

SECTION 1. That on the exportation of spirits, whisky, brandy, and cordials manufactured or produced in the United States on which an internal-revenue tax has been paid there shall be allowed a drawback equal in amount to the tax paid on same.

SEC. 2. That on the exportation of articles manufactured or produced in the United States in part from domestic alcohol on which an internal-revenue tax has been paid there shall be allowed a drawback equal in amount to the tax paid on the alcohol so used: *Provided*, That no other than domestic tax-paid alcohol shall have been used in the manufacture or production of such articles. Such drawback shall be determined by the appraiser of customs at port of exportation and paid in manner provided for payment of drawback on exportation of articles of domestic manufacture and production made wholly or in part from imported duty-paid materials, under section thirty of an act entitled "An act to provide revenue for the Government and to encourage the industries of the United States," approved July twenty-fourth, eighteen hundred and ninety-seven.

Mr. CLARK. Are you asking for a drawback on American alcohol?

Mr. BURCH. On American alcohol and spirits that are exported.

Mr. CLARK. A drawback of the internal-revenue tax?

Mr. BURCH. Of the internal-revenue tax.

Mr. CLARK. That is your proposition?

Mr. BURCH. That is our proposition. It absolutely in no way affects the revenue, because the stock you give us would be immediately replaced by new stuff taking the place of that which was exported. So that it can not affect the revenues in any way whatever, but simply encourages and helps and assists us to get our product into a foreign country, which we are absolutely unable to do to-day.

Mr. CLARK. Your theory is that it would let out much more of the alcohol that is made in America?

Mr. BURCH. Yes, sir; undoubtedly. Parke, Davis & Co., the largest pharmaceutical company in Detroit, have expended in Walkerville an investment of half a million dollars to manufacture, and they do manufacture there, all of their tinctures and drugs in which alcohol is used. They are manufactured in Walkerville for their export trade, and made from German and Canadian alcohol, and they went to the trouble, as I say, to invest a half million dollars in Walkerville to do it.

Mr. CLARK. Is Walkerville in the United States?

Mr. BURCH. No; it is across the river, in Canada. There is another gentleman here, or he was to be here this morning, representing the National Perfumers' Association.

Mr. CLARK. Your proposition is as simple as falling off a log. Everybody can understand it. If we conclude we want to do it, we will do it. If we do not want to do it, we will not do it, and there can not be any information had on the subject.

Mr. BURCH. Well, I thank you.



**HON. WILLIAM WARNER, SENATOR, FILES LETTER FROM OFFICIALS OF AMALGAMATED ASSOCIATION OF IRON, STEEL, AND TIN WORKERS RELATIVE TO TIN PLATE DRAWBACK.**

St. Louis, Mo., *December 21, 1908.*

Hon. WM. WARNER,  
*Washington, D. C.*

DEAR SIR: Being in possession of information that the Ways and Means Committee are going to introduce a tariff bill in this session of Congress, and being interested in the metal schedule directly, we desire to call your attention to the unjust provision of the drawback provision of the Dingley tariff law as it affects the importations of tin plate. Representatives of our association appeared before the committee on November 27, 1908, urging not alone the abrogation of the drawback agreement, but the maintenance of the present duty on tin plate. United States statistics show that during the six years ending in 1907 the amount of \$10,911,635 has been refunded to foreign manufacturers on reexported plates, which admits this product into the United States for one one-hundredth of 1½ cents.

To enable the American manufacturers to compete with imported plate, American workmen have taken a reduction of 25 per cent in their wages when working reexport plate. However, in view of this concession, importations are increasing, which is resultant in the American mills being closed in many instances, while the mills in Wales, where this product is worked, are running at their full capacity.

By referring to the hearing of the Ways and Means Committee on November 27, 1908, and to a brief submitted on December 2, 1908, by the officials of our association, you will obtain added information bearing on this subject, which we deem of vital importance, not alone to employees in American tin-plate mills, but to the industry in general.

Trusting you can see your way clear to give this matter your earnest support and cooperation, we are, on behalf of Future City Lodge No. 1, State of Missouri, Amalgamated Association of Iron, Steel, and Tin Workers of North America, located at St. Louis, Mo.,

Respectfully, yours,

JOHN RYAN, *President.*

E. W. PAINTER, *Recording Secretary.*

J. F. HOFFA, *Corresponding Secretary.*

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**THE NATIONAL WHOLESALE DRUGGISTS' ASSOCIATION SUGGESTS AN AMENDMENT TO THE DRAWBACK LAW PROVIDING FOR REFUND OF INTERNAL-REVENUE TAX ON ALCOHOL.**

PHILADELPHIA, *December 21, 1908.*

Hon. SERENO E. PAYNE,  
*Chairman Committee on Ways and Means,*  
*Washington, D. C.*

DEAR SIR: On behalf of the National Wholesale Druggists' Association I would respectfully ask that the customs drawback law be amended so as to provide for a refund of the internal-revenue

tax paid on domestic alcohol used in the manufacture of exported articles. The enactment of the following proposed bill would directly benefit all American manufacturers having an export trade in articles such as drugs, flavoring extracts, chemicals, perfumery, etc., in the production of which alcohol is a necessary material:

A BILL To encourage the export trade in drugs, chemicals, and other articles of domestic manufacture.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That on the exportation of articles manufactured or produced in the United States in part from domestic alcohol on which an internal-revenue tax has been paid there shall be allowed a drawback equal in amount to the tax paid on the alcohol so used: *Provided,* That no other than domestic tax-paid alcohol shall have been used in the manufacture or production of such articles. Such drawback shall be determined and paid in manner provided for determination and payment of drawback on exportation of articles of domestic manufacture and production made wholly or in part from imported duty-paid materials, under section thirty of an act entitled "An act to provide revenue for the Government and to encourage the industries of the United States," approved July twenty-fourth, eighteen hundred and ninety-seven.

As you are doubtless aware, under the general terms of the customs drawback law a drawback is now paid on foreign alcohol forming a component part of exported articles. This proposed bill, if enacted, would simply permit of the use of domestic alcohol instead of the foreign product in manufacturing for the export trade.

It would seem a self-evident proposition that if no difficulty has been experienced in identifying foreign alcohol on which the customs tax is \$1.75 per proof gallon, so as to protect the Government, there could be no possibility of danger in providing for a similar system of rebates on domestic alcohol, on which the tax is \$1.10 per proof gallon.

As the Committee on Ways and Means will probably be guided by the Treasury Department in deciding whether they should recommend to Congress the enactment of this proposed legislation, it is most important, in my opinion, that the Treasury officials directly charged with the preparation of the regulations allowing a drawback of the duties paid on foreign alcohol should be consulted.

I respectfully submit this suggestion, because the investigation which I have made has convinced me that the apparent disinclination of the internal-revenue officials to favor such legislation is wholly due to their unfamiliarity with the present regulations under which the customs drawback law is administered.

One consideration which should aid the Committee on Ways and Means to reach a favorable decision on this question is that the laws of England, Germany, and France, granting untaxed denatured alcohol, also provide for the payment of a drawback on domestic tax-paid alcohol entering into the manufacture of exported articles.

In conclusion, I would respectfully ask that you refer this letter to the Secretary of the Treasury, with the suggestion that the internal-revenue department and customs division jointly confer respecting the problems in administration which such legislation would necessarily entail.

Yours, respectfully,

M. N. KLINE,  
*Chairman Committee on Legislation,  
 National Wholesale Druggists' Association.*

## EXHIBIT A.

DETROIT, MICH., *December 12, 1908.*

CHAS. H. RITTER,  
*142 Jefferson avenue, City.*

DEAR SIR: I wish to add our indorsement of the "Amendment to the tariff bill, to encourage the sale and exportation of articles of domestic manufacture."

With this amendment to the law the revenue can not be lessened, because this merchandise can not be exported if the alcohol must bear the internal-revenue tax and also bear the added internal-revenue tax of the country to which it is exported. On that account it can not be exported; therefore no revenue can be lost. If we had the drawback, so that the revenue tax would have to be paid but once and within the exporting country, there would be a very large increase in exports of such merchandise which would indirectly add not only to the revenue of the Government, but add to the increased prosperity of the country through the increased business done.

Yours, respectfully,

FREDERICK F. INGRAM & Co.,  
*Perfumers and Manufacturing Pharmacists.*

**SHARP & DOHME, BALTIMORE, MD., RECOMMEND THE ENGLISH  
 METHOD OF ESTIMATING DRAWBACK DUES.**

BALTIMORE, *December 22, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: We are among the largest manufacturers in this country of standard pharmaceutical preparations, by which we mean such products as enter into and make up physicians' prescriptions when compounded in the drug store, our customers being the retail druggists.

We find that it is difficult or impossible to compete in foreign countries, notably Europe, Central and South America, because of our high tax on alcohol and the lack of necessary provisions to enable us to have this internal tax repaid on exporting goods containing alcohol from this country. We can, to be sure, import alcohol, pay the duty and have this refunded on reexporting, but it seems to us that some provision should be made in the next ways and means bill for enabling users of alcohol in medicine to use domestic tax-paid alcohol and have the tax refunded in full when these goods are exported, such exportation to be strictly in the hands of the Treasury Department. This is how this is done in England and Germany, with the result that these countries largely have this business all over the world. You will probably say that if we make a bonded warehouse of our factory the desired thing could be accomplished, but this is not practicable for the reason that, due to the enormous variety of our products, representing about 2,000 or 3,000 kinds of medicines, we can not advantageously or profitably make those for export as a different batch from those intended for domestic use, largely because, in many cases, there is not sufficient of them to enable us to do so at all to advantage. It is different where the manufacturer makes only a few products, but where the

variety is as great as with us the quantities are correspondingly small in many cases.

We fail to see how the Government could lose or be in any way inconvenienced if the method adopted at Somerset House in England were adopted here, which is, that we merely take from our stock shelves such medicines containing alcohol as are intended for export to various countries, and when they are ready for placing upon the vessel and the bill of lading is delivered the Government controls the amount of alcohol contained in each shipment and rebates us that amount and no more.

There is comparatively little done by the manufacturers of standard pharmaceutical preparations in this country in the way of foreign business, although we are distinctly in advance of other countries in this line of manufacture, and the reason is that the inadequacy of the regulation practically makes it impossible for us to compete. The field is large and the possibilities for this foreign business is considerable, and if your committee feels disposed to enact such regulation as would accomplish the desired end the writer will be glad to appear before same with a representative committee of his line of manufacture and answer such questions or give such information as may be desired or necessary.

Very truly, yours,

SHARP & DOHME,  
*Manufacturing Chemists.*  
ALFRED R. L. DOHME,  
*Second Vice-President.*

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**THE LINSEED ASSOCIATION, NEW YORK, ASKS THAT DRAWBACK  
BE ALLOWED ON EXPORTED LINSEED-OIL CAKE.**

NEW YORK, *December 22, 1908.*

HON. SERENO E. PAYNE,  
*Chairman Ways and Means Committee,*  
*House of Representatives.*

DEAR SIR: The Linseed Association of New York, composed of importers of linseed and other East India merchandise and manufacturers of linseed oil, would respectfully call the attention of your committee to the present schedule relating to exported oil cake made from imported linseed, which schedule prohibits any allowance of drawback on same.

We, as an association, respectfully submit that great injustice is done in this provision, as apparently there is no other instance in the existing tariff where a drawback is denied on the exported products of imported merchandise.

The schedule also provides that no allowance shall be made for dirt or other impurities in any seed. This seems equally unjust, as while the Government imposes a duty of 25 cents per bushel on linseed it is really exacting in addition a duty of 25 cents per bushel on the dirt or other impurities contained in said linseed.

In the revision of the tariff now under contemplation we respectfully ask your serious consideration of the points above submitted and that an equitable adjustment of drawback be recommended by your honorable committee.

Respectfully, yours,

GEO. W. FORTMEYER,  
*President.*

HON. JAMES KENNEDY, M. C., SUBMITS BRIEF STATEMENT AND  
LETTERS RELATIVE TO REBATE ON TIN PLATE.

WASHINGTON, D. C., *December 28, 1908.*

WAYS AND MEANS COMMITTEE:

I herewith transmit to you earnest appeals by the tin-plate makers of my district, asking the maintenance of the present tariff on tin plate. They also pray for the abrogation of the drawback feature of our existing law. It would very greatly help that great branch of our working men engaged in the manufacture of tin plate if the drawback feature of the tariff upon tin plate was so modified at least as to retain 50 per cent of the duties paid and rebate only one-half of the duty when the same tin is reexported. This change in the drawback might perhaps advance the price of cans for the export trade, but such an increase would be very slight, indeed, and would scarcely be appreciable. This increase would scarcely affect the farmer whose product is sent abroad in cans, and no one should be more willing to have that change made than the farmer, for the only prices that are excessive in the markets to-day are the prices of food-stuffs. In Youngstown 4 pounds of butter is worth as much as a hundred-pound keg of nails, and 40 dozen of eggs commands as great a price as a ton of pig iron, so that it seems it would be more profitable to be the owner of a flock of industrious hens than to own a blast furnace. I earnestly urge in behalf of my constituents who make tin plate that their communications be carefully considered when this schedule in the new bill is taken up, and that the drawback feature be so modified that with the liberal concession the workmen are willing to make in their own wages a part at least of the great amount of our own export tin plate in the future shall be manufactured at home.

Very respectfully submitted.

JAMES KENNEDY,  
*Member of Congress, Eighteenth Ohio District.*

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EXHIBIT A.

YOUNGSTOWN, OHIO, *December 24, 1908.*

HON. JAMES KENNEDY, M. C.,  
*House of Representatives, Washington, D. C.*

DEAR SIR: Being in possession of information that the Ways and Means Committee are going to introduce a tariff bill in this session of Congress, and being interested in the metal schedule directly, we desire to call your attention to the unjust provision of the drawback provision of the Dingley tariff law as it affects the importation of tin plate. Representatives of our association appeared before the committee on November 27, 1908, urging not alone the abrogation of the drawback agreement, but the maintenance of the present duty on tin plate. United States Treasury statistics show that during the six years ending in 1907, the amount of \$10,911,635 has been refunded to foreign manufacturers on reexported plates, which admits this product into the United States for one one-hundredth of 1½ cents.

To enable American manufacturers to compete with imported plate American workingmen have taken a reduction of 25 per cent in

their wages, when working reexport plate. However, in view of this concession, importations are increasing, which is resultant in the American mills being closed in many instances, while the mills in Wales where this product is worked, are running at their full capacity.

By referring to the hearing of the Ways and Means Committee on November 27, 1908, and to a brief submitted on December 2, 1908, by the officials of our association, you will obtain added information bearing on this subject, which we deem of vital importance not alone to employees in American tin-plate mills, but to the industry in general.

Trusting you can see your way clear to give this matter your earnest support and cooperation, we are, on behalf of East Youngstown Lodge, No. 8, State of Ohio, located at Youngstown,

Respectfully, yours,

AMALGAMATED ASSOCIATION OF IRON,  
STEEL, AND TIN WORKERS,  
EDWARD CAVANAUGH, *President*.  
ROBERT WILLIAMS, *Recording Secretary*.  
EDWARD CAVANAUGH, *Corresponding Secretary*.

(Mr. Kennedy also filed a similar statement from the Youngstown (Ohio) Lodge, No. 14, Amalgamated Association of Iron, Steel, and Tin Workers of the United States.)

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**THE S. C. HERBST IMPORTING COMPANY, MILWAUKEE, WIS.,  
WISHES DRAWBACK TO APPLY TO DOMESTIC ALCOHOL.**

MILWAUKEE, *January 2, 1909.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: It has come to our knowledge that there is now pending before your honorable committee a measure entitled "An amendment to the tariff bill to encourage the sale and exportation of articles of domestic manufacture," and providing that a drawback shall be allowed on articles manufactured or produced in the United States in part from domestic alcohol equal to the amount of tax paid on the alcohol so used, when such articles are exported.

We desire to add our hearty indorsement to this amendment, believing its provisions to be just and calculated to encourage and stimulate the industries affected thereby, and further would respectfully suggest that said amendment also provide:

That on articles so exported which are manufactured in the United States and composed wholly or in part of cordials, brandy, gins, bitters, whiskies, etc., of foreign manufacture on which duty has been paid, a drawback equal to the amount of duty so paid shall be allowed when exportation is made.

As large exporters of our brand, the Chancellor cocktails, we find ourselves handicapped by the fact that as these cocktails are largely composed of foreign liquors, thus we are obliged to pay duty on the material coming in, and must again take into consideration that a duty must be paid on the finished product when exported by the foreign merchant.

On a number of occasions, and of late particularly in the Canadian market, we have found it impossible to lay down the goods abroad at a price satisfactory to prospective buyers, whereas with the benefit of a drawback, as above, we could unquestionably enlarge our export trade to quite an extent. The popularity of the American cocktail abroad is constantly increasing, and it will readily be seen that it would be much less difficult to interest the foreign merchant if the necessity of paying double duty was removed.

We would ask that you kindly file this letter with the amendment as introduced on December 15, 1908.

Trusting your honorable committee will report favorably to the passage of the amendment, we beg to remain,

Yours, respectfully,

S. C. HERBST IMPORTING Co.,  
*Distillers-Importers.*

By S. C. HERBST, *President.*

**GEO. BENZ & SONS, OF ST. PAUL, MINN., ASK FOR APPLICATION  
OF DRAWBACK TO INTERNAL-REVENUE TAX.**

ST. PAUL, MINN., *January 6, 1909.*

COMMITTEE ON WAYS AND MEANS,

*House of Representatives, Washington, D. C.*

GENTLEMEN: Our attention having been called to a proposed "amendment to the tariff bill to encourage the sale and exportation of articles of domestic manufacture," a copy of which is hereto attached, we desire to record our favor of such an amendment to our existing tariff law. We will thank you to have this, our approval, filed with the amendment introduced December 15, 1908.

Respectfully,

GEO. BENZ & SONS,  
*Distillers of Kentucky, Maryland, and Pennsylvania Whiskies.*

**AN AMENDMENT TO THE TARIFF BILL TO ENCOURAGE THE SALE AND EXPORTATION OF  
ARTICLES OF DOMESTIC MANUFACTURE.**

SECTION 1. That on the exportation of spirits, whisky, brandy, and cordials manufactured or produced in the United States on which an internal-revenue tax has been paid there shall be allowed a drawback equal in amount to the tax paid on same.

SEC. 2. That on the exportation of articles manufactured or produced in the United States in part from domestic alcohol on which an internal-revenue tax has been paid there shall be allowed a drawback equal in amount to the tax paid on the alcohol so used: *Provided*, That no other than domestic tax-paid alcohol shall have been used in the manufacture or production of such articles. Such drawback shall be determined by the appraiser of customs at port of exportation and paid in manner provided for payment of drawback on exportation of articles of domestic manufacture and production made wholly or in part from imported duty-paid materials, under section thirty of an act entitled "An act to provide revenue for the Government and to encourage the industries of the United States," approved July twenty-fourth, eighteen hundred and ninety-seven.

The above resolution was also indorsed by the following: Chapin & Carr, Nepeenauk Building, 16 Adams street, Chicago, Ill., and Grommes & Ullrich, 194 Dearborn street, Chicago, Ill.

**HON. EDWIN DENBY, M. C., FILES LETTER FROM THE AMALGAMATED ASSOCIATION OF IRON, STEEL, AND TIN WORKERS RELATIVE TO TIN-PLATE DRAWBACK.**

WASHINGTON, D. C., *January 7, 1909.*

HON. SERENO E. PAYNE,

*Chairman Committee on Ways and Means,  
Washington, D. C.*

DEAR SIR: I send you inclosed herewith for the consideration of the committee letter received from Michigan Lodge, No. 1, Amalgamated Association of Iron, Steel, and Tin Workers of the United States, of Detroit, Mich., urging the abrogation of the drawback provision of the Dingley tariff law as it affects the importation of tin plate.

Will you please send me, if convenient, a copy of the hearing upon this subject held November 27, 1908, and also a copy of the brief submitted on December 2, 1908, by the officials of the above-named association?

Yours, very truly,

EDWIN DENBY, M. C.

DETROIT, MICH., *January 4, 1909.*

HON. EDWIN DENBY,

*House of Representatives, Washington, D. C.*

DEAR SIR: Being in possession of information that the Ways and Means Committee are going to introduce a tariff bill in this session of Congress, and being interested in the metal schedule directly, we desire to call your attention to the unjust provision of the drawback section of the Dingley tariff law as it affects the importations of tin plate. Representatives of our association appeared before the committee on November 27, 1908, urging not alone the abrogation of the drawback agreement, but the maintenance of the present duty on tin plate. United States Treasury statistics show that during the six years ending in 1907 the amount of \$10,911,635 has been refunded to foreign manufacturers on reexported plates, which admits this product into the United States for one-hundredth of 1½ cents.

To enable American manufacturers to compete with imported plate, American workingmen have taken a reduction of 25 per cent in their wages when working reexport plate. However, in view of this concession, importations are increasing, which is resultant in the American mills being closed in many instances, while the mills in Wales, where this product is worked, are running at their full capacity.

By referring to the hearing of the Ways and Means Committee on November 27, 1908, and to a brief submitted on December 2, 1908, by the officials of our association, you will obtain added information bearing on this subject, which we deem of vital importance not alone to employees in American tin plate mills but to the industry in general.

Trusting you can see your way clear to give this matter your earnest support and cooperation, we are, on behalf of Michigan Lodge No. 1, State of Michigan, located at Detroit,

Respectfully, yours,

LEO HOPPE, *President.*

JAS. B. BUCKLEY, *Cor. Rep.*



**MERCHANT & EVANS CO., PHILADELPHIA, PA., SUGGEST AN  
AMENDMENT TO THE DRAWBACK PROVISIONS.**PHILADELPHIA, PA., *February 15, 1901.*

HON. SERENO E. PAYNE,

*Chairman Ways and Means Committee,  
Washington, D. C.*

DEAR SIR: Referring to the statement that the National Canners' Association is making representations before the Ways and Means Committee, with a view to the admission of foreign tin plate into the United States free of duty for the canners, it may be that your committee will not see your way to altogether grant the request of the National Canners' Association. This is a matter between you and them, and the writer is not making any request either way with regard to same, as such a matter has to be looked at from both sides.

But there is another manner, and an important manner, in which every important "line" could be helped by your committee doing what I have urged upon it in previous communications, namely, simplifying the administration of section 30 of the present tariff act, and changing it so that the exporter would not have to swear that all the tin plate in his exported articles, for instance, was positively foreign, but he would only have to prove that he was not getting drawback on more tin plate than the imported tin plate which he actually had. We repeat that it is easy enough for a very large mill having quite an export business, or for a rather small mill doing exclusively an export trade, to keep separate the foreign material in all the stages of manufacture, but for a mill at present which does not do much export business it is impracticable, and for any moderate size American canner to make a beginning of getting export trade by aid of the drawback of duty as now granted, under the ruling of section 30, means, as so many of them have told the writer, that they either have to swear to a lie or as they more generally say, have to give up the attempt because of the trouble involved of keeping separate the import material through all stages of manufacture from the general run of their material which is naturally American.

This interest or that interest may ask your honorable committee for reduction of such and such a duty or for increase of such and such a duty and for reasons of revenue and reasons of fairness your committee probably will have to refuse ninety-nine requests out of a hundred, but as a compensation to the disappointed and as showing that the granting to American manufacturers of the ability to get hold of foreign trade is a real thing, and not one which is saddled with conditions that render it useless to the majority, your committee can score a good point, doing something that would be to the interests of practically everybody, and this would be done by changing the law and methods of administering the law as outlined in this letter and in the previous letter which the writer has had the honor to lay before you.

Yours, truly,

MERCHANT & EVANS COMPANY,  
*General Importers.*  
DOUGLAS LEESE,  
*Assistant Treasurer.*

## STATUTE OF LIMITATIONS.

[Section 34.]

WALDEN & WEBSTER, NEW YORK, RECOMMEND AMENDMENT  
TO STATUTE OF LIMITATIONS AS APPLIED TO IMPORTS.17 BATTERY PLACE,  
*New York, January 30, 1909.*COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: I respectfully suggest to the committee the advisability of revising the statute of limitations applicable to the determination of the amount of duty upon imports.

## THE PRESENT LAW.

Section 21, act of June 22, 1874 (18 Stat. L., 190), reads as follows:

That whenever any goods, wares, and merchandise shall have been entered and passed free of duty, and whenever duties upon any imported goods, wares, and merchandise shall have been liquidated and paid, and such goods, wares, and merchandise shall have been delivered to the owner, importer, agent, or consignee, such entry and passage free of duty and such settlement of duties shall, after the expiration of one year from the time of entry, in the absence of fraud and in the absence of protest by the owner, importer, agent, or consignee, be final and conclusive upon all parties.

This section (with other statutes of limitation) has been saved from repeal by the following clause in the various tariff acts:

All acts of limitation, whether applicable to civil causes and proceedings or to the prosecution of offenses or for the recovery of penalties or forfeitures embraced in or modified, changed, or repealed by this act, shall not be affected thereby.

This clause appears in section 34, tariff act of 1897; section 72, tariff act of 1894; section 55, tariff act of 1890; section 29, customs administrative act of 1890, and section 13, tariff act of 1883.

This law has been construed as follows:

1. It applies to the United States; "all parties" includes the United States. (*United States v. Phelps*, 17 Blatchf., 312, 316; *United States v. Sidenberg*, 17 Fed. Rep., 227.)

2. It has no reference to the original decision of the collector fixing the amount of duty, but only applies to reliquidations for making changes in the first liquidation. (*United States v. De Rivera*, 73 Fed. Rep., 679; *Gandolfi v. United States*, 74 Fed. Rep., 549; *Abner Doble Co. v. United States*, 119 Fed. Rep., 152.)

3. Having once liquidated, the collector can not reliquidate if one year has expired from the date of entry. (*Beard v. Porter*, 124 U. S., 437.)

4. Delivery of the goods to the importer and payment of duties does not prevent reliquidation within a year. (*United States v. Mex. Int. R. Co.*, 151 Fed. Rep., 545; *Louisville Pillow Co. v. United States*, 144 Fed. Rep., 386.)

5. As to the absence of protest, there is apparently a conflict of decision. The former opinions seem to have been that the words "in the absence of protest" were intended to avoid interference with the proceedings leading to decision on protest and settlement

in accordance therewith. Thus it was held that where a protest had been previously allowed and refund made a subsequent reliquidation more than a year from the date of entry was "in the absence of protest" and too late. It was also decided that where a protest related only to certain goods, and was sustained, the collector could not reliquidate as to other goods, not in the protest but in the same invoice, the year having expired. (*United States v. Leng*, 18 Fed. Rep., 15; *United States v. Fox*, 53 Fed. Rep., 531; *United States v. Cassell*, 146 Fed. Rep., 146.)

In a recent case, however, it has been held that the statute is suspended during the pendency of a protest, so that the collector may, after a protest is decided, make any new liquidation he pleases, provided only that a year has not expired, excluding the period for which the protest was pending. (*Klumpp v. Thomas*, 162 Fed. Rep., 853.)

It is believed the purpose of the law is that there shall come a time when the importer may know that the collector can not demand anything more from him; that, even if the collector decided wrongly, he can not enforce collection after the matter has been allowed to become stale. The period adopted by the act of 1874 is one year from the time of entry, and the same period is fixed for the correction of clerical errors by section 24, customs administrative act of June 10, 1890.

If this is a correct statement of the policy, there should be a limitation on the first liquidation as well as on subsequent ones. We have now the anomalous situation that the first liquidation may be made five or ten years after entry, but the second or third liquidation must be made within one year, in the absence of protest.

When an entry of merchandise is made, the importer is required to state the nature of the goods and quantities and values, compute the total amount of duty, and pay that amount at once, before he gets his goods. If the collector subsequently approves this entry (as he does in probably more than half the cases) he liquidates it "no change" and sends no notice to the importer, as nothing remains to be done. He only sends a notice where the liquidation shows a balance due the Government or a refund due the importer. Therefore, if the importer hears nothing within three or four months, he is apt to assume that the entry has been liquidated without change, that being about the average time for liquidations at the port of New York. In the occasional case, where the entry is mislaid in the custom house, or for any other reason is not liquidated, should the collector be allowed, several years after, when the transaction has been forgotten, to liquidate the entry and demand additional payment from the importer? In the *De Rivera* case, *supra*, this was done eight years after entry.

The importer is limited to fifteen days, and if he fails to file a protest within that time, or files a wrong protest, the liquidation is conclusive upon him, whether right or wrong. As the collector always resolves all doubts in favor of the Government, it would seem that he should not require very much time to come to a conclusion. The only reason for delay is where there are protracted reappraisal proceedings, as the liquidation can not be made until they are completed.

In place of section 21, act of June 22, 1874, I suggest two sections, as follows:

SEC. —. That every entry of merchandise, whether for warehouse or consumption, shall be liquidated by the collector or person acting as such, within sixty days after the date when the values of all the goods included in said entry have been finally fixed by the appraiser without appeal, or by a single general appraiser without further appeal or by a board of three general appraisers, and in case of any failure to make the liquidation within the time herein prescribed, the entry shall be deemed to have been liquidated without change on the sixtieth day after the values are finally fixed.

SEC. —. That whenever any goods, wares, and merchandise shall have been entered and passed free of duty, and whenever duties upon any imported goods, wares, and merchandise shall have been liquidated and paid, and such goods, wares, and merchandise shall have been delivered to the owner, importer, agent, or consignee, such entry and passage free of duty and such settlement of duties shall, after the expiration of one year from the time of entry, in the absence of fraud, be final and conclusive upon all parties: *Provided*, That this section shall not be construed to prevent the resettlement of duties in accordance with protests and decisions thereon by the Board of General Appraisers and the courts.

The first of the proposed sections refers to the "entry of the merchandise" in order to avoid confusion with the entry of the vessel, a term applied to the filing of the manifest of the vessel by the master.

The time suggested, sixty days, could of course be lengthened in the discretion of Congress without changing the general purpose, but as the sixty days begins to run after all the appraisements are completed, it is thought to be ample.

The provision that the entry shall be deemed to be liquidated on the sixtieth day is necessary to make it effective.

It is not thought necessary, in the first proposed section, to make any exception of cases of fraud, because the section only deals with the first liquidation, and does not prevent the collector from making a reliquidation afterwards.

The second proposed section is the same as the act of 1874, except that the words "in the absence of protest" are stricken out and the proviso added. This is thought the most important of the suggestions herein made. To illustrate how the rule of the suspension of the statute during the pendency of a protest would work: Suppose there are two importers of cotton cloth, both of whom enter their goods and pay duty at 40 per cent; one of them finds that there were 10 pieces missing, which were on the invoice and on which he has paid duty; he files a protest claiming an allowance for the 10 pieces that were not imported; when his protest is decided a year has expired, but the statute has been suspended, and the collector is then of the opinion that cloth of that character is dutiable as an etamine at 60 per cent; he reliquidates, offsets the new demand against the refund, and either pays back a smaller amount or demands an additional payment, as the case may be. The other importer, who was lucky enough not to lose any of his goods in transit, is protected by the statute of limitations.

It may be said that this matter is of no importance as to the great bulk of the business transacted at the custom-houses, and that is unquestionably true. But these exceptional cases occur more frequently than might be expected, and they usually cause a great hardship when they do occur. The attitude of collectors generally is to enforce all the rights of the Government, no matter how technical or

burdensome, and they are justified in enforcing the laws as they find them. It is therefore only to Congress that an appeal can be made in the name of justice or equity.

Respectfully,

WALDEN & WEBSTER.

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### ADJUSTABLE TARIFF.

#### A. M. STILLMAN, PENSACOLA, FLA., SUGGESTS A PLAN FOR AN AUTOMATIC SELF-ADJUSTING TARIFF.

PENSACOLA, FLA., *December 3, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: The only tariff that will ever give universal satisfaction is one that will adjust itself to the varying conditions of trade, and the only way that such a tariff can be obtained is by applying a sliding scale to the tariff rates. It would not be necessary to apply the scale to all the rates, but only to the rates on the principal articles of import.

My plan is automatic and self-adjusting, giving tariff revision whenever needed. The principle is as follows:

A basing price for each commodity to be fixed by act of Congress. Whenever the market price of a commodity is the same as this basing price, the present rate of duty on that commodity to be in force; but when the market price rises the tariff rate falls, and the tariff rate automatically adjusts itself to the market price thus: In the case of pig iron, for example, when the market price in Pittsburg is \$16 per ton (and supposing that to be the basing price) the full rate of \$4 per ton to be in force; but when the market price is \$17 per ton the duty to be \$3 per ton, and when the market price is \$18 per ton the rate to be \$2 per ton, and when the market price is \$19 per ton the rate to be \$1 per ton, and when the market price is \$20 per ton the duty to be free.

In the case of commodities having an ad valorem rate of duty the rate to fall 1 per cent for every per cent that the market price rises above the basing price, the rate to fall as the price rises and rise as the price falls.

In the case of commodities having both an ad valorem and specific rate of duty the scale to apply on the ad valorem rate.

While the basing prices would of necessity be established by Congress, the prices so established could be the average prices which have obtained during any series of years of normal prosperity, with additions or deductions to meet the changing cost of production.

The method of administering this law would be as follows:

An importer desiring to make an importation under a special rate, as provided in the law, would file an application at the custom-house in New York or San Francisco, stating the lowest price at which he could purchase the commodity. These applications would be posted in the custom-house for a period of ten days and published daily, to permit manufacturers or producers to file answers to them offering to sell at lower prices. When these offers to sell are as low as the basing price, the applications to be returned to the applicants; in other

cases the applications and answers or offers to sell to be forwarded to the Secretary of the Treasury, who, after investigating the case and securing other information as to the market price, will, if the evidence bears out the statement made in the application, issue a permit to import a reasonable quantity of the commodity and certifying to the rate of duty.

We protect the manufacturer from low prices, but do not protect the consumer from high prices.

By adopting this plan we say to the manufacturer, "So long as you sell your products at a fair price you can have the benefits of the present tariff rates, but for every unit that you advance the selling price above that point we will deduct a unit of the tariff."

To provide a duty on a commodity without restricting the selling price of that commodity is illogical.

The Republican idea of the tariff is all for the manufacturer or producer. The Democratic idea is all for the consumer. Either view embodies only half the truth.

It is well to give the manufacturer and producer protection, so that good prices and prosperity may prevail, for good prices and prosperity are inseparable; it is impossible to have one without the other. But when the market prices of commodities are advanced above a reasonable level, the tariff becomes a means of extortion, and induces overtrading and overspeculation. These conditions existed during 1906-7 and were the cause of the panic.

If the tariff had been lowered in the right degree when these conditions first developed the panic would have been prevented. If the tariff had been lowered too much, business prostration would have ensued, anticipated by a panic.

A sliding tariff would have prevented a panic from either cause. It would have checked business just enough at the right time to have prevented the excesses in the business world that caused the panic. It would also have prevented business prostration.

A fundamental principle of the policy of protection is, that competition within the United States prevents excessive prices. This principle has never been entirely successful under a high tariff, and in recent years has utterly failed, as evidenced by the fact that many protected articles have sold within that time at exorbitant prices.

As the selling price of a commodity is the thing of vital importance to both manufacturer and consumer, and the thing affected by the tariff, what is more reasonable than to construct a tariff in which the selling price determines the rate, and the rate regulates the selling price.

A. M. STILLMAN.

## AMERICAN SHIPPING.

**EDWARD P. NORTH, OF NEW YORK CITY, MAKES SUGGESTION  
RELATIVE TO GOODS CARRIED IN AMERICAN VESSELS.**

NEW YORK, *January 8, 1909.*  
HON. SERENO E. PAYNE, M. C.,  
*Washington, D. C.*

DEAR SIR: I wish to urge you, as one of those charged with the welfare of the United States, to see that in revising our laws, no duties

shall in future be collected on goods carried either to or from the Philippines or other islands under our control in the Pacific, when such goods are carried in "vessels built in the United States and owned by a citizen or citizens thereof."

The enactment of such a provision in our laws would automatically and without cost build up a merchant marine, supplying us with a reserve of sailors, transports, and freighters in case of threatened or actual war, at the same time greatly increasing our trade and pacific and educational influence in and about Asia.

This provision would entail no hardships on producers or consumers either in the United States or in the Philippines; for the freighter now carrying the product would be unhampered thereby except through competition, and that does not tend to higher cost or charges.

As our title to the Philippines is unassailable, it seems improbable that Japan will say now, as she said to us in the summer of 1897, that it "could not see our annexation of Hawaii with unconcern and in a spirit of acquiescence, as the enforcement of our navigation laws would be fatal to the interests of Japanese steamship lines to the United States." They or other foreigners might, with equal propriety, protest against the duty-free traffic between the cities of Washington and Alexandria, which must be in vessels built in the United States.

At present all commerce with the Philippines and Asia is controlled by steamers of rival and opposing nations, as set forth at the hearing of the House Committee on Merchant Marine and Fisheries, 1906, and in the report of Consul-General Wilbur, of Singapore, showing that a combine or trust of steamship lines under foreign flags, through rebate and the discrimination of the British merchants in Manila, refused rates to American vessels wishing to engage in that trade. The freight contracts made by our Government with this trust or "conference," as they call it, is an aid to this combination of foreign interests against our trade with and influence in the Philippines.

The situation in those islands seems more threatening than that at Astoria in the war of 1812. There the original Astor had filled the offices of his post with cheap Canadian and Scotch "factors," with the result that the post was surrendered to the first demand of the British; to our inconvenience and loss in subsequent arrangement for the boundaries between the mouth of the Columbia and 54° 40'.

In the Philippines the environment can be partially judged by the report of the Philippine Commission for 1907, which recites that of 106 foreign corporations licensed to do business there, 22 were American and 57 British. The foreign acquisition of these islands may be thought remote, but the present condition tends to the elimination of all Americans except the school-teachers and a constantly decreasing number of officeholders.

Our trade with the Philippines should undoubtedly receive immediate attention. In the fiscal year 1907 the Filipinos imported goods to the value of \$28,785,855. We furnished 17.9 per cent of this value, while the United Kingdom and its dependencies, in control of the transportation thereto, furnished 34.8 per cent.

We have a very different trade relation with our other noncontiguous territories, the transportation to and from which is governed by our coastwise laws and is confined to our vessels. In 1907 our sales of domestic merchandise to Hawaii were 76 per cent of its pur-

chases, and of Porto Rico's total imports 86.5 per cent were of domestic merchandise, with a tidy sum in each case to our carriers for transportation of merchandise of foreign origin.

The so-called liberal navigation arrangements for the Philippines resulting in, say, 18 per cent of that trade as against 80 per cent "dominated in the spirit of the Middle Ages" with our noncontiguous territory does not tend to increase either our commerce, production, or consumption, however profitable the "liberal" arrangements to those who extol them.

The control of trade exercised by its carriers may be exemplified by reference to our trade relations with Canada and Mexico. In 1879, the last fiscal year before our railroad building in that country influenced the Mexican trade, we sold in that country merchandise to the value of \$6,752,244, and in 1907 the value was \$66,248,098. In that year the Mexicans took 57 per cent of their imports from us, and with control of most of the means of transportation between the two countries we had 51.5 per cent of their total trade. This is better than allowing rivals to dominate our transportation so that we sell them only 17.9 per cent of their purchases. Foreign interests in "acceleration" (a term well understood in New York) of their trade, have succeeded generally in ascribing this increase to the firmness of General Diaz, rather than to increased freighting facilities in our hands.

It is not necessary to recount the numerous points through which our railroads reach interior towns in Canada nor more than refer to the fact that they have for some time enabled us to sell the Canadians about 55 per cent of their total imports, in spite of the differential duties in favor of British manufacturers.

British subsidies, as set forth in a report to both Houses of Parliament, were intended "to afford a rapid, frequent, and punctual communication with distant ports, feeding the main arteries of British commerce and the most important of our foreign possessions, to foster enterprise, to encourage the production of superior types of vessels, which would promote the convenience and wealth of the country in times of peace and assist in defending its shores against hostile aggression." It is added: "It is not easy to estimate the pecuniary value of these results."

Subsidies have been very valuable to Great Britain and other countries. They always will be valuable when other nations do not control their bestowal and amount. But no subsidy seems needed to reach the above-desired result in our trade with the Philippines. The same preferential that gives us the largest, cheapest, and best coastwise service is ample to accomplish the desired result in the Pacific by assuring our ships employment.

Those interested in the prosperity of our sugar and tobacco industries will be inclined to object to a law admitting these products without duty, but it seems certain that tobacco and sugar from the Philippines will be so admitted during the life of the incoming administration, and our growers will have more time to adjust themselves to the change if the increased conveyance of these articles is confined to vessels built in the United States, under proper inspection, and worked by a fair proportion of our citizens, than if it were thrown open to the tramps of the world.

Our sympathy with British and Japanese efforts to obstruct Russia's access to an ice-free port to prevent competition either in ocean carrying or in manufacturing may or may not have been



judicious. But if you do not wish a like result for this country, you are again urged that in future no duties shall be collected on goods carried either to or from the Philippines when, and only when, such goods are carried in "vessels built in the United States and owned by a citizen or citizens thereof."

Respectfully,

EDWARD P. NORTH.

**C. E. CHITTENDEN, SCRANTON, PA., SUGGESTS NEW SECTIONS  
RELATIVE TO OCEAN CARRIERS.**

SCRANTON, *December 25, 1908.*

Chairman PAYNE.

DEAR SIR: Will you kindly allow me to call your attention to section 22 of the Dingley tariff, which was nullified by President McKinley on the ground that it had not been discussed in passage; also to another section not clearly drawn levying a tax of 10 per cent on foreign goods not the product of the country whose flag covers the importation. As you are probably aware, these sections were no accident. As you are also aware that the naval supremacy of England and the prosperity of the mercantile marines of Germany and Japan are based on the carriage of American products, that Canadian subsidies and Japanese cheap labor are closing to us the Pacific and that the north and south Atlantic business is already destroyed for us, can you not in the new tariff replace these two sections of unfortunate history with the two following clear-cut propositions:

All merchandise coming over the borders not the products of adjacent countries, an extra duty of 10 per cent.

On all merchandise imported by sea not the product of the countries under whose flag the imports are brought, an extra duty of 10 per cent.

I think you will agree with me that if such a law can be openly incorporated and enforced it will as surely force America to the front of maritime nations as Cromwell's navigation act forced the supremacy of England as mistress of the seas.

The present is the most propitious time and probably the last opportunity that will occur for the passage of such a law. Both Germany and Japan are desperate for more markets. They will grumble now, but will submit. Ten years hence they will fight, and strengthened by ten years of our commerce they will stand a fair chance of success. In fact, it is doubtful if Germany will to-day submit to a protective tariff in England without a war. The plan can be put through, ostensibly as a temporary measure to make up the large deficiency in revenue existing at present. Canada will complain, but deserves no consideration after her differential duties in favor of England. No other nation can retaliate in kind, for what nation but the United States can load a liner with its own products entirely?

I have but little hope that this letter will attract your serious attention, but it may be that this course will appeal to you as it did to Dingley, and that your work may be more effective.

I am, very truly, yours,

C. E. CHITTENDEN.

**SHIPPING SOCIETY OF AMERICA RECOMMENDS REBATES OF  
IMPORT DUTIES IN FAVOR OF AMERICAN FREIGHTERS.**

DENVER, COLO., *November 30, 1908.*

HON. SERENO E. PAYNE,  
*Chairman Committee on Ways and Means,  
Washington, D. C.*

SIR: Herewith I have the honor to send you by the hand of Hon. William Sulzer, Member of Congress from New York, the memorial of the Shipping Society of America for tariff regulations for ship protection, to be presented on December 4, and to be printed in the hearings on tariff revision.

It is to be hoped your committee will give due consideration to the matter of this memorial and will accept the suggestions thus offered. In such acceptance the interest, the honor, and the prosperity of our country are deeply involved.

Very respectfully, yours,

WM. W. BATES.

**MEMORIAL FOR TARIFF REGULATIONS FOR SHIP PROTECTION AND THE  
REASONS THEREFOR.**

First. The existence of a constitutional compact for the regulation of foreign commerce to the intent that American shipping shall survive foreign competition in the foreign trade.

In support of this statement the following facts may be adduced:

**WHY THE CONSTITUTION WAS ADOPTED.**

No person was more active in this work than James Madison, of Virginia. In the House of Representatives in 1794 he said:

As early as the year succeeding the peace (1784) the effect of the foreign policy (British) which began to be felt in our trade and navigation excited universal attention and inquietude. The first step thought of was an application of Congress to the States for a grant of power for a limited time to regulate our foreign commerce.

This effort failing, the States next endeavored to effect their purpose by separate but concurrent regulations. Massachusetts opened a correspondence with Virginia and other States in order to bring about the plan. Here again the effort was abortive. Out of this experience grew the measures which terminated in the establishment of a Government competent to the regulation of our commercial interests and the vindication of our commercial rights. \* \* \*

The president of the constitutional convention was General Washington. In transmitting the constitution to the Confederate Congress, he remarked

The friends of our country have long seen and desired that the power of making war, peace, and treaties, that of levying money, and regulating commerce, and the corresponding executive and judicial authorities should be fully and effectually vested in the General Government of the Union.

**SHIP PROTECTION AN OBJECT OF THE UNION.**

One of the five principal objects of the "closer union" being the "uniform" protection of shipping, as thus declared, it was natural that this sentiment should be general in the convention. Every plan for a constitution included the regulation of our commerce, by wise national laws in lieu of state statutes—unlike and conflicting. The

only question raised and settled by debate was whether or not a "two-thirds vote" should be required for the passage of shipping bills. Mr. Gorham, of Massachusetts, chairman of the committee of the whole, in closing the debate, submitted the ultimatum of New England, as follows:

THE TERMS OF NEW ENGLAND.

If the Government is to be so fettered as to be unable to relieve the Eastern States, what motive can they have to join it, and thereby tie their own hands from measures which they could otherwise take for themselves? The Eastern States were not led to strengthen the Union by fear for their own safety. He deprecated the consequences of disunion, but if it should take place, it was the southern part of the continent that had the most reason to dread them. He urged the improbability of a combination against the interest of the Southern States, the different situations of the Northern and Middle States being a security against it. It was, moreover, certain that foreign ships would never be altogether excluded, especially those of nations in treaty with us.

Because of this ultimatum the motion for a two-thirds restriction was lost and the majority rule adhered to *nem. con.* In pursuance of this action clause 3 of section 8 of Article I of the Constitution not only empowers, but its inclusion makes it the duty of Congress, in perpetuity, "to regulate commerce with foreign nations."

Necessarily, the several States were divested of power to continue their discriminating duties of tonnage and of tariff, either for revenue or for protection. (See section 10 of Article I.) Thus was the protection of shipping given up by the States and taken over by the General Government, on condition that the protection desired and necessary should always be given. The action of the convention was afterwards ratified by the States and the people through the adoption of the Constitution. By this adoption the States were relieved of their natural duty to protect a most important industry, and the United States, in virtue of the compact described, promised and undertook the stipulated duty with no right reserved ever to discontinue it.

Though the truth of this statement may be acknowledged, it will be well to offer some facts for its support.

WITHOUT COMPACTS NO UNION.

The founding of our Government was not the simple thing imagined by many citizens of the present day. Thirteen sovereign States, varying greatly in territory and population, differing considerably in laws and institutions, had to be united under a general government in such a way as to merit and receive the assent of each and of all. Of necessity, the Government had to be founded in the confidence and affections of the people and be constructed so as to obtain the popular vote. Compromises had to be made on several perplexing questions, and in certain States only the utmost efforts of the friends of the Union, in the legislatures and before the people, were sufficient for its accomplishment. That we have trade regulations for ship protection provided in the Constitution is no wonder at all. The States had it and thought it vital to their commercial independence. The only object in turning it over to a general government was to increase its efficiency and to complete its power. From the debate in convention, especially from the closing speech, it is clear that the third "enumerated" power was one of the "bonds and conditions" of the Union, just as much as the provisions about the im-

portation of African labor, or that allowing each State—big or little—two Senators in Congress, or that reserving certain rights and spheres of government to the States, or that concerning the President's nativity, or that limiting his term of office—just as much, in fact, as any provision of a fundamental character. In fact, a charter for a national government would be incomplete without a power of industrial protection, such as that for the regulation of commerce. The first "enumerated" power—that authorizing the laying of duties on imports for revenue—contains no element for industrial protection, save as incidental. A power distinct from that of revenue, to enable the Government to exclude goods, or by duties to equalize home and foreign prices, or to cause preference for home-made articles, was deemed absolutely necessary for national development. The shipping trade is an industry that is highly susceptible of protection by tariff duties. Tonnage and tariff duties, taken together, were the means of ship protection in use by the States from 1785 to 1789. They were the means recognized in the compact, and applied by Congress in 1789. They are the only expedient, effective, and constitutional means at the command of Congress to-day. Had they been unprovided for, the Union could not have been effected.

There can be no doubt of this. Massachusetts had most shipping, but Pennsylvania, New York, Maryland, and Virginia had growing fleets in 1787 under protection of state regulations. As Mr. Gorham intimated, not one of these States would join a government unable to protect its marine, or that would protect it for a little while and then "suspend" it, as, in fact, the Federal Government did in 1828—to the gradual ruination of the vessel interest in the foreign trade. The people in this trade are now in this situation: The States can not protect their shipping, and the General Government has "suspended" its law for so doing. Had it been suspended also as to the domestic trade, that too would now be in a ruined state, not a vessel in building for it, but our entire water-borne commerce, an immense and vital interest, would have been placed to our detriment in the grasp of foreign nations. We would now be standing on the sea with both legs cut off, crippled for life in every part of the national body, as we are weakened in many parts now.

#### POPULARITY OF THE SHIPPING COMPACT.

When the question of adopting the Constitution was before the States, no little of its merit was shown to be the power which Congress would have to regulate our foreign commerce. Madison, Hamilton, and Gouverneur Morris were eloquent on this line. A single quotation may be in point here:

Every person must long since have seen the necessity of placing the exclusive power of regulating the commerce of America in the same body; without this it is impossible to regulate their trade. The same imposts, duties, and customs must equally prevail over all. \* \* \* Whence comes it that shoes, boots, made-up clothes, hats, nails, sheet iron, hinges, and all other things of iron are of British manufacture? Whence comes it that Spain can regulate our flour market? These evils proceed from a want of one supreme controlling power in these States. They will be done away with by adopting the present form of government. It will have power to regulate your trade and commerce, to enforce the execution of your imposts, duties, and customs. Instead of the trade of this country being carried on in foreign bottoms, our ports will be crowded with our own ships, and we shall become the carriers of Europe. Heavy duties will be laid on all foreign articles which can be manufactured in this country, and bounties will be granted on the exportation of our commodities; the manufactories of our country will flourish; our mechanics will lift up their heads and rise to opulence and wealth.

That the compact for the regulation of commerce was promptly acknowledged by Congress, through proper legislation, is a fact well known. The very first tariff bill, by Madison, contained protection not only for factories but for navigation. The first shipping regulation adopted in Committee of the Whole was that of Fitzsimmons, of Pennsylvania. He moved a list of discriminating duties on Asiatic goods calculated to secure the trade of the Far East for American ships. He stated that under similar legislation by his State we were already commanding the direct commerce with China and India, and the General Government would, of course, continue the policy then so useful. On goods brought by foreign vessels or indirect (via Europe) the duties were nearly double the rates by American ships coming direct. Before this bill was passed it was amended to provide for a drawback of 10 per cent of the duty on all goods imported in American vessels. In 1794 this provision was changed to an extra duty of 10 per cent on goods by foreign ships. A separate bill for tonnage-tax discrimination soon followed the first tariff measure, and in 1804 the tonnage discrimination was varied from 44 to 94 cents per ton.

That the President, the House, and Senate rightly interpreted the commerce regulating clause is indisputable. President Washington had been the presiding officer of the convention; seven Representatives and nine Senators, seventeen in all, had been delegates. They knew perfectly well all that was intended, expressed, and implied in the "regulation of commerce." They knew also of a certainty that their duty as Members of Congress was to carry out all the compacts of the Constitution. The proceedings of the convention were not made public while any of the delegates lived, but in various debates in Congress they could direct the majority. The debate on the "Madison resolutions" brought out clearly the purpose of the third "enumerated" power. Concerning this, in his work on the "Debates of Congress," Senator Thomas H. Benton remarked as follows:

In the House of Representatives, 1794, occurred one of the most interesting and elaborate debates which our Congress has furnished. It grew out of the clause in the Constitution conferring power "to regulate commerce with foreign nations," and gives the interpretation of its authors, which is wholly different in its nature, and also distinct from the power to lay and collect import duties. The latter was to raise revenue, the former to make such discriminations in trade and transportation as to protect our merchants and shipowners from the adverse regulations and devices of our rivals.

While the lack of power to regulate foreign commerce was a primary defect of the Confederated Government, and the necessity for its exercise so great as to form a chief cause for creating the Federal Government, it is singular that Congress has always overlooked it, or confounded it with the impost or revenue power. Though not now exercised, it is a power which has found a need for its exercise, and will find it again.

Benton wrote shortly before the civil war, when it was quite apparent that the suspension of our ship protection would ultimately prove ruinous. He could safely predict that the commerce power would find "a need" for its exercise "again." That need was becoming felt at the time.

Second. The fact that the Constitution provides no other means for the maintenance of a merchant marine than may be availed of in the "regulation of commerce," save and except that a small portion of it may be "aided" to some extent by postal patronage.

That this proposition is true needs little argument. One of the bonds and conditions of the Union being the encouragement and protection of navigation, and the regulation of commerce being the specific provision therefor, it follows, necessarily, that there is no other way that can be taken. If this is not the case, why was the debate in the convention confined to trade regulations? Why were not other ways alluded to? Why was a specific way laid down? Clause 3 of section 8 of Article I of the Constitution was provided in answer to the demand for "navigation laws," which are enactments concerning vessels. The power is given for specific purposes; this logically and legally precludes all other methods of ship protection. This grant of power for specific uses, vital to national integrity, industrial development, commercial independence, and strength upon the seas constituted a trust in perpetuity, and Congress has no more authority to "suspend" or discontinue its exercise than to pass a bill making a foreign prince eligible to the Presidency or to change the number of United States Senators from two to ten for the populous States. It is not loyalty to the Constitution that has destroyed our foreign-trade marine, and without honoring its compact for life-sustaining regulations our last ship is bound to perish in the course of time.

In conclusion, notwithstanding the ease with which we may resume the effectual protection of our shipping trade, we have those among us who accept the foreign sentiment, that we should forbear to do so, and bear our ills a little longer, or, at the most, adopt a "subsidy" plan, as done abroad. Congress should consider the following points:

(1) Ship protection being essential to the survival of a marine in the foreign trade, we must return to that policy, or relinquish the sea.

(2) The equities, if any there were, in the "reciprocity conventions" for unprotection, now extant, have long since been dissipated by changes in conditions and no longer exist; the duty of the Government is, therefore, to terminate them, and to resume our liberty as to ship protection.

(3) The Federal Government is under a compact, more sacred than any "treaty," with the States that gave up to it their right to protect their shipping, on condition that it should do it, and fail not, through trade regulations. Congress should perform its duty, or else release the States from their obligation to cease laying ship-protection duties. (See section 10 of Article I.)

(4) The Constitution—just as binding now as ever it was—confers no power to raise and appropriate money to "aid" the carrying trade or any other business. No such power has ever been pointed out as belonging to the Government. Its existence is in the States severally. Nor is it probable that they would ever consent to such an amendment of the Constitution as would be necessary to the adoption of a "ship-subsidy" policy.

(5) As ship protection now stands under suspension the situation is wholly in the interest of foreign nations. A continuation of this plight is in that interest. Needless to say Congress has no authority to sacrifice the shipping trade to advance any other business or to please or appease any foreign nation. It may vary the degree of protection, but to suspend or discontinue it no authority whatever exists. All legislation for this purpose was unconstitutional and void; and it is far beneath the dignity and probity of any self-respecting nation to violate its compact and to continue to dishonor it for years, bringing about impotency and disgrace to itself.

The following tariff regulations are respectfully recommended:

(1) SEC. —. That a rebate of duties shall be allowed and deducted on all foreign goods, wares, and merchandise to the extent of five per centum ad valorem in cases where the specific and ad valorem duties together amount to less than twenty-five per centum of the value of the articles, and to the extent of ten per centum in cases where the specific and ad valorem duties together amount to more than twenty-five per centum of the wholesale value of the articles in the market of the port where the same may be brought in by a vessel of the United States.

And in cases where minimum or reciprocity duties are imposed by law on goods, wares, and merchandise imported, a rebate shall be allowed and deducted to the extent of two and a half per centum ad valorem in cases where the specific and ad valorem duties together amount to less than twenty per centum of the value of the articles, and to the extent of five per centum ad valorem in cases where the specific and ad valorem duties together amount to more than twenty per centum of the wholesale value of the articles in the market of the port where the same may be brought in by a vessel of the United States.

(2) SEC. —. That no other or higher duties than those imposed as regular by law shall be levied, collected, or paid on any goods, wares, or merchandise imported direct by a vessel of the country, its colony or possession, which produced the same, or of a country through which said merchandise is necessarily passed to reach a market; but on all goods, wares, and merchandise imported direct by a vessel not of the United States and not belonging to the country, its colony or possession, where said goods, wares, and merchandise were produced, an additional duty of ten per centum ad valorem shall be levied, collected, and paid; and on all goods, wares, and merchandise imported indirect by a vessel not of the United States from any country, its colony or possession, not that of the production and original exportation of said merchandise, the additional duty as aforesaid shall be fifteen per centum ad valorem.

And in cases where no duties are imposed by law on certain goods, wares, and merchandise imported, and the same have been brought in by a vessel not of the United States direct from its own country, colony, or possession where the same were produced, there shall be levied, collected, and paid a duty of four per centum ad valorem; but if such goods, wares, and merchandise shall be brought direct from a country to which the importing vessel does not belong, but which was the place of production, then the duty as aforesaid shall be eight per centum ad valorem; but if such goods, wares, and merchandise so imported be brought from a country that did not produce the same, then and in that case the duty as aforesaid shall be twelve per centum ad valorem, valued in all cases in the market of the port of entry.

And in cases where minimum or reciprocity duties are imposed by law on goods, wares, and merchandise imported, there shall be levied, collected, and paid full rates of duty, if the same shall be brought in by a vessel not of the United States or not of the reciprocating country from which such merchandise has been exported; or if the same, not being the growth, production, or manufacture of a country contiguous to the United States, shall be brought across the line from such country.

And the additional duties imposed under this section shall apply also to all cases where goods, wares, and merchandise may have been transferred from a foreign vessel or land vehicle, at any place, to a vessel or land vehicle of the United States, for the purpose of convenience, or to evade the provisions of this section.

(3) SEC. —. That a duty of twenty per centum ad valorem, in addition to the duties imposed by law as regular, and also to the additional duties required by the foregoing section, shall be levied, collected, and paid on all goods, wares, and merchandise imported by a vessel not of the United States from a country to which the importing vessel does not belong, unless the importation shall be the growth, production, or manufacture of a country at peace with the United States.

(4) SEC. —. That all goods, wares, and merchandise imported by a vessel not of the United States, that shall be admitted to storage in bonded warehouse with lawful tariff duties unpaid for a period exceeding five days, shall be charged and pay an additional duty of fifteen per centum ad valorem, but a rebate of five per centum shall be allowed in all cases where such merchandise shall be reexported and cleared outward in a vessel of the United States. This section and the three preceding sections shall take effect in thirteen months after their passage.

For the legislation herein suggested, your petitioner, as in duty bound, will ever most respectfully pray.

THE SHIPPING SOCIETY OF AMERICA,  
By WM. W. BATES, *President*.

## CUSTOMS ADMINISTRATIVE LAWS.

STATEMENT OF WILBUR F. WAKEMAN, TREASURER AND GENERAL SECRETARY OF THE AMERICAN PROTECTIVE TARIFF LEAGUE, 339 BROADWAY, NEW YORK.

FRIDAY, *December 4, 1908.*

MR. WAKEMAN. Mr. Chairman, I wish to refer especially to a certain portion of section 2901 of the Revised Statutes, section 14 of the administrative act, section 19 of the administrative act, and section 11. The American Protective Tariff League has never appeared before you favoring any special rate of duty on foreign merchandise or favoring any given schedule of rates. We have faith in the wisdom of Congress, and with the official information at your disposal we have no doubt that the rates of duty in the forthcoming revision of the tariff will be in the interests of the American people.

With the natural evolution as to customs legislation you have provided the fairest treatment of foreign merchandise of any nation in the world. As to value, foreign merchandise has practically three appeals, and as to the rate of duty or classification, foreign merchandise, through its owner or representative, may reach the Supreme Court of the United States.

I appear before you especially to call your attention to some apparent weaknesses, more in the administration of our laws than as to the law itself. First, let me call your attention to the method of appraisement of foreign merchandise. According to section 2901 of the Revised Statutes, one package of every invoice, and one package at least of every ten packages of merchandise, and a greater number if it should be deemed necessary, may be opened, examined, and appraised. The laws further provide that all packages on an invoice may be ordered to the appraiser for examination, appraisement, and advisory classification. Consequently, as I have intimated, the law seems to be strict enough for all practical purposes, but in operation it is found that whenever the collector or appraiser wants all of the merchandise on an invoice, he is told that the merchandise has gone into consumption; and it is my experience that all of the merchandise on an invoice can not be secured more than once in a hundred times, unless the entire merchandise is demanded upon the entry at any port. Under these circumstances the appraiser has one package in ten before him, and supposing he advances the value of this merchandise by 40 per cent, he is unable to secure the balance of the merchandise, or the nine-tenths, and the advance made, according to the decision of the court, only applies to the merchandise before him. It is my judgment that the revenues of the Government suffer very seriously on account of the failure of importers to comply with the law in furnishing all of the merchandise on a given invoice when demanded. I remember one case which came under my personal observation, where the leading importers in a certain line constantly had one-tenth advance, and it was scarcely ever possible for me to secure all the merchandise on an invoice. On one occasion I refused to make return or appraisement of said merchandise, and found that the importers actually went out into the market and bought a low grade of similar goods, packed them in foreign cases, and submitted them to me, the appraiser, as the original goods brought in upon said invoice.



Mr. GRIGGS. Now, you are making some serious charges there. Do you not think you ought to give the names?

Mr. WAKEMAN. How, sir?

Mr. GRIGGS. You are making some serious charges there. Do you not think you ought to give the names?

Mr. WAKEMAN. You can obtain them from the Secretary of the Treasury. I am no longer a government official. I am perfectly willing to give you references.

Mr. GRIGGS. You do not give us sufficient facts.

Mr. WAKEMAN. I am willing to give you the references.

Mr. GRIGGS. Very well.

Mr. WAKEMAN. It might be claimed libelous.

Mr. COCKRAN. I think I can assure you that it would be treated as a privileged communication.

Mr. WAKEMAN. You can appreciate what a loophole this amounts to in the honest administration of the customs laws. My recommendation is that a provision be inserted in the new law to the effect that when all of the merchandise on any invoice is called for by customs officials and not furnished intact, the appraisement of the one-tenth shall apply to the whole invoice. I believe that this provision would be accepted gladly by every honest importer, and it certainly would have a most important influence in favor of good administration.

Mr. UNDERWOOD. Let me ask you right there, on that question of administration: If we were to change the law, which contemplates now that every bit of the imported goods shall be before the appraiser—

Mr. WAKEMAN. No, sir.

Mr. UNDERWOOD. Does not the law now contemplate that?

Mr. WAKEMAN. No, sir.

Mr. UNDERWOOD. I thought it was only by a mere waiving of the law by the official that they were allowed to submit less than the whole of the goods.

Mr. WAKEMAN. No, sir; section 2901 provides that one package of every invoice, and one package at least of every ten packages of merchandise, shall come before the appraiser.

Mr. UNDERWOOD. It now contemplates that the appraiser can order the whole invoice before him, does it not?

Mr. WAKEMAN. Yes; he can order a greater number, if it should be deemed necessary, to come before him.

Mr. UNDERWOOD. If we changed this law on that line that you suggest, would it not be subject to the construction that you could not require the entire invoice to come before you, and if one in ten went before you, the balance could go on through, and, therefore, although it would make the balance of the invoice subject to the appraisement that you made of the one-tenth, it might be juggled so as to encourage smuggling?

Mr. WAKEMAN. Your point is well taken, Mr. Underwood, and in answer thereto I would say that I mean to leave all the provisions of the present law as they exist, and where undervaluations are found of one-tenth, and the other nine-tenths are not produced, I propose that that advance shall apply to the whole invoice. I do not make any changes in your present law, but add that condition. Does that answer your question?

Mr. UNDERWOOD. I see.

Mr. LONGWORTH. When you examine one package out of ten, what do you do with the other nine?

Mr. WAKEMAN. They are delivered to the importer.

Mr. LONGWORTH. Delivered to the importer?

Mr. WAKEMAN. They are delivered to the importer on what is known as a "ten-day bond." But when you send for the other nine-tenths, in case you want them, you find they have gone into consumption, and you can not get them.

Mr. BONYNGE. Can you not get a bond for them?

Mr. WAKEMAN. Yes, sir; but that bond has always been considered as of no value.

Mr. GAINES. Does this happen very often?

Mr. WAKEMAN. Yes.

Mr. GAINES. You said the bond was considered how? I did not hear you.

Mr. WAKEMAN. I say the bond has always been considered of little value. I remember in my early experience the customs officers stated that as a rule the bond was of no value; but later, if my memory serves me correctly, a case was decided that the bond is good. But then it always depends upon the character of the bond as it is executed. It is done in a very hurried way, a perfunctory way, by customs brokers, and so forth, going upon these bonds, and I should say they were of very doubtful character.

Mr. BONYNGE. What is your object? To retain the other nine-tenths until you have made the examination of the one-tenth, or what?

Mr. WAKEMAN. No, sir; my recommendation is, as I stated to Mr. Underwood, to leave the law as it is and add a provision that where the appraiser finds that the one-tenth is undervalued, and the importer fails to produce the other nine-tenths, that valuation shall apply to the whole invoice. To-day it applies only to this one case.

Mr. BONYNGE. I see.

Mr. WAKEMAN. Consequently, a man can go on doing business in that way, and I think I could refer to people who have made fortunes in that way, having one case advanced, and nine cases go through to the consumer.

Mr. GRIGGS. The manufacturers have made fortunes at the same time, have they not?

Mr. WAKEMAN. That would depend upon the line you refer to. Recommendations have been made to you by certain associations and by the diplomatic note of May 2, 1907, that—

If the appraised value of any article of imported merchandise subject to an ad valorem duty or to a duty based upon or regulated in any manner by the value thereof shall exceed the value declared in the entry by more than 10 per cent there shall be levied, collected, and paid, in addition to the duties imposed by law on such merchandise, an additional duty of 1 per cent of the total appraised value thereof for each 1 per cent in excess of 10 per cent that such appraised value exceeds the value declared in the entry.

This provision was presented to your Ways and Means Committee, I think, a year ago. Under the present law all penalties apply for whatever undervaluation is found to exist. To illustrate, if an invoice of the total value of a thousand marks is advanced in value, say, 20 per cent by the appraiser, and the legal rate of duty is, say, 60 per cent, the penalties would work out as follows: On 1,000 marks advanced to 1,200 marks, the rate of duty would be advanced from 60 to

80 per cent; consequently the importer would be compelled to pay a duty of 960 marks instead of 600 marks. Now, in the recommendation quoted above it is proposed to give the importer a leeway of 10 per cent before any penalties apply, and these conditions exist in the Wilson-Gorman tariff of 1894. When I became United States appraiser at the port of New York in 1897, I found not a few, but hundreds, of invoices awaiting my signature, advanced 9, 9½, 9¾ per cent—just under the penalty provision; and this very condition which I found at that time was what caused the proviso in the Dingley tariff of assessing penalties on every undervaluation, no matter whether it be 1 per cent or upward. This provision had a splendid effect in making the importers careful as to their invoices, and I believe there is no provision of the law more important to honest importation than that penalties shall apply for every undervaluation found.

As to fees on protest and appeal, section 14 of the administrative act provides for protests against value returned by the appraiser and appeals from classification or the rate of duty assessed. You will notice in this section there is no charge made in connection with the protest for appeal, with the result that the files and records of the offices of the collector, the local appraisers, and the Board of United States General Appraisers are simply swamped with these protests and appeals. I have known of instances where customs brokers and customs lawyers kept a force of clerks simply protesting against the value or appealing from the classification of every invoice that they could reach. Finally some case would come along on which a possible protest could be made. I remember one line of merchandise where there were something like 6,000 protests, and on account of them the Government was put to great expense, and the importer never recovered a dollar.

My recommendation is in harmony with the recommendation of the honorable the Secretary of the Treasury, that a small fee apply to each protest and appeal. The other day, in the corridor here, I met a customs lawyer, and he said, "Well, we will never stand for that." He said, "We will find a way of putting a great many articles upon one protest." So I will extend that recommendation to this point, that a small fee be applied to every protest or appeal and that each protest or appeal must apply to one invoice.

Mr. GAINES. Do you mean that these lawyers have their clerks enter protests whether they represent the owners or not?

Mr. WAKEMAN. They prepare them; yes, sir.

Mr. GAINES. Getting themselves ready to be employed?

Mr. WAKEMAN. Yes, sir. It is a well-known fact that these cases on classification are taken on a 50 per cent basis, and the customs lawyers are bright, skillful, splendid fellows, and I do not blame them for making all they can, if you allow them to, under these conditions.

Mr. GAINES. No; but I blame a lawyer for interfering with business that he is not employed in, and I think he ought to be disbarred for it.

Mr. WAKEMAN. Well, I am not a lawyer.

Mr. CLARK. Some of these lawyers make a princely revenue, do they not?

MR. WAKEMAN. I know of one case where the customs lawyer, in connection with the famous ribbon case under the law of 1883, received a fee of \$80,000.

MR. CLARK. Did not a large merchant in New York once pay a lawyer a fee of \$250,000 to give him instructions how to beat the Government out of its revenue on silk mixed with wool?

MR. WAKEMAN. I do not know that case, Mr. Clark.

MR. CLARK. If I was not afraid of getting sued myself, I would tell you who it was.

MR. WAKEMAN. It has sometimes seemed to me that a great many of the decisions—I will not say a majority—rendered by customs officials, including local appraisers, collectors, the Board of United States General Appraisers, and the Secretary of the Treasury and the courts were hardly in harmony with the intentions of Congress. For instance, referring to section 17 of the present law, covering celluloids or compounds of pyroxylin, one paragraph reads as follows:

If in finished or partly finished articles and articles of which collodion or any compound of pyroxylin is the component material of chief value, sixty-five cents per pound and twenty-five per centum ad valorem.

That would seem perfectly clear as applying to any article, finished or unfinished, of which collodion is the element of chief value; but it is not. For instance, you take a brush with a beautiful celluloid handle representing several times the cost of the bristles, and it is imported as a brush and pays the duty as such. The same applies to toys made of celluloid.

Again, take section 153 of the tariff, covering pocket cutlery. The one phrase of the last proviso reads:

Blades, handles, and other parts of either or any of the foregoing articles, imported in any other manner than assembled in finished knives or erasers, shall be subject to no less rate of duty than herein provided for penknives, pocketknives, clasp knives, pruning knives, manicure knives, and erasers valued at more than fifty and not more than one dollar and fifty cents per dozen.

Now, it would seem that this rate of duty should apply to parts of knives indicated, but it does not. By the decision of the Board of Appraisers this proviso is negatived, and fees are collected on parts of knives according to the first phrase of section 153, at 40 per cent.

Again, under the Dingley tariff, you provide for filler tobacco at 35 cents a pound and wrapper tobacco at \$1.85 per pound. The decisions of the courts and appraisers for some generations were cited in favor of not collecting the \$1.85 per pound unless there was more than 15 per cent of wrapper tobacco in the bale, known as a self-working bale. This contention was strongly backed by the importers of leaf tobacco, and the Government, after four or five years' litigation, was able to sustain the law which you passed in 1897, and to enforce the collection of duties on the amount of wrapper tobacco actually contained in the bale. I give these few illustrations as to where the manifest intention of Congress is set aside by administration and the courts. It has been intimated in public prints that the forthcoming bill will be written so as to conform to decisions of the courts and customs officers. It seems to me that the new law should be so written that the customs officials and the courts would be compelled to conform to the wishes of Congress and the intentions of Congress.

The German tariff agreement was announced by the President's proclamation of May 31, 1907, and the conditions of the same were

announced by the diplomatic note of the Secretary of State of April 22, 1907. This agreement has now been extended to all nations of the Continent and to Japan. Let me quote the provisions of the agreement which seem perhaps the most important in affecting the administration of the customs laws. I quote as follows:

Market value, as defined by section 19 of the customs administrative act, shall be construed to mean the export price whenever goods, wares, and merchandise are sold wholly for export or sold in the home market only in limited quantities, by reason of which facts there can not be established a market value based upon the sale of such goods, wares, and merchandise in usual wholesale quantities, packed ready for shipment to the United States.

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The certificates as to value issued by German chambers of commerce shall be accepted by appraisers as competent evidence, and be considered by them in connection with such other evidence as may be adduced.

Section 19 of the administrative act of 1890 as amended in 1897 reads, in part, as follows:

SEC. 19. That whenever imported merchandise is subject to an ad valorem rate of duty or to a duty based upon or regulated in any manner by the value thereof, the duty shall be assessed upon the actual market value or wholesale price of such merchandise as bought and sold in usual wholesale quantities at the time of exportation to the United States, and so forth.

Now, on the second point, as supplementary to section 19, and meeting the very conditions named in section A of the German agreement, I quote from section 11 of the administrative act as amended by the act of July 24, 1897, one phrase, as follows:

Whenever the appraiser can not obtain the wholesale value under section 19, he shall use such measures as he can, and in no case shall said merchandise be assessed at less than the total cost of production as thus ascertained. It shall be lawful for the appraising officers, in determining the dutiable value of such merchandise, to take into consideration the wholesale price at which such or similar merchandise is sold or offered for sale in the United States, due allowance being made for estimated duties thereon, etc.

Regarding the legality of these changes, I have the honor to submit the opinion of Hon. John S. Wise, an eminent constitutional lawyer, which covers the point of this thoroughly. He says:

The question reduced to its last analysis is:

1. Has the President a right to make this commercial agreement? To that I answer "yes."

2. In doing so, had he the right to alter a mode of appraisement, applicable to all imported goods whether they come in under commercial agreements or not, prescribed by sections 10 and 11 of the customs administrative act? To that I answer "no."

Nothing is said in any law of power in the President to alter the prescribed mode of ascertaining values of goods imported. Until I am shown such, I am of opinion that in attempting to do so he has exceeded his authority.

As to the effect of the administrative changes under consideration, as a matter of fact our imports from Germany—competitive imports—have increased steadily since this agreement went into effect on July 1, 1907, especially of merchandise competitive with American products and merchandise affected by an ad valorem tariff. Naturally this agreement could not change any rates of duty, but it has opened the door to undervaluation by the method of ascertainment of market value established by paragraph A of said agreement. There has been no increase of imports from Germany or other countries where specific rates of duty apply, but all increases of importation of foreign competitive merchandise are of the character affected

by an ad valorem or compound tariff. To illustrate, take one article—cement. This bears a specific rate of duty of 8 cents per hundred pounds, but our imports from Germany for the fiscal year 1907 amounted to 413,000,000 pounds; and this year—the fiscal year 1908—they amount to 218,000,000 pounds. That is a specific rate that could not be changed. On the contrary, take merchandise affected purely by an ad valorem tariff, like pottery or china ware. It is regrettable that the quantities imported are not reported by the Bureau of Statistics, but the importations from Germany for two years—the fiscal years 1907 and 1908—amounted to, respectively, \$5,153,943 and \$5,287,267, or an actual increase in valuation. If under the German agreement the values of merchandise affected by an ad valorem tariff have been reduced 25 per cent, you will see that the quantity of importations has very greatly increased, and this may be the cause of several large manufacturers being now in the hands of receivers. My recommendation is, in this connection, that section 3 of the administrative act be omitted from the new bill.

Mr. Chairman and gentlemen, I thank you very much.

Mr. CLARK. You are editor of the American Economist?

Mr. WAKEMAN. No, sir; I am not.

Mr. CLARK. Or the manager?

Mr. WAKEMAN. I am the publisher.

Mr. CLARK. That is the organ of the American Tariff League?

Mr. WAKEMAN. The American Protective Tariff League.

Mr. CLARK. Yes. I take it, then, that you are about the finest sample of a stand-patter that has appeared before this committee. Is that true or not?

Mr. WAKEMAN. We believe in such a tariff upon all imports as shall equal the difference of cost of production, plus a reasonable profit to the producers.

Mr. CLARK. You and your confrères are engaged at this very minute in laying the foundation to elect a Republican House of Representatives in 1910, are you not?

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. Somebody sent me some of your literature which led me to believe that that was the case. Well, now, I assume there is one thing that you and I will agree about, at least.

The CHAIRMAN. You do not agree upon the other proposition? [Laughter.]

Mr. CLARK. No; I am hardly interested in that. If there is a tariff law on the statute books, you and I both of us want it honestly enforced?

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. You were appraiser of the port of New York?

Mr. WAKEMAN. Yes.

Mr. CLARK. When did you come into that position?

Mr. WAKEMAN. I was appointed July 3, 1897, and assumed the office July 15, 1897, just in advance of this law going into effect.

Mr. CLARK. Who appointed you to that place?

Mr. WAKEMAN. President McKinley.

Mr. CLARK. When did you leave that office?

Mr. WAKEMAN. December 21, 1901.

Mr. CLARK. Who took you out?

Mr. WAKEMAN. The President.

Mr. CLARK. For what reason, Mr. Wakeman, were you decapitated officially?

Mr. WAKEMAN. If a man takes the initiative, he always has to give the explanation. If I had resigned I should feel it my duty to give you the reasons for resigning. The party who took the initiative must give you the answer.

Mr. CLARK. When did you go out?

Mr. WAKEMAN. December 21, 1901.

Mr. CLARK. You came in under McKinley and went out under Roosevelt, then?

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. Your official life as appraiser began just about the time the Dingley bill was passed?

Mr. WAKEMAN. Yes.

Mr. CLARK. Had you had any experience in the appraising business before you were appointed appraiser?

Mr. WAKEMAN. No, sir.

Mr. CLARK. Do you know or have you any good reason to believe that there was any undervaluation of these imports going on at the time that you were appointed?

Mr. WAKEMAN. My knowledge of the office when I was appointed was so limited that I would not be a fair judge.

Mr. CLARK. What was the condition of your office when you assumed it with reference to the volume of business that had accumulated?

Mr. WAKEMAN. That was very large, and legitimately so, in view of the desire of importers to get their goods in here at the lower rates prior to the Dingley tariff going into effect.

Mr. CLARK. What was the condition of the office from the standpoint of administration? Was it good or bad?

Mr. WAKEMAN. Well, both.

Mr. CLARK. What do you mean by such an answer as that?

Mr. WAKEMAN. There were some features that were first-class and there were some that were bad, and it took me a long time to find them out.

Mr. CLARK. State one that was good, for instance.

Mr. WAKEMAN. The general office force. The general office force I considered an exceptionally good office force which I found there under the second administration of Mr. Cleveland.

Mr. CLARK. I wish you would name any feature that was proposed at that time that looked substantially to the curtailment of this evil of undervaluation, made by Cleveland or any of Cleveland's subordinates, or anybody else.

Mr. WAKEMAN. I think that one of the best things which did not require legislation, under any administration that I remember, that came to my notice early in my administration, was the effort made by the Assistant Secretary of the Treasury; I think it was Mr. Hammond at that time.

Mr. CLARK. Hammond lives in Boston?

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. He is a Boston lawyer?

Mr. WAKEMAN. I think so; yes, sir.

Mr. CLARK. Yes.

Mr. WAKEMAN. He inaugurated a plan to have all consular invoices signed before a magistrate in the country where the invoice was prepared. That would make every person preparing an invoice subject to the laws of his own country as to affidavits. That plan was carried on—I think it was under negotiation—for fully eight months or two years, and it was thought as I came into office that it would go into effect. The way I happened to know of it was that they thought they would immediately have this plan in effect, and all the countries of the Continent except one and the United States joined in this agreement. You might call it a trade agreement. The one country which did not join in it was Germany. Every country of Europe except Germany and the United States joined in it, but the fact that Germany did not join blocked the entire agreement. I think that little thing would have done as much to prevent the great evil of undervaluation as anything of which I know, and I happen to know that it had the warm indorsement of President Cleveland.

Mr. CLARK. That never went into operation?

Mr. WAKEMAN. No, sir; it was blocked by Germany.

Mr. CLARK. This undervaluation evil, as I understand you, has increased rather than diminished as the years go by, especially under this German agreement, as we have been in the habit of calling it?

Mr. WAKEMAN. Well, you may call that legalized undervaluation; but the undervaluation exists, I think, on all ad valorem goods; where these agreements are in effect the basis of value has been reduced at least 25 per cent.

Mr. CLARK. I will ask you this, and you can let it alone or answer it just as you please. There has been a good deal of suspicion in the minds of a great many people that this German agreement, which has now been accepted by others, was entered into in the spring of 1907 because the German Government was threatening to shut out American products, especially what may be called agricultural products, beef, pork, and so forth, and that the agreement was entered into for the purpose of shoving off the investigation into tariff conditions until after that election. If you want to answer that question I would like to have you do so; but if you do not, do not do so.

Mr. WAKEMAN. I would prefer to eliminate the last point, and then I will inject another point there, if you will allow me.

Mr. CLARK. All right.

Mr. WAKEMAN. I think these trade agreements started with the Cuban treaty. Now, why? That is the first point. Here Germany was sending us between ten and eleven million dollars' worth of sugar, and when that Cuban treaty went into effect that was shut out; and the Kaiser Wilhelm, of course he is one of the greatest in the world for the industries of his people; and I happen to know through the President of the United States that the strongest pressure was brought to bear in favor of a trade agreement on account of the loss of this market through the Cuban treaty.

As to your other point, I hardly know how to answer that except in a general way. I believe that these foreign trade agreements have set aside your law as to all ad valorem goods, to the extent of 25 per cent; that is, the tariff has already been reduced about 25 per cent.

Mr. CLARK. We were shipping to Germany, when this row begun, somewhere in the neighborhood of two hundred billion dollars' worth a year of stuff, were we not?



Mr. WAKEMAN. I could not tell you that.

Mr. CLARK. I think, as a matter of fact, it was one hundred and sixty-one billion dollars' worth; and there was such a tremendous protest went up against that in all of the Central West, where agriculture flourishes in its best estate, that it excited the fears of the administration that if they did not do something to quiet the unrest out there, we would carry the country last November.

Mr. WAKEMAN. I could not express an opinion on that point.

Mr. CLARK. Under the administration of the Dingley bill you find this undervaluation going on?

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. Why do not you manufacturers in the United States who know of this situation in New York endeavor to get information on which to base criminal prosecution, so that you can land these common swindlers in the penitentiary?

Mr. WAKEMAN. The manufacturers of this country know mighty little about the customs rules and regulations and their methods of administration. And as you may possibly be aware their knowledge does not go. Such knowledge to be valuable must be a knowledge of the value of the foreign goods. Their knowledge as to the duty on foreign goods would go, but when the goods come in from foreign countries under section 19, as I have stated, most manufacturers know nothing or little about that.

Mr. CLARK. Do not the manufacturers in the United States know to the extent these articles are made abroad and the capital invested?

Mr. WAKEMAN. Yes.

Mr. CLARK. Then in order to convict a man who is engaged in this sort of swindle you have to have evidence as to the real value of that in Germany or England?

Mr. WAKEMAN. We have got to proceed under section 9.

Mr. CLARK. Then if your procedure does not accomplish what you want to accomplish in reference to this swindling business, why do not the manufacturers get together and send somebody to Europe and find out what is paid so that they can get witnesses on the stand to testify? That is one end of this case.

Mr. WAKEMAN. Yes; that is one end of the case; and still I would answer by stating that the avenues of information are closed to you. Even in the last four or five months the United States Government has tried to get that information and it has been declined. I gave letters of introduction to two of our agents, and when they came back they had a different idea from what they had when they went over. They found the avenues of information closed. They had not been able to get a particle of information.

Mr. CLARK. Is there any way of getting it?

Mr. WAKEMAN. You can get it by having honest officers and standing by them.

Mr. CLARK. Don't you think it would do more good in the way of stopping this swindling on the part of importers to send some of them to the penitentiary rather than to inflict all of the penalties contained in the Dingley bill?

Mr. WAKEMAN. Very few people are convicted of infractions of the customs laws.

Mr. CLARK. It seems to me it is the fault of the prosecuting officers. If I go out and get \$100 out of a man under false pretenses I can be sent to the penitentiary, but if any one of these importers swindles the Government out of \$1,000 you say that he can not be landed in the penitentiary?

Mr. WAKEMAN. I have known of some instances of its being done.

Mr. CLARK. If you had your way would you change the Dingley bill in any particular except to mark up the rates a little higher?

Mr. WAKEMAN. No, sir; we never appear here in reference to rates.

Mr. CLARK. Is it not your idea to have a prohibitory tariff?

Mr. WAKEMAN. No, sir.

Mr. CLARK. There has been a good deal said in reference to undervaluation. Now, simply give us a case. From your general information you think that there has been more swindling on laces and silks. Give us a case by taking either one of those articles.

Mr. WAKEMAN. I could go into the Japanese silk cases briefly, because I would not want to take up the time of the committee to go through the entire list. It would seem that this house had supplied the market of the United States. The large merchants of the United States could not get in on these goods because the firm of A. S. Rosenthal & Co. could sell them cheaper and had the trade. I made three or four attempts at investigation, but I did not get very far. Finally some competitors of this house told me how the trick was turned. It seemed that they had an examiner and had secured an influence over him and paid him so much money. I said to them: "Gentlemen, you sit right down here and write that out and I will then have something to depend on, and I will endeavor to stop it." They hesitated about that, but they did it. The reason they hesitated was that one of them had paid funds to the examiner. That gentleman has since died in the asylum. I said to them: "You must help me." I did not know how many men under me I had that I could trust. Doubtless I could trust everybody, but I concluded that I would handle it myself.

So in July, 1901, or before that time, I told the examiners that I wanted them to trace every importation of Rosenthal & Co. by sample from Shanghai. I told them that I wanted the number and I wanted the arrival in New York and that I wanted the invoice. In that way I thought I could keep tab on the goods. I found that I could not get this information unless I called for it in advance. Their first invoice was Japanese khaki. There were two cases marked and designated for my examination. Those two cases were correct, but I had them all gone into, and I found, in connection with this case, that there were three others. I found that the goods were undervalued about one-third. Goods that should have been valued at 18 cents were invoiced at 14 or 15 cents. The rates of duty applicable to silk are all the way from 50 per cent ad valorem to \$3.10 a pound. By reason of the classification rate and the amount of silk which should be contained in each piece, there was a wrong classification of at least from 33 per cent to 40 per cent. They had about 40 per cent more silk than they should have had. I asked afterwards in reference to the invoice, which read \$1,000 in value when it should have read \$2,400 as a proper classification. It was found that this firm defrauded the Government to the extent of \$1,100,000 per year.

Mr. CLARK. One million and one hundred thousand dollars per year?

Mr. WAKEMAN. Yes, sir. I was removed as an appraiser in December, 1901. The cases were going along and the President sent for me and asked me about those silk cases, and I told him all about them. The next morning a new assistant deputy attorney was appointed. In those cases the Government had accepted about \$80,000 in settlement of the suit, because it was doubtful whether they could collect anything. Rosenthal has not been convicted, because he is a fugitive from justice. The examiner was convicted, but he quit business and went to Montreal.

Mr. CLARK. How did he get to Montreal?

Mr. WAKEMAN. He skipped. His case went to the Supreme Court and he came down here, and when he found that he was not going to get through very well he went from Washington direct to Montreal.

Mr. CLARK. Had he been convicted?

Mr. WAKEMAN. Yes, sir; he was convicted—two years in the penitentiary and a fine of \$5,000.

Mr. CLARK. And he lit out to avoid the penitentiary sentence?

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. Was the reason because the bond was not sufficient to hold him?

Mr. WAKEMAN. He paid one bond of \$15,000. In the second case the bond held him.

Mr. CLARK. Has any one of them been landed in the penitentiary?

Mr. WAKEMAN. No, sir.

Mr. CLARK. I know that one of those gentlemen jumped off the bridge in New York.

Mr. WAKEMAN. He was never connected with these cases.

Mr. CLARK. What was the amount of the fraud that was dug up in these silk cases?

Mr. WAKEMAN. In one case there was \$1,100,000.

Mr. CLARK. How long was it after you dug up that case that you were dismissed?

Mr. WAKEMAN. I did not stay until it was cleaned up.

Mr. CLARK. The other cases, as I remember, at that time were the lace cases in St. Paul?

Mr. WAKEMAN. Those were embroidery cases. Those were interesting, and every man who had anything to do with them claimed the credit; and consequently I leave that to some one else. After the law went into effect in December or January, the Secretary of the Treasury directed me to go into the subject thoroughly. I did not know anything about embroidery. It was a new question, and I invoked the authority in section 19 and summoned importers before me with the endeavor to find out something about the industry. I did not get very much information, but such houses as Arnold, Constable & Co., of New York; Mills, Gibbs & Co., and I think Lord & Taylor and Marshall Field & Co. helped me somewhat. They gave us valuable information. I wanted to get at the approximate value of the goods. They would sell the goods at Chicago and pay the duty delivered there. I knew very little about this business.

Say here is an invoice of 10,000 marks and I wanted to get an approximate idea of the value so as to see about how much undervaluation there was. I would take 100 as the unit of value. The duty was 60 cents. The broker would put in his brokerage and the charges would be 5 per cent. That would make a cumulative

unit of value of 1.73. I divided the American selling price by that figure, and in that way I arrive at an approximate value on the ad valorem basis. This would amount to 5,800 marks. I saw the bills and got the receipts of these houses showing what they paid for the goods, and I found that the invoices entered at New York were one-half the selling price, and I proceeded on that basis. Finally, to cut out the details, the Treasury decided to send a subagent to St. Gaul. They sent the subagent to St. Gaul and obtained the value by the weaving and the number of stitchings. They also took into consideration the figures that were woven in the goods. Those elements of cost were arrived at and a reasonable percentage of cost was made under section 11. That was arrived at very nicely, but the ground of appraisement of the merchandise was transferred in that way from New York to St. Gaul. That went along for two or three years and the increase in the duties paid on St. Gaul embroidery ran about \$900,000. Finally it was found that the party at St. Gaul was shipping in his own goods at an undervaluation of 81 per cent. In consequence of that some changes were made. What the amount of that fraud was I can not tell you.

Mr. CLARK. By these investigations how much did you manage to increase the revenue on that entire importation?

Mr. WAKEMAN. About \$900,000 to \$1,000,000.

Mr. CLARK. Now, I want to go back a moment and ask you some other questions. Under this law you take one-tenth of the samples?

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. And you found from the handling of the silk—that this that was marked for your examination—would not pay the revenue that the other nine-tenths would pay which was not marked?

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. Is not that same scheme in operation now?

Mr. WAKEMAN. It is susceptible of being operated.

Mr. CLARK. What did you do with that examiner of whom you spoke?

Mr. WAKEMAN. I transferred him to the docks.

Mr. CLARK. Transferred him to the docks?

Mr. WAKEMAN. Yes, sir; we have examiners on the docks examining personal baggage. It is a place where we have a great many examiners and when we want to make a special examination we put in a man we can trust.

Mr. CLARK. When you transferred him what went with him?

Mr. WAKEMAN. His salary.

Mr. CLARK. Where is he now?

Mr. WAKEMAN. That is, the examiner, Mr. Brown, of whom I spoke?

Mr. CLARK. He ought to be in the penitentiary.

Mr. WAKEMAN. He is under conviction.

Mr. GAINES. Have we an extradition treaty with Canada?

Mr. WAKEMAN. I will give you the facts in that case. I am not a lawyer. I will give you the facts and you can apply the law. I understand that Mr. Brown had been convicted. We tried to extradite him under the head of conspiracy, under section 9. We found after a long consideration and after it had reached the highest courts that he could not be extradited. Then in order to get him back we pressed a second suit, and as he was going down in the neighborhood

of Sing Sing a marshal of the United States found him and took possession of his body and landed him in Sing Sing prison. His attorneys immediately made application to the federal courts on the ground that he was under protection by the United States Government and was coming in here according to the case made under this second indictment.

Mr. CRUMPACKER. Were not Greene and Gaynor convicted under the charge of conspiracy?

Mr. WAKEMAN. Yes; I will correct that. I think they first defrauded the revenue.

Mr. CLARK. Do you think that the examiner ought to have charge of that entire invoice?

Mr. WAKEMAN. No, sir. You said the invoice, but you mean the merchandise.

Mr. CLARK. The chairman has tried to ascertain and has asked whether there was any feasible scheme by which they could make valuations of imports.

The CHAIRMAN. I want to make a suggestion, because I have been thinking more about that. The present law provides that you may take into consideration the wholesale price here in determining the value abroad. I want to ask whether there is a clause in that section providing that the wholesale price abroad should be fixed at not less than the wholesale price here, or, say, 60 per cent of the wholesale price, because Mr. Burgess put the wholesale price or fixed it to include the duty and transportation, as well as the percentage of the cost of landing it; and is it not likely that 32½ per cent of duty on that wholesale price would be equivalent to the 60 per cent on the wholesale price abroad, if honestly collected. Suppose you should say that the wholesale price abroad should be fixed at not less than a certain percentage of the wholesale price here, making allowance for the duty paid; do you think that that would help in the administration of this law?

Mr. WAKEMAN. Yes; I do. When you apply that to the St. Gaul goods it works. When you took 100 as the unit of value and added to it the brokerage, etc., and divided the selling price of the merchandise by that cumulative value, you were within 1 per cent of the valuation, or the wholesale market's valuation.

Mr. CLARK. You say that the bonds were practically worthless?

Mr. WAKEMAN. They seem to be. I wish you would call some officer in the law division of the collector's office as to that.

Mr. CLARK. Do you favor ad valorem duties?

Mr. WAKEMAN. I favor specific and ad valorem duties combined.

Mr. CLARK. Is there less swindling under a specific than there is under an ad valorem duty?

Mr. WAKEMAN. No; not if you will watch matters under a specific duty.

Mr. CLARK. During Mr. Cleveland's administration it was suggested that men who make out invoices should be sworn.

Mr. WAKEMAN. Yes, sir.

Mr. CLARK. Do you think it would be feasible to swear importers? Could you not then get that knowledge without having to go to England, Germany, or other countries? I do not mean to say that all importers are swindlers.

Mr. WAKEMAN. A great many of them are.

Mr. CLARK. Is there not some way to swear them now?

Mr. WAKEMAN. You have got that authority now under section 16.

Mr. CLARK. Authority to swear them?

Mr. WAKEMAN. Yes; but it is not utilized.

Mr. CLARK. Do you suppose that the Secretary of the Treasury knows that?

Mr. WAKEMAN. I think so.

The CHAIRMAN. Are there not blank oaths furnished with the papers?

Mr. WAKEMAN. That is a matter that comes under the collector.

The CHAIRMAN. I remember that in coming from abroad persons are asked to sign a paper, but I have no knowledge of anybody ever having been asked to swear to it.

Mr. WAKEMAN. As to their personal baggage?

The CHAIRMAN. Yes; I never saw any person administering an oath.

Mr. WAKEMAN. I have.

Mr. CLARK. It is like the law in Missouri requiring an oath as to taxes. Not one person out of 500 ever swear to it. Is there any way by which examiners can pick out their own samples?

Mr. WAKEMAN. I do not think it is proper to swear them. The way that is done you go into a collector's office and submit your invoice on a whole lot of goods, and the entry clerk designates it as so many cases to go to the appraiser. The examiner has nothing to do with that.

Mr. CLARK. In examination of tobacco an examiner will go with a crowbar and dig into the hogshead. He gets a sample from whatever part of the goods he pleases. Is there any way to fix it so that the custom-house officer can work on the same plan in examining importations?

Mr. WAKEMAN. You have reference to leaf tobacco?

Mr. CLARK. I have reference to the examination of the tobacco in the hogshead.

Mr. WAKEMAN. You are speaking of smoking tobacco. They are imported in hands, and a certain portion of them are examined.

Mr. CLARK. Why can not you do that with silk?

Mr. WAKEMAN. They could, but tobacco pays a high rate of duty.

Mr. CLARK. Is there any way that that can be applied to silks, for instance?

Mr. WAKEMAN. You are now applying that to the entire line of importations.

Mr. CLARK. Certainly.

Mr. WAKEMAN. If you take the article of gloves, that pay a certain rate of duty. All gloves go to the appraiser. The appraiser examines them to see whether they have so many gloves, as to how many buttons and the length. There is no difficulty about that.

Mr. CLARK. Suppose a man should attempt to load up with sheep-skin gloves and should try to get them in as high-price gloves; have you a right to interfere in that case?

Mr. WAKEMAN. The specific duty applies to gloves, and all gloves go to the appraiser.

Mr. CLARK. Then I have selected the wrong article for my illustration. Suppose you take something else. Take something where there are two qualities, like silk, on which there is a high and low

duty. Suppose a man loads up with a stock of half high grades and half low grades and represents the invoice as low grade. Suppose he takes in 100 cases, and instead of having the privilege of examining one-tenth, why not examine the whole lot?

Mr. WAKEMAN. That could be done.

Mr. DALZELL. You have that privilege now.

Mr. WAKEMAN. If we could get them.

Mr. DALZELL. You can get them if you take it in time.

Mr. WAKEMAN. Yes; if you call for them immediately after they land, but that would cast a terrible reflection on the importer.

Mr. DALZELL. The question of his feelings comes in?

Mr. WAKEMAN. That always comes in. He would come in and say that the appraiser classes him as a thief, and he would threaten to see his Member of Congress.

Mr. CLARK. The law provides that you shall examine a tenth.

Mr. GAINES. That might be petty larceny.

Mr. GRIGGS. Is an importer not a thief if he is trying to swindle in that manner?

Mr. WAKEMAN. I think the importer has just as much right to be treated courteously and fairly as anybody else. A majority of the importers are just as good as any business man we have in this country, but there are a few who bring discredit on the trade.

Mr. CLARK. I think so, too; but I want to ask you another question. What was the date of your exposure of these silk frauds?

Mr. WAKEMAN. When I was called into the cases initially?

Mr. CLARK. Yes.

Mr. WAKEMAN. July 31, 1901.

Mr. CLARK. When was this confabulation with the President?

Mr. WAKEMAN. The Treasury Department gave the silk people a clean bill of health December 5. They called for my resignation, and I gave 17 reasons why I would not resign. This was done December 20. I was promptly removed.

Mr. CLARK. Who was the Secretary of the Treasury at that time?

Mr. WAKEMAN. Lyman J. Gage.

Mr. CLARK. He has retired and is now studying theosophy.

Mr. WAKEMAN. The President sent for me and I called at the White House January 7 or 8, when the prosecution was going on. Mr. Gage retired January 10.

Mr. CLARK. How long was it after that until you were beheaded?

Mr. WAKEMAN. A short time. I am obliged to the President for his action.

Mr. HILL. I would like to ask one other question. I have read your paper and have noticed that you have been very critical of the German agreement. I agree with you, so far as undervaluations exist. Do you think that the increase of trade from Germany under the German agreement has been due to undervaluations?

Mr. WAKEMAN. The increase of importations?

Mr. HILL. Yes.

Mr. WAKEMAN. Yes, sir.

Mr. HILL. You think it has been largely due to that?

Mr. WAKEMAN. Yes, sir. Of course you do not get the quantities.

Mr. HILL. What is that?

Mr. WAKEMAN. The great difficulty is, as I mentioned in my statement, on ad valorem goods you do not get the quantities. On specific or pound duties they always give you the quantity.

Mr. HILL. But do you think the increase of trade since the German agreement went into effect has been largely due, not wholly of course, but largely due to undervaluations of goods?

Mr. WAKEMAN. Let me give you a practical illustration of a large bill of high-class hosiery sold to Wilson & Bros., in Chicago. Prior to July 1, 1901, these goods laid down in Chicago and furnished to that house, one of the most reputable in the United States, were valued at between 3.01 and 3.10, I think. But recently—the order was placed three or four or five months ago—the figures were 1.83.

Mr. HILL. Since when?

Mr. WAKEMAN. Since the German agreement.

Mr. HILL. When did the German agreement go into effect?

Mr. WAKEMAN. July 1, 1907.

Mr. HILL. That was fourteen months ago?

Mr. WAKEMAN. Yes, sir.

Mr. HILL. Let me state this case: For eleven years, or ten years, under the Dingley law there have been very few importations of hats from England. Within the last twelve months there have been very large importations. The German agreement does not apply to that.

Mr. WAKEMAN. Yes, sir; it does. It went into effect in Great Britain a year ago.

Mr. HILL. Has the policy of undervaluation in Great Britain been changed at all in any sense whatever by the German agreement?

Mr. WAKEMAN. That would be hard to say. As a rule, importations from Great Britain have been looked upon as the fairest of any nation in the world.

Mr. HILL. Can you tell the committee on what ground you can explain the great importation of hats in the last twelve months from Great Britain?

Mr. WAKEMAN. I have not looked into that. I will take it up and look into it, if you wish me to, and see if I can find out about it.

Mr. HILL. Do you not believe it is due to dull trade in Great Britain and the dumping process that is going on?

Mr. WAKEMAN. Undoubtedly that is part of the reason.

Mr. HILL. Do you not believe it is just as true as to Germany, where commercial conditions have been far worse for the last eighteen months, since that agreement went into effect?

Mr. WAKEMAN. But your law provides not for the export price, but for the general wholesale prices.

Mr. HILL. Exactly. Now, let me put another case.

The CHAIRMAN. The export price, if it was a lower price—

Mr. WAKEMAN. Not according to your law, sir; that is contrary to your law.

Mr. HILL. If the goods were selling lower in Germany in the last eighteen months than prior to that, would not the lower price in the exportation be equally justified?

Mr. WAKEMAN. Yes, sir.

Mr. HILL. Is it not justifiable to make a lower price for export than for home consumption, and export accordingly?

Mr. WAKEMAN. If Congress so provides—

Mr. HILL. Is not the American practice strictly in accordance with the German practice in that respect? Are not our manufacturers doing the same thing?

Mr. WAKEMAN. To a certain extent, yes, and as provided for by the sections giving rebates on all foreign materials.



Mr. HILL. Let us take something that is not foreign, that has nothing foreign in it. Let us take illuminating oil, for instance. Suppose you found on the sworn export statement—for all exports are sworn to in the United States custom-houses, are they not—suppose you found that illuminating oil month after month would be exported at a valuation of 4 cents a gallon—would you call that an undervaluation? Suppose it was going into Germany or France, where it is dutiable?

Mr. WAKEMAN. I would, if their law read the same as ours does.

Mr. HILL. It is not the wholesale market price here, is it, or anywhere near it?

Mr. WAKEMAN. I am adjusting my recommendations purely to your law, Mr. Hill. Now, if you change the conditions—if the Congress sees fit to change its laws—that is another proposition.

Mr. HILL. But our exporters, in supplying our goods, have to go to the customs-houses and swear to the value, and we have to obtain that value by consulting those records. If we go and find, as a matter of fact, that in various lines of export they are shipping goods out at much less valuation than they are selling them in the wholesale market at home, is that undervaluation?

Mr. WAKEMAN. That depends upon the laws of the country—

Mr. HILL. There is no law that governs it here, of course. Do you think the Germans would be justified in saying that we were undervaluing oil in exporting it into their protected market?

Mr. WAKEMAN. I had not thought of that question.

Mr. HILL. You have thought of the other side of it, and have been very severe in your paper. I read it.

Mr. WAKEMAN. Yes.

Mr. HILL. Although they are doing precisely the same thing we are doing.

Mr. WAKEMAN. Not in connection with Standard Oil?

Mr. HILL. No; not in relation to oil, but in relation to other things.

Mr. WAKEMAN. Ask me the question about any real competitive goods; don't take a matter that is controlled by the largest combination in the world.

Mr. HILL. They meet Russian competition in Germany, of course?

Mr. WAKEMAN. Yes.

Mr. HILL. The oil meets that competition. Take, for instance, steel rails. We have had testimony before this committee during the past week that in various years gone by steel rails have been exported at prices ranging from \$1 to \$3 or \$5, and I think the highest figure was \$9—

Mr. DALZELL. Six dollars, I think.

Mr. HILL. Six dollars—less than they were sold here. Do you think that is an undervaluation?

Mr. WAKEMAN. Not necessarily.

Mr. HILL. Then why is it, if the German does the same thing, it is an undervaluation?

Mr. WAKEMAN. That depends upon your law, purely.

Mr. UNDERWOOD. Our law says that we must take the foreign market, does it not? Our law does not say that we shall value them at what the goods are sold for, or what they are worth, but we must take the wholesale price of the goods in the different markets.

Mr. WAKEMAN. Yes; the imported goods.

Mr. HILL. Now, then, as a matter of fact, is it not true that ever since this German agreement went into effect, so far as commercial conditions are concerned, Germany has been in a worse state than any other country in Europe and its factories have been more or less idle, and is it not equally fair to presume that they have been unloading their surplus product for their factories on us in the vain effort to find a market?

Mr. WAKEMAN. That is undoubtedly true, Mr. Hill, but that is not market value according to the law.

Mr. HILL. Let me supplement that by another question. If that is true, as you admit, is it not equally fair to the German manufacturer to say that he has in all honesty reduced the price of his goods in order to find that market below the wholesale market price at home?

Mr. WAKEMAN. No; I don't think that naturally follows; I don't think that follows.

Mr. HILL. I don't see, myself, how you can reach any other conclusion in regard to it.

Mr. WAKEMAN. I will carry out your point. I will refer to the extreme case of hosiery and I will confirm a portion of your question. When the Germans knew that they were going to have this German agreement they loaded up with certain grades of machinery to make this with, what is commercially known as from 36 to 42 gauge, and they got too many of them, and they had too many of them, and I think they shipped those goods here at less than the cost of production. But that is not what your law says. Your law says it must be at the usual wholesale price, or at the cost of production, plus 8 and 50 per cent. That is what your law says. We all make mistakes—

Mr. HILL. You recognize the propriety and reasonableness of a manufacturer having two prices, one for home consumption and one for foreign trade, do you not?

Mr. WAKEMAN. Well, that is a very large question, a very large question. For instance, take Manning, Maxwell & Moore. They have a foreign catalogue of about 5,000 articles, and every article is sold abroad alongside of New York, 5 per cent added on American prices.

The amount of goods sold abroad at less than market price is comparatively small, but when people come here and say that goods are not sold lower in exceptional instances they are simply misrepresenting things to you. I remember a case of a large Pittsburg manufacturer who wanted to get some tubes into Buenos Aires, and I happened to be in his office when the subject came up. He had not put any of these goods into that country. He had New York on the phone. He said: "Take the order at any price; I want to get into that market." And he got into the market. Now, those instances occur very often, and when people say that export discounts do not occur they misrepresent things to you, Mr. Hill.

Mr. HILL. You have watched the thing pretty closely. Have you found similar undervaluations, under the like agreements, with the other countries, England and France? Have you found the same things that exist with regard to Germany?

Mr. WAKEMAN. That is gradually growing.

Mr. HILL. What is that?

Mr. WAKEMAN. The German agreement went into effect, you know, six months before any other agreement.

Mr. HILL. But all of them since practically the recession of trade began in 1907—for it began before the financial panic began—

Mr. WAKEMAN. Well, I think the effect of these agreements prolonged the panic very greatly. I will illustrate that in one little thing that perhaps did not come before you that is felt in almost every community. Take artificial flowers. It is a little thing. A woman will get a nice pattern; some wholesale milliner will start and run it. She will have two or four or eight or sixteen girls. I have known of women in New York and Brooklyn perhaps working three houses with 150 girls in them. Germany does nearly all of that work very cheap, and the importations of artificial flowers during the panic year increased threefold, 300 per cent. They are dumping those goods in here in carloads. Artificial flowers are used for almost everything in a decorative way now, and our own people have been practically put out of the business.

Mr. HILL. You mean have been put out of business recently?

Mr. WAKEMAN. Within the last year.

Mr. HILL. Would not that be an industry that would be peculiarly susceptible to a depreciation in trade?

Mr. WAKEMAN. The importation of those goods jumped 300 per cent, I think, the first month.

Mr. HILL. That would indicate something rather than undervaluation, would it not?

Mr. WAKEMAN. Not necessarily, because they were very prosperous times up to October.

Mr. HILL. As a matter of revenue, to refer to hats again, the increase of hats in the last eight months has been very, very great, and not by undervaluation either. Now, one other question and I will be through.

Have you given any attention to the question of the fixing of that valuation at wholesale market price in America?

Mr. WAKEMAN. Only as illustrated by my example here.

Mr. HILL. From your experience as an appraiser, do you think it would be possible that there should be a board or somebody who should be given authority to do that in New York City and the valuations thereby made uniform, by telegraph or otherwise, with every other custom-house in the United States, so that whenever importations were made, for instance, in New Orleans and in New York on the same day, they would both enter at the same value?

Mr. WAKEMAN. You are basing that on establishing an American value?

Mr. HILL. Yes; instead of a foreign value.

Mr. WAKEMAN. That is a very hard thing to answer, whether you start out with the goods as sold by any house in America or whether you start out with the duty already added.

Mr. HILL. One advantage would be that every importer would come in on the same basis, pay the same amount of duty proportionately.

Mr. WAKEMAN. That recommendation was made by Senator Hoar in 1893. He was very urgent upon that point. But as to the practicability of that question, I am at a little loss to know whether it would be practicable or not.

The CHAIRMAN. I understand that Colonel Tischner wrote an article advocating that in 1892.

Mr. WAKEMAN. I don't know as to that. If he did, I would like to see it.

Mr. HILL. It would put all the importers on an even footing?

Mr. WAKEMAN. Yes; if we could put them all on one basis, that would be a grand thing to do.

Mr. HILL. You have not thought out the details of such a plan?

Mr. WAKEMAN. No; I have not. I have been trying to adjust things in accordance with the laws given us by Congress.

The CHAIRMAN. I would like to have you figure out on two or three leading articles, such as crockery, for instance, where there have been such gross undervaluations, whether it would be advisable to say that the market price abroad should not be less than the market price here, based on a percentage of that market price, say 60 per cent, or whether they could base it on such a percentage and be able to get a better enforcement of the law.

Mr. WAKEMAN. I will try and prepare something on that line, Mr. Chairman.

The CHAIRMAN. I am interested in seeing if anything can be made out of that suggestion.

Mr. WAKEMAN. There seems to be a germ of good thought in it. The only trouble is to get a place to put your fulcrum.

The CHAIRMAN. I have no present opinion as to the advisability of that; I am seeking all the light I can get on the subject.

Mr. LONGWORTH. I would like to ask a question that is not brought out by your paper, but I think is somewhat pertinent in this connection, and that is in regard to the question of American citizens returning home from abroad. As I understand it now, they have to make a written declaration and the oath is abolished?

Mr. WAKEMAN. They can do either.

Mr. LONGWORTH. They have to make a written declaration or a declaration under oath, and in addition they have their baggage examined?

Mr. WAKEMAN. Yes.

Mr. LONGWORTH. Do you think it is fair that both of those restrictions should be placed upon them?

Mr. WAKEMAN. I think the traveler should be subject to the same conditions as the importer; I think he should be compelled to swear to what he has. Every importer or his agent has to swear to what he has, and I don't think the American traveler should be exempt from the same conditions that you apply to the merchant.

Mr. LONGWORTH. Now, as to the question of the amount, which is now limited to \$100, would you favor the retention of that amount or an increase?

Mr. WAKEMAN. I would favor its abolishment—that you should have no limit. I remember some years ago, when the law went into effect, there was some such provision as “such personal baggage as would be natural to the conditions of a man's life;” and then, I think, it was made \$500, and then it was made \$100. I watch this appraisal of baggage a great deal, and the present law is for the benefit of the honest man.

I will give you an illustration. There was a lady coming in with her three children. She had letters. She was of a prominent family. She arrived in New York, and I had information that she had a vast amount of piece goods—laces and everything of that kind. This lady

was very much put out at the examination she was subject to, and after the examination of her baggage we told her she would have to pay \$9,600 of duty, and she had the currency right in her clothes to pay the duty.

One of the principal reasons for a limit in connection with the baggage business is on account of milliners coming in with goods. Millinery houses will send over six or eight people with no baggage, and they will come back with from six to eight or ten or even twenty trunks as personal baggage. I have partly broken up that system.

Then there is another class, a class of people who feel that they should not pay a duty. Take the case of Count ———, of New York, a very estimable gentleman. He did not believe that the Government had any right to collect the duty. He came back here with a vast quantity of material, Worth goods, Worth trunks, and I think that he finally paid the duties, amounting to \$12,000 or \$14,000; but he simply claimed the United States Government was a robber. But you take all those elements, and I can give you any number of illustrations. As I say, I favor the abolishment of this law, although we have made no recommendation on the subject, because we are sure Congress will do the right thing. It is simply for the protection of the honest merchant.

Mr. LONGWORTH. You mean by abolishing it, to make no limit?

Mr. WAKEMAN. Yes, sir.

Mr. NEEDHAM. You mean he shall pay duty on everything that he brings over?

Mr. WAKEMAN. Everything that is not actually used by him.

Mr. LONGWORTH. What do you mean by not actually used?

Mr. WAKEMAN. Any wearing apparel that has not been used. We are very liberal. For instance, you might have a suit of clothes made for you. Now, what would be the value of that suit of clothes to anybody else? Probably not \$3 or \$4 or \$5, and yet you have paid \$40 or \$50 on the other side. But all those goods that have been worn are free of duty. They are not dutiable even at this time. But whenever you bring in goods for the use of others, or piece goods, I feel that they should all be dutiable, just as the importer's goods are dutiable, just as the merchant's goods are dutiable.

Mr. LONGWORTH. You make no distinction, then, between the American citizen who goes abroad for pleasure and instruction and the one who goes abroad for business?

Mr. WAKEMAN. That brings in another provision of the law. There is a provision that where household goods are abroad one year—

Mr. LONGWORTH. That is perfectly true, too. But I think on the first question I asked you, as to the declaration, sworn or written, and the subsequent examination—on that you make no difference between the man who has been traveling for his own pleasure or instruction and the importer?

Mr. WAKEMAN. I should treat them just the same as I would the importer; yes.

Mr. HILL. But they do not do so now. A gentleman going abroad for three months and bringing home articles for his own use is called upon to pay—he has to furnish his bills, the prices he paid, does he not?

Mr. WAKEMAN. Not necessarily.

Mr. HILL. That is included in the declaration, is it not, the actual amount paid?

Mr. WAKEMAN. Yes.

Mr. HILL. The law provides that the bill shall govern.

Mr. WAKEMAN. No; the bills do not govern if the appraiser—

Mr. HILL. The law provides that the merchant's goods shall be assessed at the wholesale market price, whereas a private citizen pays a duty on the retail price for the single article.

Mr. WAKEMAN. The law provides the wholesale price or whatever you paid for the article.

Mr. HILL. What you paid governs if it has not been in use?

Mr. WAKEMAN. Of course you know how that is obviated by the merchants on the other side. They will offer you a bill at one-half the price paid if you want it.

The CHAIRMAN. I remember one instance where the appraiser cut my estimate of value down 20 per cent; he thought I had been cheated to the extent of 20 per cent and he cut it down.

Mr. BOUTELL. You described in general terms a method of estimating the wholesale price abroad of an imported article, and if I recollect, you said this system would give results of 1 per cent of the actual figures. Will you kindly give us a specific illustration, assuming such concrete terms and actual figures as you choose for purposes of the argument?

Mr. WAKEMAN. I do not know that it would be as close as that. I did that for estimating purposes, when I started in with this plan. Now, to get back to the illustration I used before, I had an invoice before me of goods to Marshall Field & Co., I think it was. Say this invoice was 10,000 francs.

Mr. BOUTELL. Can you not call it dollars and cents?

Mr. WAKEMAN. Yes; we will say \$10,000. That is the price at which those goods are sold to Marshall Field & Co. Now, then, how do we get the cumulative unit of value? Start out with 100 as the unit of value. Then you have got to add 60, then 8 per cent, what we call the regular landing, and 5 per cent, c. i. f.—charges, insurance, and so forth—and then you have a cumulative unit of value which is absolutely fair to the importer. In fact, it is a little more than fair. It is 1.73. If Marshall Field & Co. paid \$10,000 for that invoice, you divide 1.73 and you pretty near get at the wholesale market value of the goods when they were shipped.

Mr. BOUTELL. Well, you have in addition to the \$10,000, at which figure they are sold to Marshall Field, you have another given figure, you have the figure at which they are valued abroad, the figure that is in question.

Mr. WAKEMAN. My point is to obtain the market value abroad.

Mr. BOUTELL. Yes. Well, I say you have the market value abroad given; that is, the suspected figure.

Mr. WAKEMAN. The goods were shipped directly to the large merchants, and then they would send them to themselves in New York, and I found that the invoices in New York were about one-half of what I found by this method of figuring, and I proceeded to substantiate, and I found it was very correct, very correct.

Mr. BOUTELL. Then the method of assessing the duties upon the wholesale price here could not be utilized in any peculiar shipments,

in anything which was not a staple, and which had a wholesale price here at home?

Mr. WAKEMAN. I have thought of this matter for months. It was presented to me months ago. Really I can not get at my basis of value, Mr. Boutell. I can not get my basis.

Mr. HILL. What difference would it make whether you did or not, so long as it was uniform in all parts of the country and to all persons; it would simply be a question of a higher or lower duty, would it not? Suppose a board sat in New York every day and fixed every day the value of sugar.

Mr. WAKEMAN. Now you are getting off again. That is a specific rate on the saccharine content.

Mr. HILL. I admit that, but it would put them all on an equal basis. It is like assessing the value of land in the town in which I live. The board of assessors fix the value of the various pieces of land. If they fix them on a relative basis of value, who is harmed whether that value is high or low, if we all pay our taxes on the same proportion?

Mr. WAKEMAN. I think if you could arrive at something like that it would be wise and beneficial.

Mr. NEEDHAM. That would be hard to do at each port.

Mr. HILL. No; you could telegraph it to each port each day.

Mr. UNDERWOOD. I would like to ask whether this objection does not apply to that: Suppose a large importing house brings in a very large quantity of goods at American market rates, which are reasonably low. The temptation then is to put up the price of the market rate to make their competitors pay more when they bring in their goods, and if this board was not making an arbitrary rate, but merely figuring the market rate, would not they be continually faced with those conditions?

Mr. WAKEMAN. That temptation would undoubtedly exist.

Mr. UNDERWOOD. And might work injuriously in applying the law to the importations, might it not?

Mr. WAKEMAN. I should think so.

Mr. Chairman and gentlemen, I thank you very much for your attention.

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**STATEMENT OF JOHN M. PETERS, SECRETARY OF NATIONAL ASSOCIATION OF IMPORTERS, NEW YORK CITY, RELATIVE TO CUSTOMS ADMINISTRATIVE ACT.**

FRIDAY, *December 4, 1908.*

Mr. PETERS. Mr. Chairman, I desire to call the attention of the committee briefly to one or two features of the customs administrative act, which we would like to see amended, and then I will go more specifically and at length into the matter, in a brief.

I must apologize for not having prepared myself in advance with a brief, but the time at my disposal has not permitted that.

The CHAIRMAN. You can file your brief, if you desire to do so, after you have made your statement.

Mr. PETERS. I simply desire to practically enter an appearance in the present instance.

The first section which we desire to see amended is section 7 of the administrative act and that portion of it which applies to the penalties. The law now reads:

And if the appraised value of any article of imported merchandise, subject to an ad valorem duty, or to a duty based upon or regulated in any manner by the value thereof, shall exceed the value declared in the entry, there shall be levied, collected, and paid, in addition to the duties imposed by law on such merchandise, an additional duty of one per centum of the total appraised value thereof for each one per centum that such appraised value exceeds the value declared in the entry, etc.

The law of 1890, which was the original customs administrative act, I believe, allowed a difference between the invoiced value and the appraised value of 10 per cent. I noticed that Mr. Wakeman alluded to that feature of the law of 1894. But as a matter of fact it was a part of the law of 1890, and was not amended or changed until the present act was passed in 1897. It was then reduced to 1 per cent.

Now, as a matter of fact, and a matter of common experience in business, it will be clear to most of you gentlemen, I think, that an agreement within 1 per cent between actual values and market values—what may be declared as market values—upon any day upon almost any article of merchandise—unless it be an article which has a fixed price, like a proprietary article—is an absolute commercial impossibility and almost a physical impossibility.

On the articles of merchandise with which I am familiar, I am sure no two men would agree within 1 or possibly within  $2\frac{1}{2}$  per cent as to their market value on any given date or at any given time.

The CHAIRMAN. I think this committee has reported the bill making that 5 per cent instead of 1 per cent.

Mr. PETERS. It has been reported?

The CHAIRMAN. I think so.

Mr. PETERS. Well, then, I congratulate the committee as well as the importers.

Mr. HILL. I think that is correct.

The CHAIRMAN. I know I was reluctant to grant that, but I finally consented to it.

Mr. HILL. I am quite positive about it.

The CHAIRMAN. I regard it as too great a temptation to the honest importer to make that leeway less, and I have been told if it was 10 per cent it was wonderful how near they would come to 10 per cent in the undervaluation; they would make an undervaluation of 9 per cent,  $9\frac{1}{2}$  per cent, and that sort of thing. Of course I am not attributing any dishonesty to them, but they were a little careless when there was no penalty for undervaluation to the extent of 10 per cent, and so we made it 1 per cent, with a certain penalty up to 10 per cent, and then a greater penalty. I have been told by administrative officers that that worked very well, and that the importers have been able to guess nearer to the actual value of their goods than they were when there was 10 per cent leeway allowed.

Mr. PETERS. Well, I will tell you, Mr. Chairman, without desiring to apologize for any dishonest importer, I think you will find that those discrepancies to which Mr. Wakeman alluded this morning, of  $9\frac{3}{4}$  per cent, and so on, are very often the result of the appraiser's desire to shield an importer whom he believes is perfectly honest—



The CHAIRMAN. It may likely be that there is a temptation to the appraiser too; I am not sure about it.

Mr. PETERS. I do not think there is any temptation about it; I think that in most of those cases the appraisers find the declared value is honestly stated, and if there is a difference of opinion between him and the importer he hesitates to make an advance which will penalize the importer, because he realizes the fact that the importer is not at all dishonest.

If you gentlemen have had any commercial experience in that line, you know how absolutely impossible it is to get within a small percentage of an agreement on prices on almost any article, and for that reason I feel that the Government is not being wronged any by allowing 5 per cent, nor is the margin such as to tempt the cupidity of an importer.

You will notice the cases Mr. Wakeman cited this morning of flagrant attempts to avoid payment of duties were on a scale that entirely eliminated any question of penalty; they were simply a question of fraud pure and simple; they were questions of absolute evasion. However, if that has all been acted upon by the committee, it is not necessary to go into it any further.

The CHAIRMAN. We will look into that carefully. I think we passed a bill through the House making it 5 per cent.

Mr. PETERS. The next clause to which I would like to call the attention of the committee is section 19. That is, whenever merchandise is subject to an ad valorem rate of duty the duty shall be assessed upon the actual market valuation or wholesale price of such merchandise, and so forth.

That was pretty well thrashed out this morning by Mr. Wakeman, but unfortunately he and I do not entertain the same views on the subject.

The Government makes a practice of assessing duty upon the invoice value when the invoiced value is higher than what it determines to be the market value. When the market value is the higher of the two, then the duty is assessed upon the market value.

A very large amount of imported merchandise, as well as domestic merchandise, is sold before it is produced. This is true of all the markets of the world, but it is conspicuously true of the markets of the Far East, where their produce is contracted for and has of necessity to be contracted for by the importer in America or in any other consuming country long in advance of its production.

It is then sold by him in advance of its production or at least in advance of its shipment to this country.

Many of those materials are the crude materials of a domestic manufacturer. The domestic manufacturer must supply himself, or must be assured of his supply of those materials, before he can begin his work; and the importer, on the other hand, must be assured of his supply before he can begin to make sales here.

Now, those purchases are absolute and bona fide purchases. The sales here, which, as I say, are made in advance of the importation of goods, are bona fide sales, and the importer who sells those goods has no redress as against his customer in the event of any change in price, but yet he never knows what his goods are going to cost him until

the goods have been imported into this country and the appraisers have passed upon the valuation and assessed duty thereon.

That works a hardship, and while the elimination of that hardship by any process I can foresee might possibly open the door to some fraud, still the business is of a character that justifies the Government, it seems to me, in taking some chance upon the honesty of the importer—especially as the Government has constantly hedged itself in by its appraisers and other methods to prevent undervaluations and fraudulent statements—to relieve the importer of this unnecessary hardship.

The CHAIRMAN. I can see where the hardship comes in that you speak about and the uncertainty that comes in about the price, and if you will point out to me any way in which the Government can afford an honest valuation of goods, so that the duties can be collected alike on all, I will favor the amendment you suggest in regard to this.

Mr. HILL. Would a fixing of the wholesale value here be of any greater hardship than that which you have just spoken of if under that wholesale value so fixed here all importers paid from day to day a uniform duty on a uniform valuation?

Mr. PETERS. Well, the difference between a wholesale value here and the actual value of the article in the market in which it is sold is so great in many instances that it does not seem to me that the suggestion you make is a practical one.

Mr. HILL. One moment. The genius who buys much below the market in Europe and imports his goods on the basis of the prices he paid gets the better of the other man all the way through, does he not?

Mr. PETERS. That is true, sir.

Mr. HILL. But if it was a uniform value here he would get just what he was honestly entitled to, the benefit of his skill; but when he came to pay his duties they would pay on the same basis.

Mr. PETERS. That would at least give us the benefit of uniformity; but unfortunately there are many of these crude materials imported which practically have no value here. Of course they have some value—

Mr. HILL. What difference does it make, so long as it is uniform to everybody, whether it is an actual value or an arbitrary value?

Mr. PETERS. Well, if you can eliminate the uncertainty so an importer could say, having bought these goods at 5 cents a pound, I know that when they get to the United States any time during the year 1909 the price will be 7 cents, I will govern myself accordingly.

Mr. HILL. You have the uncertainty now, have you not?

Mr. PETERS. You have the same uncertainty—

Mr. HILL. You have the certainty in the other case.

Mr. PETERS. I do not think you can have it by that process.

The CHAIRMAN. The other uncertainty troubles me more. If you will eliminate that uncertainty I will try to help you eliminate yours.

Mr. PETERS. Mr. Chairman, this is what we suggest by way of an amendment, and it seems to us—we certainly will bow to you gentlemen, who have had more experience in the forming of laws and watching their administration, but it certainly seems that this ought to be an improvement. This is what we suggest:

SEC. 19. That whenever imported merchandise is subject to an ad valorem rate of duty, or to a duty based upon or regulated in any manner by the value

thereof, the duty shall be assessed upon the actual price paid for such merchandise; such price to include the value of all cartons, cases, crates, boxes, sacks, and coverings of any kind, and all other costs, charges, and expenses incident to placing the merchandise in a condition packed ready for shipment to the United States: *Provided*, That the price paid shall be the actual market value or wholesale price for such merchandise as bought and sold in the usual wholesale quantities at the time of purchase in the principal markets of the country from whence imported, and in the condition in which such merchandise is there bought and sold for exportation to the United States, or consigned to the United States for sale, including the value of all crates, cartons, cases, boxes, sacks, and coverings of any kind, and all other costs, charges, and expenses incident to placing the merchandise in a condition packed ready for shipment to the United States. If there be used for covering or holding imported merchandise, whether dutiable or free, any unusual article or form, designated for use otherwise than in the bona fide transportation of such merchandise to the United States, additional duty shall be levied and collected upon such material or article at the rate to which the same would be subject if separately imported: *Provided further*, That the word "value" or "actual market value" whenever used in this act, or in any law relating to the appraisement of imported merchandise shall be construed to mean the actual market value or wholesale price as defined in this section.

That is what we propose. At the present time you levy duty upon the wholesale price in the market of exportation on the day of exportation. Is it not just as easy to put it upon the price in the wholesale market on the day of purchase? Is it not just as easy for an importer who makes a contract in China, if you please, in June of this year, to file that contract? And I should assume that that would be a necessary provision of the law, that when that contract was made it would be filed just as clearance papers are filed at the time of exportation; that it should be filed with the consul, if you please, and also at the custom-houses here, and that the fairness of those prices on the day on which the contract was made should be determined by the appraiser as the basis of valuation.

Is not that as easy as six or eight months hence to determine the market value on the day of sailing?

THE CHAIRMAN. Suppose the price goes down largely before it is withdrawn for consumption, would you make him pay duty on the high price?

MR. PETERS. You pay duty on the actual cost, which is what you ought to do now. Now, if the market goes down, you pay the duty on the invoiced price. A man invoices his goods now presumably at the contract price, except that as a matter of security he has got to advance it to the market price if the market price is higher. But if the market price is lower he does not get the benefit of it.

MR. UNDERWOOD. You think there is more uniformity between the invoiced price and the market price if fixed on the day of purchase instead of the day of shipment?

MR. PETERS. At that time; yes, sir.

MR. UNDERWOOD. That seems to be logical.

MR. CALDERHEAD. In other words, why should the Government be a party to a speculation?

MR. PETERS. The Government is not a party to a speculation, as I see it. But I assume that it was the intention of the aboriginal who devised a protective tariff to collect a duty upon the actual value of the goods. The question is what the actual value of the goods is. It seems to me that the price that a man actually pays, honestly pays, I mean—I am not defending any fraudulent form of contract—and at which anyone else can go into the market and buy an equal

quantity of goods, assuming, of course, that he is an equally good buyer, is the fair market value. It is very unfair—this is getting beyond what this committee wants, I know, but as an abstract principle it is very unfair to make the purchases of the poorest buyer the standard market value for an article.

The CHAIRMAN. Can you give an actual case of a hardship of that kind?

Mr. PETERS. Not that I could cite personally to your committee. I am familiar in a general way with a great many cases.

The CHAIRMAN. What was the difference in dollars and cents in those cases you do know of, if any?

Mr. PETERS. I could not tell you any.

The CHAIRMAN. I am trying to find out how much the complaint amounted to in dollars and cents.

Mr. PETERS. That I could not tell you. I would be very glad indeed to look up specific instances and furnish them to you, but in my own personal experience it has not happened, because I have not been engaged in that particular line of importations, but I simply know of it in a general way.

Now, it seems to us that if some such form could be adopted it would not make the work of the Government any more difficult; it would be as easy for the appraiser to determine the market value on the day of purchase as on the day of exportation, and it is an absolute necessity that a man should buy these goods months, even, before they are produced, and it would give a man some assurance as to what his goods were going to cost him when they come here. Now, if the Government would not be hurt in any way, that is something we would be glad to recommend.

There is a further clause, section 23, in relation to damage. No damage allowance is now made, and it seems to us that there should be. I am not prepared at the present time to make any specific recommendation as to what the minimum rate of damage should be, but we will assume that it might be 5 per cent. That would be fair. That is done, I know, in the Canadian tariff, although just what their basis is I don't know. Where goods are damaged, we will say, to the extent of 5 per cent or more, when an ad valorem duty is collected an allowance compensating for that damage should be made in the valuation of the goods, but I have no specific recommendation to make as to how that should be provided for in the act.

The CHAIRMAN. The same subject was presented before.

Mr. PETERS. Yes, sir.

The CHAIRMAN. In a somewhat different case.

Mr. PETERS. There are many cases, of course, where the matter is a very serious one to the importers.

The CHAIRMAN. I think the crockery importers raised that question.

Mr. PETERS. Yes. They have absolute breakage, which is complete damage. Many other goods get slight damage, as compared with it.

The CHAIRMAN. I am afraid they are not as much embarrassed in that way as the Government is in trying to get at a fair valuation.

Mr. PETERS. I do not believe the crockery men have much on the Government. I think the Government has about as much as it ought to have out of crockery. I do not know very much about the crockery

business, except that I have met and talked with a good many of those people. I think a good many of these cases of alleged undervaluation on the part of the importers are actually cases of overvaluation on the part of the Government. I do not believe that the average importer is as bad as he is painted.

Mr. CLARK. Mr. Witness, I would like to remark, as I have a good deal to say about importers myself, that nobody believes the majority of importers are dishonest.

Mr. PETERS. That is right, I think.

Mr. CLARK. But what we are trying to do is to get a whack at these fellows that swindle the Government on these invoices.

The CHAIRMAN. Every honest importer should be with us, and I do not doubt that they are.

Mr. PETERS. They are; yes, sir.

The CHAIRMAN. I remember that Marshall Field came here years ago and complained that he could not import kid gloves; and that he could buy them cheaper in America. Of course, he did not come in person, but his manager came. He said they could buy cheaper in America, duty paid, than they could buy in large quantities in France and import them and pay the duty. If that is so, there is undervaluation for somebody.

Mr. PETERS. It struck me this morning that in the cases cited by Mr. Wakeman every one of those instances involved collusion with the officer of the Government.

The CHAIRMAN. I do not know. It is pretty difficult for an officer of the Government to find out what the price is in Europe on many of these goods. Importers of crockery and china came in the other day and claimed they could not be proven here, to establish a wholesale market value in this country of crockery—that the goods varied so that it was impossible to establish a market value here. And when you take it abroad, where you can not swear a witness, where you can not have him confronted by the examiner, and all that sort of thing, the difficulties are multiplied. If that is so, it is not necessary to imagine any connivance by the appraiser. It is all in the hands of the men who are paying the duties, or largely so.

Mr. PETERS. In these cases that he cited, clearly there was connivance there.

Mr. CLARK. There is no question on earth about that examiner being in with them.

The CHAIRMAN. No; not in that case.

Mr. CLARK. If the plan suggested by Mr. Chairman Payne of getting a valuation on the imports after they get over here should be adopted, then it would make the prosecution of the swindlers so much easier than it is now that there is no comparison between the two cases. In that instance the witnesses would be American witnesses, where you could serve them with a subpoena and make them come into court and tell the truth, or make them come into court, at any rate.

Mr. PETERS. I do not quite understand that suggestion of yours, but is it that the price on the imported goods in the American market shall be the basis of valuation, and not the general market price?

The CHAIRMAN. The wholesale price.

Mr. PETERS. I think there is a provision in the British tariff, or some tariff, that if the assessed valuation on an imported article is

unsatisfactory to the importer he shall signify his willingness to sell his goods at the price at which he enters them, or something of that sort. Is there not such a law?

The CHAIRMAN. I did not hear you.

Mr. CLARK. I do not know. He said that he thought there was a provision in the British laws to the effect that if there is any dispute as to the valuation that the importer should be required to sell his goods at the price the invoice showed, plus a profit, I guess.

The CHAIRMAN. There may be, but we can not put that into our law.

Mr. CLARK. No; but if your idea could be embodied into law, and if it were possible to execute the law after it was embodied in it, I would be cheerfully in favor of it, and think it the best thing the committee had done for a long time.

The CHAIRMAN. I am trying to determine in my own mind whether it is practical.

Mr. PETERS.<sup>a</sup> One thing that I have not yet suggested is that the witness who has the facts in his possession is across the sea, and that process will not bring him into court.

The CHAIRMAN. We can not compel him to take oath over there; and if he does it is ultra vires. He can not be punished under the foreign law. If we got him here we could punish him.

Mr. PETERS. This suggestion of the chairman's is so new that I do not think it has ever been considered by the importers.

The CHAIRMAN. Yes; I was informed by a letter, last night, that Colonel Tichenor, whom you no doubt know—one of the general appraisers and perhaps one of the greatest experts we have ever had in this country on tariff matters—wrote an article upon the subject in 1883 (and I am hunting for the article now and hope to get it), in which he advocated that idea; and the Assistant Secretary, Mr. Reynolds, has advocated it. It is not entirely new, although it has been brought forward more prominently in the last six months. Several people claim to be the author of it, but I do not. It was suggested to me by somebody else, but I have been trying ever since I heard of it to see if we could not work something out of it. I have got what information I could on the subject from any men who favored it, and I have tried to find out what objections there were to it. I asked the importers of crockery the other day, and they did not seem to think it would do at all. I suggested that if it was done on crockery, instead of the 60 per cent ad valorem we could reduce the duty to 35 per cent ad valorem in this country; and they shook their heads. I do not know why.

Mr. HILL. Is it not entirely possible that to-morrow in the port of New York sugar will be landed by different parties of uniform quality and yet at differing valuations under our present law?

Mr. PETERS. Unquestionably.

Mr. HILL. Some system would certainly be an improvement by which they all sailed into the port of New York to-morrow and for the twenty-four hours of to-morrow paid a uniform duty. I mean equal as between each other, regardless of what they paid for it a year ago, or whether they bought it on the market to-morrow.

<sup>a</sup> Mr. Peters in his corrected statement credits the following remark to a member of the committee.

Mr. PETERS. Does not a specific duty accomplish that?

Mr. CALDERHEAD. In other words, would it not be better to have an international trust on price?

Mr. HILL. Yes; I did not think about the specific duty. I simply cited that as an illustration, supposing that it was an ad valorem duty.

The CHAIRMAN. As it was under the Wilson bill?

Mr. HILL. Yes. Is it not more difficult to fix a valuation for all the men who import to-morrow, as the appraisers have to do, than it is to fix it for one of them and then fix another for another importer, and another for another, based on some transaction that occurred a year ago by which the goods were bought under a special contract? That value has to be fixed, does it not, to-morrow, on that importation being made?

Mr. PETERS. I am not prepared to say how far your suggestion would affect the interests of the importers, because I do not know what relation the duty bears to the cost price of many articles of merchandise.

Mr. HILL. Is it not true, within your knowledge also, that this state of affairs exists? That on the same day one valuation will be made in Boston, another in New York, another in Philadelphia, another in New Orleans, and another in each port, on the same quality of goods coming in on the same day?

Mr. PETERS. I believe, from all I know on the subject, that that is true.

Mr. HILL. Would it not be an improvement if some central body could fix that valuation for all those ports, for that particular day?

Mr. PETERS. That is a most unfortunate feature in the administration of our customs laws to-day—the irregularities in administration at the different ports. There is no doubt about that. All appraisers do not agree, and there is no question but that goods get through at certain ports where more or less favoritism is shown that would not get through at other ports where there is a strictly impartial administration.

Mr. HILL. And, of course, that gives an advantage?

Mr. PETERS. Undoubtedly. There is no doubt about that.

Mr. HILL. And an unfair advantage?

Mr. PETERS. Yes, sir.

Mr. CALDERHEAD. What effect would that have on the right of free contract? One buyer has a right to buy at the best price he can make, and another at the best price he can make.

Mr. PETERS. It would not affect it any more than it is affected now. So far as the price paid by the buyer is concerned, the Government ignores that, as I stated before, unless it is higher than the Government thinks the market value is. Then the Government takes the difference. It is a case of "heads I win and tails you lose" every time. It would make no difference, so far as I can see, on that point.

Mr. UNDERWOOD. Is not this where the difficulty of this proposition would come in? If you are importing laces, say, and you make a contract to sell those laces in this country at a certain price, you would know about what the duty is going to be fixed at when you buy those laces abroad, and would know whether you can fill your contract without a loss, even if it is to be fixed at the date of shipment; but if the valuation of your goods is to be fixed after they land in this country,

an American valuation of which you know nothing, you have to have a very broad margin of profit in order to insure against an absolute loss, have you not?

Mr. PETERS. Unless your experience had shown what that variation would be, so that you could calculate on it.

Mr. UNDERWOOD. That comes down to the proposition, then, that if your competitor in business has imported a lot of lace goods into this country, and has got it in on a reasonably low valuation, and he knows you have a shipment coming, it is to his interest to put up the American market and ruin you?

Mr. PETERS. That is a sure thing.

Mr. UNDERWOOD. And would not that make those difficulties almost impossible to handle?

Mr. PETERS. I should think there is no question about that.

Mr. UNDERWOOD. Every commodity that is sold has a basis of sale. It is either sold by the yard or by the ton or by weight, and if the committee went into it far enough is it not practical to put almost everything on the basis of a specific duty instead of an ad valorem duty?

Mr. PETERS. A specific duty is unquestionably the fairest and most economical and the easiest to collect. The only objection to a specific duty is that unless it is changed more frequently than our tariff changes have occurred in the past, with perhaps one or two exceptions, what is a fair ad valorem rate on a specific basis to-day may be a very unfair one to-morrow by reason of fluctuations in prices. But if you had a tariff commission, for instance—and I am not arguing for a tariff commission now, heaven knows—

Mr. UNDERWOOD. Suppose it were suggested that this committee met once every year—

Mr. PETERS. Yes, sir.

Mr. UNDERWOOD. And considered bills, instead of considering them every ten years?

Mr. PETERS. If you did that, it would seem to me to be an ideal tariff arrangement.

Mr. GAINES. But with a specific duty, would not we be constantly criticised on the ground that the rate of taxation was greater on the cheaper articles that the poorer people use than on the more expensive ones?

Mr. PETERS. You would not have a uniform specific duty, I take it, of course. You would have a specific duty arranged for one article—it might be 1 cent a pound on one thing and 10 cents a pound on another.

Mr. UNDERWOOD. You would have a specific duty arranged for each article, of course.

Mr. GAINES. A specific duty for every yard of every kind of cotton cloth, for instance?

Mr. PETERS. Yes. You have it to a large extent now. It would be, perhaps, a little more complicated in the first instance. I do not say that it would be very much more, but possibly a little more complicated. It is furnishing a specific rate, with ad valorem reference to the actual value. That is, if it is your principle—

Mr. BONYNGE. You would have a tariff bill as large as an unabridged dictionary.



Mr. PETERS. I do not think it would be very difficult. So far as any criticism would be concerned, if you gentlemen are criticised any more than you are now, I am sorry for you.

Mr. GAINES. My point is this: I do not so much object to the criticism as I want to avoid any just ground for criticism. We expect to be criticised.

Mr. PETERS. From my conversation with the importers generally, and with merchants generally, whether importers or manufacturers, I believe the popular sentiment is in favor of a specific rate of duty. I believe everybody recognizes it as the simplest, and so far as I can see it utterly eliminates chances for fraud, except as Mr. Wakeman stated, where weights and measures are concerned.

Mr. BONYNGE. Would there not still be opportunities for wide differences as to the classification of an article, and as to whether it came within one class or another, respecting the rate?

Mr. PETERS. I presume there would be some of those difficulties; yes, sir. I guess it is utterly impossible to get up a tariff and make it so specifically clear that you will not have differences. You have to have appraisers.

There is just one point outside of the recommendations that I have made that I would like to allude to that was brought up by Mr. Lovering in his advocacy of a change in the drawback clause. I had the honor of appearing before this committee some years ago when Mr. Lovering's bill was under consideration and have some familiarity with the subject. I refer to that question of 1 per cent. If you gentlemen recall the fact you do not charge the foreign merchant or the importer who enters his goods in bond and then reexports them from bond any 1 per cent for doing that business, and you have been to just the same expense, or practically to the same bookkeeping expense and all the other expenses, in caring for his merchandise and accounting for it that you have in the case of a man who withdraws his goods from consumption, pays a duty, and then reexports them; so that if 1 per cent or 2 per cent or any other charge is fair as against the domestic manufacturer who has availed himself of the drawback clause, it is equally fair against the merchant who simply utilizes the bonded warehouses. And while I admit that there is some expense involved, the fact that it has been waived in the case of the bonded warehouses would seem to me to be a fair precedent for waiving it in the case of the domestic manufacturer.

The CHAIRMAN. I want you to consider this question, if you will, and furnish the committee with such observations as may occur to you in a brief to be filed with it: Whether we shall not incorporate in the law that "the value at which the duty shall be paid on such merchandise—that is, imported merchandise—shall not be less than the wholesale price." I am quoting now the end of section 11, so that you need not write it out. "Shall not be less than the wholesale price at which such or similar merchandise is sold or offered for sale in the United States, due allowance being made for estimated duties thereon, the cost of transportation, insurance, and other necessary expenses from the place of shipment to the United States, and a reasonable commission, if any, to be paid, not exceeding 6 per cent." If we put that in the law, and say that the value should not be any less than the value determined in such manner, by the wholesale

price in the United States, would that work injustice to any person except a dishonest importer, and would it not go a long way in curing this evil?

Mr. HILL. I believe it would.

Mr. PETERS. It would seem to me, offhand, Mr. Chairman, that there is not very much allowance made there for profit. You have simply covered transportation expenses, insurance, and allowed 6 per cent commission.

Mr. HILL. What difference does it make, if it is all alike to everybody, whether it makes any allowance for profit?

Mr. PETERS. I do not know that it makes any difference, but I am not quick enough a thinker to answer that right off.

The CHAIRMAN. The question of the profit is the evil of the whole thing. When you get the valuation down, the profit is big, and when the valuation is raised it is not so large.

Mr. PETERS. You would expect a man to get over 6 per cent.

The CHAIRMAN. It makes it uniform in that respect.

Mr. PETERS. I do not know how it would work out. I am not prepared to answer that, because I can not think fast enough. I would want to figure it out.

The CHAIRMAN. I should not wonder if something could be figured out in that way.

Mr. PETERS. I will take great pleasure in working it out if I can. I appreciate your courtesy, and thank you for it.

The CHAIRMAN. I want to find out what objections there are to it. That is the reason I asked you about it. We welcome any suggestions on the subject; but I want to know the objections to it.

Mr. PETERS. All right. I will look for objections.

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**THE NATIONAL ASSOCIATION OF IMPORTERS, NEW YORK CITY,  
FILES SUPPLEMENTAL BRIEF RELATIVE TO CUSTOMS ADMIN-  
ISTRATIVE FEATURES.**

NEW YORK, *December 14, 1908.*

COMMITTEE ON WAYS AND MEANS,

*House of Representatives, Washington, D. C.*

GENTLEMEN: Referring to the oral suggestions I made on behalf of the National Association of Importers at the hearing held by your committee on Friday, December 4, 1908, as to the amendment of certain sections of the act of June 10, 1890, entitled "An act to simplify the laws in relation to the collection of the revenues," I beg to submit the following more explicit recommendations, together with the reasons therefor, and the statements of facts in support thereof asked for by your committee, in so far as I have been able to obtain the same in the time at my disposal, to wit:

SEC. 7. *Penalties for undervaluation.*—The provisions of the present law are as follows:

\* \* \* and if the appraised value of any article of imported merchandise subject to an ad valorem duty or to a duty based upon or regulated in any manner by the value thereof shall exceed the value declared in the entry, there shall be levied, collected, and paid, in addition to the duties imposed by law on such merchandise, an additional duty of one per centum of the total appraised value thereof for each one per centum that such appraised value exceeds the value declared in the entry, but the

additional duties shall only apply to the particular article or articles in each invoice that are so undervalued, and shall be limited to fifty per centum of the appraised value of such article or articles.

H. R. 16069, introduced by Mr. Payne February 3, 1908, and which is now in your committee, amends this section in many particulars, the most important of which are the provisions that no penalties shall be imposed unless the appraised value exceeds the entered value by more than 5 per cent, and that which permits the Secretary of the Treasury to remit the additional duties whenever "he shall be satisfied that the undervaluation was not fraudulent or was due to trade conditions or to manifest clerical error." This bill also provides that there shall be no forfeiture of merchandise unless the appraised value exceeds the entered value by more than 100 per cent. Importers can not fail to recognize the liberality of the provisions of this bill, and their entire fairness, but inasmuch as they will undoubtedly be opposed by the representatives of those who favor penalizing the business of the importer by every form of regulation that may operate to his cost and annoyance, we believe that a simpler amendment to section 7 might accomplish the relief of which the importer stands in most urgent need, and we therefore suggest the following amendatory addition to that portion of the section which we have quoted:

*Provided, however,* That in cases where it shall be made clear to the Board of General Appraisers, and they shall so certify to the collector, that the difference in value is due to legitimate trade conditions, such additional duty shall not be imposed except upon valuations exceeding by more than five per centum the value declared in the entry. Such additional duties shall not be construed to be penal, and may be remitted by the Secretary of the Treasury whenever he shall be satisfied that the undervaluation was not fraudulent, or was due to trade conditions or to a manifest clerical error, and whenever penalties have been imposed upon merchandise the same shall not be refunded in case of exportation, etc.

This provision applies only to cases where the valuations representing actual cost are advanced not more than 5 per cent, and where the good faith of the importer in his declaration of values is shown to the satisfaction of the Board of General Appraisers. A difference of 2½ to 5 per cent, representing actual differences in discounts under varying conditions of the market, or due to a difference in the volume of purchases, or in the terms of settlement, or to other legitimate reasons, is frequently found in a comparison of invoices for identical goods, bought in the same market by competing buyers. In a large share of such cases the exceptional character of such discounts is unknown to the importer, and his entry is made in the strictest of good faith and in ignorance of the fact that there is any ground for charging undervaluation. But be this as it may, if the appraiser believes the discount to be exceptional, and advances values accordingly, and the Board of General Appraisers sustains the advance, but is satisfied that the original valuation was the real cost and represented no intentional undervaluation, there should be no penalty, so long, at least, as the advance does not exceed 5 per cent, because it is everywhere admitted that a difference of as much as 5 per cent may easily exist in the most expert valuation of almost all classes of merchandise. So long as the Government loses nothing in duties by recognizing the impossibility of exactitude in this feature of commercial transactions it can well afford to waive penalties where their enforcement inflicts unfair punishment upon the importer.

SEC. 11. *Determination of dutiable values.*—The concluding paragraph of this section is as follows:

It shall be lawful for appraising officers, in determining the dutiable value of merchandise, to take into consideration the wholesale price at which such or similar merchandise is sold or offered for sale in the United States, due allowance being made for advanced duties thereon, the cost of transportation, insurance, and other necessary expenses from the place of shipment to the United States, and a reasonable commission, if any has been paid, not exceeding six per centum.

The suggestion of your chairman that this method of determining values might be adopted as the basis of all valuations for dutiable purposes possesses features of novelty which, no less than the source from which it emanates, entitle it to the same careful consideration of all importers that it doubtless will receive at the hands of your committee, as a possible means of simplifying the collection of duties. An analysis of the suggestion with reference to its practical application, however, does not make it clear to us that it would accomplish the purposes it is designed to accomplish.

The reasons for this conclusion are that the estimation of values upon which duties may properly be levied, under what we assume to be the purpose of tariff laws, must be made before the influences affecting values have so far multiplied in each case as to add varying items of cost or profit which can not easily be separated from those that are uniformly borne by the merchandise under appraisal. Involved in these items are differences in the cost of transportation to different ports of entry, and conditions of competition which differ in different markets and correspondingly affect prices. These influences operate to produce such a lack of uniformity in prices on so many classes of merchandise as to complicate the work of the appraiser to a much greater extent than is the case where the basis of valuation is the market value near the seat of production. It is true that differences of cost exist on the same class of merchandise in the foreign markets, especially when they are produced in different countries, but the conditions are more nearly equalized by the competition for export trade when the same buyers have access to all markets than they are by the competition at the ports of entry in the importing countries, where the importers in many instances act as distributors to buyers who are dependent upon local markets as their source of supply. Take, for example, such widely separated ports as Boston, New Orleans, and San Francisco. All of these ports receive direct importations of the same merchandise from the same ports of exportation, and in many cases from the same shipper. Up to the time of exportation there has no factor entered into the value of the merchandise which should cause any difference in the invoice price, excepting such as might be represented in the discounts varying with the quantities purchased or with the terms of payment. But by the time the goods reach their port of entry there have been different expenses incurred on each shipment, which would affect the cost to the importer, and as different conditions of competition are met at each port it is fair to assume that in a large proportion of cases the selling prices would vary materially, or at least much more widely than the wholesale prices in the markets of the country from which the goods were imported. It frequently happens that through loss of vessels, or some one of the unexpected happenings incident to trade, a shortage occurs in the market, causing a sharp advance in

price on such merchandise as is available until further supplies can be received from the sources of production. It would not be fair to take such a temporary condition as the basis of dutiable valuation for goods the very importation of which might tend to relieve the situation and depress prices, nor would it be wise to leave to the judgment of any appraising officers the question of how to deal with such a situation. Moreover, there are many classes of goods imported into this country for which there is no "wholesale price" that could be used as a basis of duties except the invoice price, plus duties and such charges as are not covered in the invoice. In such cases there would be no way of determining these prices except by the foreign cost.

We believe, therefore, that the continued employment of foreign cost as the basis of valuation for customs purposes will afford equal protection to the Government with fewer complications of the work of the appraisers, as well as an imposition of duties more equitable to the importer than would be afforded by the substitution of values in the markets of the United States. At the same time we beg to submit the following changes in the method of assessing duties, as provided for in section 19.

SEC. 19. *Assessment of duties.*—We recommend that this section be amended as follows:

SEC. 19. That whenever imported merchandise is subject to an ad valorem rate of duty, or to a duty based upon or regulated in any manner by the value thereof, the duty shall be assessed upon the actual price paid for such merchandise; such price to include the value of all cartons, cases, crates, boxes, sacks, and coverings of any kind, and all other costs, charges, and expenses incident to placing the merchandise in a condition packed ready for shipment to the United States: *Provided*, That the price paid shall be the actual wholesale market value for such merchandise, as bought and sold in the usual wholesale quantities at the time of purchase in the principal markets of the country from whence imported and in the condition in which such merchandise is there bought and sold for exportation to the United States, or consigned to the United States for sale, including the value of all cartons, cases, crates, boxes, sacks, and coverings of any kind, and all other costs, charges, and expenses incident to placing the merchandise in a condition packed ready for shipment to the United States: *Provided further*, That the word "value" or "actual value," whenever used in this act, or in any law relating to the appraisement of imported merchandise, shall be construed to mean the actual wholesale market value as defined in this section. If there be used for covering or holding imported merchandise, whether dutiable or free, any unusual article or form, designated for use otherwise than in the bona fide transportation of such merchandise to the United States, additional duty shall be levied and collected upon such material or article at the rate at which same would be subject if separately imported.

As at present executed, the law works great and seemingly unnecessary hardship to importers who purchase goods for forward delivery, by leaving a complete uncertainty as to the final cost of the goods until they have been finally entered and assessed for duty so that the amount of duty they are to bear may be determined. A very large percentage of the goods imported into this country are contracted for at a definite price before they are produced, and are delivered in installments extending over a number of months. In many instances these goods are resold in this country long before their importation, at a fixed price, which may cover all charges, including duties, or may be ex-vessel, or even free on board at port of shipment. But in any case, whoever assumes the duties can not know how much they will add to the cost of the merchandise until it has finally passed the appraiser. If the invoice cost, agreed upon at the time of purchase, however remote that may have been from the date

of shipment, be higher than the market value in the foreign markets at the date of shipment, as ascertained by the appraiser, duty is collected on the invoice price, and the calculations of the importer as to cost are undisturbed. If, on the other hand, the invoiced cost is lower than the market price as ascertained by the appraiser, duties are levied upon the latter valuation, and whoever assumes the payment of duties has added to the cost of his merchandise this difference, which he could not estimate at the time of the purchase. H. R. 16069, already referred to, provides in its amendment of section 7 that the importer at the time of making entry "may make such addition in the entry, or such deduction therefrom, to the cost or value \* \* \* as in his opinion may raise or lower the same to the actual market value," etc. And it further provides that the duty shall not be assessed in any case upon less than the entered value. If this amendment were to be enacted, its practical operation would be to make, in all cases, the foreign wholesale market value at the time of shipment the basis of valuation for duties. In this way the Government and importer would be taking equal chances as to variations between prices at the time of purchase and the value at the time of shipment, and this system, under the law of averages, would probably result in no advantage to either in a series of years. But, unfortunately for the importer, the law as it now reads, while providing that duties shall be assessed upon market values at the time of shipment, contains another proviso that "the duty shall not be assessed in any case upon an amount less than the invoice value," and he is therefore certain only as to what the minimum amount of the duty will be, but absolutely uncertain as to the possible maximum.

By reason of the commercial necessity for contracting for goods long in advance of their delivery, a practice which obtains no less in domestic commerce than in our purchases abroad, it is believed that the amendment of section 19 as herein proposed, while depriving the Government of such revenue as it might inequitably collect on merchandise that was worth more in the wholesale markets abroad at the time of shipment than it was at the time of purchase, would deprive it of nothing to which it was justly entitled, and would relieve the business of the importer, or his customer, whichever assumes the payment of the duty, from an enforced element of speculation against which the law allows him no compensating chance. In operation this amendment would render the work of the appraiser no more difficult than it is at present. It would be no more difficult to ascertain the fair market value on the date of purchase than on the date of shipment, and any discrepancy which the appraiser might deem as undervaluation would be subject to the same penalties as a like discrepancy between the declared value and the appraised value at the time of shipment.

In the brief time at my disposal I have endeavored, in response to the request of your chairman, to obtain some specific information as to the operation of this feature of the present law. The following from an importer of burlaps, or hessians, as they are commercially known, not only explains the operation of the law, but also suggests regulations to facilitate the carrying out of the provisions of the proposed amendment to section 19:

To illustrate how the present practice operates to the disadvantage and loss of the importer, take the article of burlaps or hessians. The present practice is to assess the

duty on the market price at the time of shipment. The business is done by cable. I may buy in Calcutta, by cable offers or orders, to-day, say, 600,000 yards of burlaps for shipment in monthly proportions of 100,000 yards each for shipment January to June, inclusive. Suppose I pay 4 cents a yard to-day. If the market advances to, say, 6 cents in February and 5 cents in April and 4½ cents in June, I must pay duty on these various advanced values. If, on the contrary, the market declines in any of the months during the term of the contract to 3 cents a yard, I am obliged to pay duty on 4 cents, the actual cost, so that it is a one-sided arrangement and always results in a loss to the importer. This seems to be unfair and unjust. Now, as a matter of fact, when I buy to-day in Calcutta I sell at once to a manufacturer of bags who makes his contracts to deliver bags to the consumer who uses the bags to pack his wheat, corn, oats, fertilizers, etc. The manufacturer desires to have knowledge of what the cost of his hessians will be, landed in New York. Hessians are the raw material out of which the manufacturer makes his bags in New York, or at Chicago, St. Louis, etc. He therefore wants to know what to charge for his manufactured product, viz, bags. In order to calculate the cost, suppose I take the cost of my purchase, adding the expense of getting my hessians here. I, as an importer, must take the risk of a possible increased duty; if the market increases in Calcutta before the actual shipment takes place all my calculations are destroyed, while if the market in Calcutta declines I have no corresponding compensation. This is manifestly unjust, and as the business has to be done on a bare commission basis there is no margin of profit to compensate for this risk, and it makes it difficult and often impossible for the importer to make any calculation of the cost of his purchase landed in the United States. If the importer sells to manufacturer on cost and freight terms then the manufacturer must assume all importers' risk of varying duties, and can not make any safe calculation of the cost of his raw material. If the duty was assessed on the market price at the time of shipment, whether up or down from the purchase price, there would be a chance sometimes of the importer or manufacturer having some compensation to offset the advancing market, but as it is now it is all on one side, and that the side of the Government. The manifestly fair way would be to assess the duty on the actual price paid for the goods at the time of purchase.

The theory seems to be that there is difficulty in ascertaining the actual cost and that this opens the door to fraud. It seems unjust that all should suffer a real and constant penalty because there may be found some dishonest importer here and there, but to guard against such dishonesty I would suggest the following remedy. At present I understand that the Government provides that the American consul at Calcutta shall ascertain and report to the Government the ruling market price of hessians from day to day and certify in the consular invoice at the date of shipment what the market price is on that date.

I propose that in addition to providing that the foreign merchant shall swear to the price in Calcutta, that I, as an importer here, shall file with the custom-house here in New York a copy of my contract within five days of the date of my purchase made by cable, and then when the goods come along they shall be charged off against this contract and the duty paid on the actual cost to me. The Government could provide that the American consul in Calcutta should send daily reports of the market price ruling in Calcutta by mail, to be kept on file in the custom-house, and this would serve as a complete check upon the statement as shown in my contract that I file when the purchase is made, and the duty will be paid on the actual price paid. The consular reports of market price on the same date would serve as a check on my contract statement and make it difficult, if not impossible, to make a false statement or file a false contract. The usual consular certificate could also accompany the goods, certifying to the price paid, and it seems to me this system would make fraud practically impossible. The importer could then make his contracts with the manufacturer here on a landed basis, would know how to calculate his costs accurately, and the Government would receive the duty on the actual cost, and not on a hypothetical cost, which no one can foresee or calculate and which varies from day to day. The great advantage to the Government would be that it would be dealing with an American citizen amenable to the laws here in case he attempted fraudulent entries or statements, while now the Government requires a foreigner, not amenable to the laws of the United States, to swear to a statement in Calcutta (the consular invoice), and has no power to punish him if he commits a fraud by making a false statement in such consular invoice.

I have been able to give you the following particulars of actual sales and results of hessian cloth:

Sale, March 5, 1907, 25 bales 45/8/40 hessian cloth, cost, 13/13/6; duty, \$492.55; sale, June 5, 1907, market value day steamer sailed Rs. 14/14; duty, \$517.46; excess duty paid over cost, \$24.91.

August 22, 1908, sold 50 bales 40/10/1/2 ounce hessian cloth, cost Rs. 11/14; duty, \$986.91; September 19, 1908, market value day steamer sailed Rs. 11/10; duty, \$974.77; difference, \$12.14.

In this instance the value is less on the day the steamer sailed than the goods actually cost, but the duty had to be paid on the cost.

Another sale of September 8, 1908, 50 bales 40/10/1/2 ounce hessian cloth, cost Rs. 11/03; duty, \$953.38; September 10, 1908, market value day steamer sailed Rs. 11/10; duty, \$974.67; difference, \$21.29.

You will see by this that even in a few days the market changes so that it is impossible to make any calculations beforehand unless we have the privilege of paying the duty on the price that the goods cost us.

In this connection, I beg to call the attention of your committee to the fact that fluctuations in the value of merchandise are especially frequent and irregular in countries whose monetary system is based on silver, and declines in the market value of goods at the time of exportation, due solely to the fluctuations in the currency, offer an opportunity for undervaluation that is especially tempting to the dishonest importer of goods bearing specific duties which vary with the cost.

Another interesting example of the operation of the present law is afforded by the following statement concerning an importation of peroxide of barium, and although this disputed valuation was ultimately settled in favor of the importer, and in accordance with the principle upon which the proposed amendment is based, it illustrates the injustice which results to importers from a strict interpretation of the present statute, no less than the fairness of our proposed amendment. I quote from the letter of the importers, Rogers & Pyatt (Incorporated), under date of December 7, 1908, as follows:

The usual commercial methods adopted in this article are the making of contracts during the months of October, November, December, each year, covering the dealers' requirements over the following year, usually in about equal monthly proportions. The specific instance that we refer to is as follows:

Under date of November 17, 1906, we made a contract with the Hardworth Barium Company, of Newcastle-on-Tyne, through their selling agents, Messrs. Bessler, Waechter & Co., of Liverpool, calling for 51 to 61 casks of 88 to 90 per cent peroxide of barium, to be shipped in about equal monthly proportions, January to December, inclusive, 1907, at £34 per ton f. o. b. Newcastle, on which the duty was 25 per cent ad valorem, I believe under section calling for chemicals not otherwise provided for, and I am also sure that all contracts made for that year were at the same price. During the life of this contract one of our monthly shipments at £34 per ton arrived on the same steamer with goods coming to another importing house who only occasionally imported this article, and they had made a purchase of a small quantity for which they paid £36 per ton. Upon the arrival of these goods one of the general appraisers at this port advanced our valuation to £36 per ton, to which advance we protested, and at the same time asked five or six other importers, who had contracts covering the same period as ours, and at the same price, to join in our efforts to prove that our price of £34 was bona fide, and applied to all contracts made during October-December, 1906, for delivery over the year 1907. At the same time we wrote to the consul at Newcastle, and upon arrival of his report of the contract price, and the other importers of this article joining with us, the general appraiser finally passed our invoice at £34 per ton, realizing that it was only fair and just that if practically every importer of this article had contracted at £34 per ton, and sold their goods, duty paid, covering the period of their various contracts, they were entitled to have the duty assessed at the actual purchase value, and our entries were finally liquidated at this figure.

This certainly seems fair and logical from the importer's point of view, and looking at it from another point, had the production of the article increased and the selling price abroad decreased, the importer would have still been compelled to pay the duty at the rate of £34 per ton, as all their invoices would call for that figure.



SEC. 23. *Damage allowance.*—The present law provides that no allowances for damage to goods, wares, and merchandise shall be made in the estimation of duties thereon.

This has been shown, by the experience of all importers, to be a burdensome provision and one that is not necessary for the protection of the Government against frauds that might be attempted by the use of claims of damage as a means of reducing valuations. We therefore recommend the amendment of the statute as follows:

SEC. 23. That no allowances for damages to goods, wares, and merchandise imported into the United States shall hereafter be made in the estimation and liquidation of duties thereon, *unless the damage is shown to the satisfaction of the appraiser to equal or exceed five per centum of the dutiable value, but when such damage equals or exceeds five per centum of said value an allowance equal to the damage shall be made from the estimated dutiable value of the merchandise so damaged, and upon goods bearing a specific rate of duty a corresponding percentage of reduction shall be made in the duties to be assessed, or the importer of any goods, wares, or merchandise whereon damage is claimed may, within ten days, etc.*

While this provision of the law would render it necessary for the appraiser to use diligence in the estimation of damages, we believe that this does not impose so unreasonable a burden upon the Government as is imposed upon importers by the collection of duties upon nonexisting values as practiced under the present law. Nor is this the full measure of the burden which the present statute imposes. To provide against possible loss from the payment of duties on damaged goods importers are compelled to insure not only the value of their merchandise, but the duties as well, and as the amount of premiums paid for this insurance is greatly in excess of the losses paid thereunder by the insurance companies it is obvious that the tax upon importers is altogether beyond the amount of duties which the Government would waive by the just consideration of the impairment of values by damage to goods in transit. It is immaterial that the importer is recompensed for this loss by the insurance companies; the value does not remain in the goods, and the Government is collecting duties, whether they are ultimately paid by the importer or the insurance company, upon values which do not exist and can not be restored.

The following-named firms, from among the members of this association, are particularly familiar with the operation of those features of the law herein referred to and will cheerfully afford your committee any further information it may desire respecting their operations: Arnold, Karberg & Co., Carleton & Moffat, Carlowitz & Co., The Robert Crooks Company, of New York, Hoople & Nichols, J. L. Hopkins & Co., Otto Isenstein & Co., Jardine, Matheson & Co., A. Klipstein & Co., Paterson, Boardman & Co., Roessler & Hasslacher Chemical Company, Rogers & Pyatt (Incorporated), D. A. Shaw & Co., Smith & Schipper, A. A. Stillwell & Co., The Strobel & Wilken Company, Thurston & Braidich, Ungerer & Co., Wilson & Anderson, S. Winterbourne & Co., Paul C. Zuhlke.

Respectfully submitted.

NATIONAL ASSOCIATION OF IMPORTERS,  
J. M. PETERS, *Secretary.*

**SNOW'S U. S. SAMPLE EXPRESS COMPANY, NEW YORK CITY,  
OBJECTS TO FEES FOR FILING PROTESTS.**

NEW YORK, *December 23, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*House of Representatives, Washington, D. C.*

GENTLEMEN: We are informed that there is a proposition under consideration by your committee to require the payment of a fee upon the filing of every protest against an assessment of duty by the collector of customs.

We desire to call your attention to the hardship that the proposed law would entail upon us and our customers. We bring from Europe a large number of small packages, and on a considerable number the duty amounts to less than \$5 each. It is plain, therefore, that the proposed fee might often equal or exceed the amount of duty, thus practically prohibiting all protests in this class of cases.

These small amounts are not insignificant, because there may be many of them, all of one kind. For example, our protests, recently decided in our favor, against the exaction of the fees for passing free packages through the sample office. These fees ranged from 30 cents to \$1.25 each, according to the size of the package, and yet we alone paid over \$5,000 per annum in such fees. We feel that under the law as it stands we have been subjected to an injustice for which we have no remedy because we paid these fees for many years without protest, assuming that they were legal because the collector demanded them and a regulation of the Treasury Department required their payment. It now appears that they have been illegal ever since the passage of the customs administrative act of 1890, but the Government has returned to us only about \$5,000 paid under protest, but will not return the illegal fees collected from us for sixteen years, amounting to over \$75,000.

Your committee will see that we could not have recovered even the \$5,000 if the law had required us to pay a fee on each protest.

Respectfully, yours,

SNOW'S U. S. SAMPLE EXPRESS CO. (Ltd.),  
H. W. ROBINSON, *Secretary.*

**McCORMICK & CO., BALTIMORE, MD., DO NOT THINK THAT FEES  
SHOULD BE REQUIRED FOR FILING PROTESTS.**

BALTIMORE, MD., *February 10, 1909.*

HON. SERENO E. PAYNE,  
*Chairman Ways and Means Committee,  
Washington, D. C.*

DEAR SIR: We understand a House bill has recently been referred to your committee, which requires that every importer, upon filing a protest with the customs officials against the imposition of duties levied on importations, is required to make a cash payment of \$5 on each protest, which deposit is not to be refunded to him in any event.

To our minds, this is an exceedingly inequitable provision. It goes without saying that we would not file a protest against customs duties levied unless we thought that we had been overcharged.

For instance, we not long ago made a protest on paprika, which the officials here assessed at 3 cents per pound and which the New York officials had, from time immemorial, assessed at 2½ cents per pound.

We made a protest with the result that finally a decision was granted in our favor and the excess duty refunded to us.

We were not to blame for the idiosyncrasy of the local appraisers, and it would have been exceedingly inequitable to have required us to have forfeited \$5 for the privilege of filing and prosecuting our protest.

Many clerical errors are made by the customs officials with the result that importers pay wrong duties. It would not be right to have them pay \$5 for the privilege of righting a wrong.

As we understand it, the Board of General Appraisers have had their salaries increased from \$7,000 to \$9,000 per year, and it is gossiped that they now wish this provision referred to to become a law, believing that it will cut out from 50 to 75 per cent of their work.

From our standpoint, we beg to express the hope that you will critically examine the rights of importers before giving this bill your indorsement.

Sincerely, yours,

McCORMICK & Co.,

*Importers, Exporters, and Grinders of Drugs, Teas, and Spices.*

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**THE BALTIMORE (MD.) BOARD OF TRADE PROTESTS AGAINST REQUIREMENT OF FEE FOR FILING PROTESTS.**

BALTIMORE, *February 17, 1909.*

COMMITTEE ON WAYS AND MEANS,

*Washington, D. C.*

GENTLEMEN: The Board of Trade of the city of Baltimore, having been informed that, in connection with the proposed tariff bill, a provision is suggested requiring importers to pay a fee or tax when protesting against exaction of duty and charges on foreign goods, respectfully recommends and asks that this provision be not adopted.

In the opinion of this board an importer should retain the untaxed right of protesting against a rate of duty which he considers is not in conformity with existing tariff.

Very respectfully,

WM. H. LOVE,

*Secretary of the Board of Trade of the City of Baltimore.*

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**THE DURBROW & HEARNE MANUFACTURING CO., NEW YORK CITY, SUGGESTS RELEASE OF GOODS WHILE SETTLEMENT OF PROTEST IS PENDING.**

12 WOOSTER STREET, NEW YORK,

*February 18, 1909.*

COMMITTEE ON WAYS AND MEANS,

*Washington, D. C.*

GENTLEMEN: We submit the following changes in present customs administration regulations:

1. That all goods taken to appraisers' warehouse be released to importer immediately after appraisal and payment of duty, and if any

protest be made that only a sample be retained for identification. The retention of goods is a hardship to the importer, and does no good to anyone besides cluttering up the warehouse.

2. That where there are several shipments of identical goods the importer be not compelled to protest on each lot separately, but that by paying the increased duty on all subsequent shipments while his protest is pending that the decision in the original protest will entitle him (if successful) to a refund on the others. Suitable means can be taken to record on the original protest papers the additional and later shipments.

Under existing regulations if an importer is in a hurry for his goods he loses his rights to protest if he takes his goods out of public store and pays increased duty, even though he be successful in a prior protest.

Yours, truly,

DURBROW & HEARNE MAN'F'G Co.,  
*Manufacturers and Importers of Small Machinery.*  
 R. J. HEARNE,  
*Secretary and Treasurer.*

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## CUSTOMS COURT.

### THE AMERICAN SPICE TRADE ASSOCIATION FAVORS ESTABLISHMENT OF A COURT TO TRY CUSTOMS CASES.

BOSTON, November 27, 1908.

HON. SERENO E. PAYNE,  
*Chairman Ways and Means Committee,*  
*Washington, D. C.*

DEAR SIR: The American Spice Trade Association of America desires to put itself on record as favoring the customs courts specified in the tentative draft of the bill prepared by the Committee on Ways and Means and also by the Finance Committee of the Senate. These customs courts will save much time and expense to all importers.

We also most respectfully petition that the said customs courts shall have control of all decisions as to the quality of all imported drugs and food products, under the higher control of the Department of the Treasury and the Department of Agriculture, for the very same reasons.

Yours, very truly,

AMERICAN SPICE TRADE ASSOCIATION,  
 JAMES S. MURPHY,  
*Chairman Committee.*

(Resolutions similar in purport to the above were adopted by the Boston Wholesale Grocers' Association and the Wholesale Druggists' Association.)

## CUSTOMS DECISIONS.

S. P. CONNER, SAN DIEGO, CAL., CITES INSTANCES SHOWING  
THE EFFECT OF VARIOUS COURT FINDINGS.SAN DIEGO, CAL., *November 26, 1908.*COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: The Treasury and court decisions bearing upon the Dingley law have played havoc with that act. To illustrate, 99 pounds of dried fish or herring, costing 6 cents a pound, are dutiable at 30 per cent of  $\$5.94 = \$1.78$ ; while 100 pounds, costing  $\$6$ , pay three-fourths of 1 cent per pound, or 75 cents. (See paragraphs 258 and 261, Dingley law.) One hundred pounds make one-half barrel, at three-fourths cent per pound; less than 100 pounds is provided for at 30 per cent. Hides pay 15 per cent. Skins are free. If dry, 12 pounds and under is a skin and free of duty;  $12\frac{1}{4}$  pounds and over is a hide and dutiable at 15 per cent. If green, 25 pounds and under is a skin and free;  $25\frac{1}{4}$  pounds and over is a hide and dutiable at 15 per cent.

A \$15 pony or cayuse and a \$150 horse pay duty at \$30 per head. A 400-pound sow is dutiable at \$1.50. Her 10 pigs, one month old, are dutiable at \$1.50 per head each.

Shingles at 30 cents per 1,000 simply feed the trust and rob the other fellow on the prairie. Lumber is ditto as to feeding and robbing.

Whisky should be on the free list, as the duty on it only enriches the distiller.

A suit of woolen clothing costing \$15 pays 44 cents per pound and 60 per cent. So if the suit weighs 4 pounds the duty would be \$10.76. This is more than a half too high.

Linen drawn work pays 60 per cent, which is 30 per cent too high.

No man living can figure out the duty on silk fabrics. The United States Board of Appraisers tried to, and the court set their decision aside and made a less intelligible ruling. Read the silk schedule, and then read the two decisions, and you will find them all as clear as mud.

Just why piling and telegraph and telephone poles are dutiable, and round timber and saw logs are on the free list, is a mystery to an old customs collector like the writer of this penciling.

I would put cigars on the free list and bust the trust, as \$4.25 per pound and 30 cents per 100 internal-revenue tax is robbery to the consumer to enrich the trust. Cut it out.

Manufactures of shell pay 30 per cent, yet the courts hold that tortoise-shell pins and combs without settings or gems are jewelry and dutiable at 60 per cent, just because a woman wears them to decorate or hold her hair in place.

And so I might go on for a week noting the effect of the decisions made as to the meaning of the Dingley law. It has been literally cut to pieces by decisions till no collector ventures to act till he consults the rulings. What are you going to do with the whole mess? I fear you have a task you wot not of.

I am in favor of a tariff that shall do what the Republican platform demanded—equalize the wage, etc. The Japanese have bought cotton in Arkansas and freighted it by railroad 2,500 miles and by

water 5,000 miles to Japan, made it into cotton clothing, and sent it back to the United States and paid 50 per cent duty on it, and sold it in competition with American-made goods. Wages did the work. Do you want to keep the pauper-wage Jap out of the United States and admit his pauper-wage-made goods free? That will not do by a jug full. And so it goes all along the line. A tariff for revenue defeated Bryan, and it ought to defeat any man.

Respectfully,

S. P. CONNER,  
*Ex-Deputy Collector of Customs.*

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## DOMESTIC VALUATION.

### STATEMENT OF COL. ALBERT CLARKE, BOSTON, MASS., RELATIVE TO ASSESSING DUTIES ON HOME VALUATION.

FRIDAY, *December 4, 1908.*

Colonel CLARKE. Mr. Chairman, so much has been said on the subject of an American valuation that it has occurred to me that a concise history of that subject in this country might be of interest at this time.

Mr. COCKRAN. What is that; undervaluation?

Colonel CLARKE. No, sir; it is as to the valuation of goods subject to an ad valorem duty on the basis of a home valuation instead of a foreign valuation.

The first tariff of the United States under the new Constitution was chiefly prepared by James Madison and was approved by George Washington, July 4, 1789. It provided that such duties as were made ad valorem should be assessed upon the imported goods according to "the value thereof at the time and place of importation." This was home valuation, although it must have been true at that time in many instances that there were no domestic products of a similar character to create a domestic standard of value. The provision, however, so far as appears, caused no discussion, and it continued until 1795, when foreign valuation was substituted, apparently also without discussion. It is highly probable that the lack of domestic standards at that time convinced everybody that foreign valuation was necessary. But our fathers were careful to require that all packing, transportation, and commission charges should be added to the foreign cost.

After the war of 1812, however, there was such a desire to cultivate peaceable and friendly relations, and the influence of the importing class became so great, that Congress seems to have been thrown off its guard, and after having enacted the liberal tariff of 1816 it passed a short supplementary act in 1817, which provided that ad valorem duties "shall be calculated upon the net cost of the article at the place whence imported, exclusive of packages, commissions, charges of transportation, export duty, and all other charges." It seems astonishing that such an unfair exclusion of a large element in the cost of goods when landed in this country should have been made, but it was made.

Before long, however, frauds began to appear, and in 1818 Congress enacted that the owner or consignee of goods subject to ad valorem.

duty must produce "the original invoice thereof" and swear that it "exhibits the true value of such goods, in their actual state of manufacture, at the place from which the same were imported," and that if such oath were not made within four months the goods should be subject to appraisal. The same law provided for two appraisers in the principal ports and also for merchant appraisers in certain cases. Thus the law began to grow complex in order to prevent increasing frauds. From that day to this various provisions calculated to further strengthen the law have been introduced, most of them necessitated by foreign valuation, until we have a system the efficiency of which depends more upon the men who work it than upon the strength and simplicity of its own provisions.

A few statesmen, however, from 1817 to near the present time, have studied the subject to see if a better way could not be discovered, and it will be profitable to us to examine their statements.

SENATOR SANFORD, OF NEW YORK.

On the 16th of December, 1817, after it had been found that the new tariff, which was intended to be protective, was not yielding the revenue or affording the protection that was expected, Senator Nathan Sanford, of New York, moved that a committee of inquiry be raised, and supported his motion by a speech which shed considerable light upon the question and from which I make the following extracts:

Taking all the information which I have been able to obtain, and the estimates and opinions of well-informed men, in whose knowledge and judgment I have great confidence, as the basis of my own opinion, I can not estimate the loss to the revenue arising from these causes at less than 10 per cent.

It is probable that for many years after the commencement of the duties and the system of collection in 1789 the fraud of false invoices was not often practiced, but it is believed that this species of fraud had, before the late war, gradually gained much ground, as the duties were gradually increased and the methods of accomplishing the object with impunity became better understood.

If the committee reported on the subject, or if anything was done about it, I fail to find a report of it.

REPRESENTATIVE BALDWIN, OF PENNSYLVANIA.

When the tariff bill of 1820 was reported Mr. Henry Baldwin, of Pennsylvania, chairman of the House Committee on Manufactures, which then had charge of the tariff, in the course of an able speech in support of it, made the following allusion to the particular subject which we are now considering:

The mode of ascertaining the value of goods on which a duty is to be assessed has been attended with much difficulty—an almost constant war between the merchants and the officers of the customs, and has been often changed. The original mode of ascertaining the value "at the time and place of importation," prescribed by the act of 1790, was the fairest and most equitable; as an ad valorem duty it was in fact what it purported to be—so much per cent on the value. But as a different standard of valuation has long since been adopted, it was thought best not so much to alter as to modify it.

In April, 1830, the Committee on Manufactures in the House reported an administration bill, the object of which was to prevent the enormous frauds on the revenue which were being perpetrated chiefly in New York City and which were depriving the country of much of the benefit of the tariff of 1828. The chairman of the com-

mittee, Hon. Rollin C. Mallary, of Vermont, made an able speech, in which he set forth the methods of the frauds and showed the defects in the law which permitted them.

The principal method of fraud was by the use of double invoices—one for examination by the customs officials and the other for the consignee only. The former was very low, sometimes less than one-half the cost of the goods, and yet it was upon that invoice that most of the duties were assessed. Mr. Mallary said:

#### REPRESENTATIVE MALLARY, OF VERMONT.

I am informed by one of the appraisers that the invoice is used as evidence of the value of the goods which it contains. It is well known that, in common practice, it is the only standard of valuation. Not more than seven or nine thousand dollars of woolen goods have been found by the appraisers undervalued in the invoice for the year past, although millions have passed through the custom-house. A part, if not all, of the undervaluations were discovered by an open examination of the goods imported in the ship *Suas Richards*, to which I have before referred. It may therefore be considered as the general practice of the appraisers to take the invoice value as the real value on which duties are to be assessed.

There is no check, no barrier, to the unprincipled adventurer. The door is thrown wide open. A mammoth might pass without touching his sides. It has already been decided by a large majority in the House that Senators and Members of Congress can not be trusted to compute their own mileage—that we can not trust the presiding officers of the House of Representatives with the appointment of a draftsman. If so, what are we to think of a Liverpool invoice?

It makes little or no difference whether the duties are 20 or 50 per cent; the same relative advantages exist in favor of the foreigner—that is, he dares verify an invoice in Liverpool that an honest American merchant dares not do in New York. If the invoice is made out in this country by an agent, he can swear as to his belief of the cost abroad; the American merchant who purchases does not know the actual cost, and honesty will require him to declare truly; if he does not possess honesty, danger will compel him. He is within the reach of our own laws, where perjury is sometimes noticed. But you can not reach the person who swears falsely to an invoice in a foreign country. There he is perfectly safe. The truth is, sir, that the foreign valuation is the rotten part of our system.

#### THE OPINION OF HENRY CLAY.

When the compromise tariff bill of 1833 was pending in the Senate, which bill, it will be remembered, proposed a sliding scale of reductions of duties to 20 per cent in 1842, at which figure they were to remain, Henry Clay moved an amendment that after 1842 the duties should be assessed "on a valuation made at the port in which the goods are first imported." A great debate arose, in which Clay took part. Mr. Clay said:

Now the valuation is made in foreign countries. We fix the duties, and we leave to foreigners to assess the value on articles paying ad valorem duties. This is an anomaly, I believe, peculiar to this country. It is evident that the amount of duty payable on a given article, subject to an ad valorem duty, may be affected as much by the fixation of the value as by the specification of the duty. And, for all practical purposes, it would be just as safe to retain to ourselves the ascertainment of the value and leave to the foreigner to prescribe the duty, as it is to reserve to ourselves the right to declare the duty and allow to him the privilege to assess the value.

The effect of this vicious condition of the law has been to throw almost the whole import trade of the country, as to some important articles, into the hands of the foreigner. I have been informed that seven-eighths of the importation of woolens into the port of New York, where more is received than in all the other ports of the United States together, are in their hands.



Now, sir, it seems to me that this is a state of things to which we should promptly apply an efficient remedy; and no other appears to me but that of taking into our own hands both parts of the operation—the ascertainment of the value as well as the duty to be paid on the goods. If it be said that we might have in different ports different rules, the answer is, that there could be no diversity greater than that to which we are liable from the fact of the valuation now being made in all the ports of foreign countries from which we make our importations. And that it is better to have the valuations made by persons responsible to our own Government and regulated by one head than by unknown foreigners, standing under no responsibility to us.

The amendment was adopted, 26 to 16, and the bill as thus amended was enacted.

The compromise tariff was a failure, not because it contained the provision for home valuation, but because it provided insufficient and decreasing protection. Foreign buying increased, domestic industry suffered, and the panic of 1837, though immediately caused by the financial troubles of the day, was gradually superinduced by the decline of industry resulting from the diminishing tariff. In no history have I seen it charged that the difficulty was caused by home valuation, for it should be borne in mind that the new policy was not to go into effect until 1842.

The new tariff of 1842, though enacted by a Whig Congress, returned to foreign valuation, and apparently without discussion of that question, but it provided in section 27 that the Secretary of the Treasury should annually ascertain if the duties on any articles had exceeded 35 per centum ad valorem on the average wholesale market value of such articles "in the several ports of the United States for the preceding year," to enable him to make such recommendations as he might deem necessary. Thus the tariff returned to foreign valuation for the collection of duties, but preserved home valuation for the purpose of making recommendations, but as this amounted to nothing, it may truthfully be said that the only actual trial of home valuation was from 1789 to 1795 and during the brief period from June 30, 1842, as provided in the compromise tariff, to August 30 the same year, when the new tariff was approved.

The Walker tariff, in 1846, made all duties ad valorem, and retained foreign valuation.

In his first annual message to Congress, December 2, 1850, President Fillmore made a strong argument for specific duties as a means of preventing undervaluation frauds, and then added:

#### RECOMMENDATIONS OF PRESIDENT FILLMORE.

As before stated, specific duties would, in my opinion, afford the most perfect remedy for this evil; but if you should not concur in this view, then, as a partial remedy, I beg leave respectfully to recommend that instead of taking the invoice of the article abroad as a means of determining its value here, the correctness of which invoice it is in many cases impossible to verify, the law be so changed as to require a home valuation or appraisal, to be regulated in such manner as to give, as far as practicable, uniformity in the several ports.

He returned to the subject in his annual message in 1851, but Congress failed to act, and in his third annual message, December 6, 1852, President Fillmore recurred again to the subject and stated the case with great force, as follows:

Another question, wholly independent of protection, presents itself, and that is, whether the duties levied should be upon the value of the article at the place of shipment, or, where it is practicable, a specific duty, graduated

according to quantity, as ascertained by weight or measure. All our duties are at present ad valorem. A certain percentage is levied on the price of the goods at the port of shipment in a foreign country. Most commercial nations have found it indispensable, for the purpose of preventing fraud and perjury, to make the duties specific whenever the article is of such a uniform value in weight or measure as to justify such a duty. Legislation should never encourage dishonesty or crime. It is impossible that the revenue officers at the port where the goods are entered and the duties paid should know with certainty what they cost in the foreign country. Yet the law requires that they should levy the duty according to such cost. They are, therefore, compelled to resort to very unsatisfactory evidence to ascertain what that cost was. They take the invoice of the importer, attested by his oath, as the best evidence of which the nature of the case admits. But everyone must see that the invoice may be fabricated and the oath by which it is supported false, by reason of which the dishonest importer pays a part only of the duties which are paid by the honest one, and thus indirectly receives from the Treasury of the United States a reward for his fraud and perjury. The reports of the Secretary of the Treasury heretofore made on this subject show conclusively that these frauds have been practiced to a great extent. The tendency is to destroy that high moral character for which our merchants have long been distinguished, to defraud the Government of its revenue, to break down the honest importer by a dishonest competition, and, finally, to transfer the business of importation to foreign and irresponsible agents, to the great detriment of our own citizens. I, therefore, again most earnestly recommend the adoption of specific duties wherever it is practicable, or a home valuation, to prevent these frauds.

Congress was not constituted rightly at that time for heeding such wise recommendations, and later the slavery question became of such intense interest that nobody appears to have thought of this detail of tariff legislation.

In 1882 the question of home valuation was investigated by the tariff commission.

#### AN EMINENT EXPERT—GENERAL APPRAISER TICHENOR.

The late Col. George C. Tichenor, long a special customs agent of the Treasury Department and for several years before his death president of the Board of General Appraisers, testified as follows:

Having in view ad valorem duties, I would suggest as a measure calculated to circumvent and break up the pernicious consignment system, to which I have referred, the levying of a discriminating duty of, say, 20 per cent upon all such importations, subject to ad valorem duties. And since the market value of such goods is, as a rule, fixed at a dollar price duty paid, in this country, instead of in the country of production and currency of such country, there is eminent propriety in assessing the duty thereon, according to the home value, instead of the unknown and uncertain value in the country of production. I am aware that cases would arise where it would be difficult to apply home values, such, for example, as the first importations of new articles and classes of merchandise. I apprehend, however, that it will not be contended that the difficulties thus encountered would be as great as are met in arriving at the true foreign market value of the immense quantities and kinds of goods consigned to this country, for sale and returns, which are reputed to be made "specially for the American market." It rarely occurs that goods in large quantities and of great value are consigned here, unless they have been placed in advance or their probable value in the market ascertained.

Could the principle of "home values," either as a rule or alternative, be adopted in the revision of the tariff, the dutiable value should, I think, be the wholesale market value in the principal markets of our country.

\* \* \* \* \*  
 If the dutiable value of merchandise—subject to ad valorem duty—is to be based upon the foreign market value, the law should more clearly define what shall constitute such foreign market value. It should, in substance, declare that the same shall be that price or value at which such merchandise is at the time of exportation to the United States, freely and regularly offered to all de-

siring to purchase, in usual and ordinary wholesale quantities in the principal markets of the country from whence exported. In countries like Canada, for example, where articles subject to excise tax or impost duty are held in bond, and the market value thereof is less than out of bond, the value of such article out of bond should be declared to be its dutiable value when exported to the United States.

I have found instances in some foreign countries where it was claimed that the prevailing market values for certain articles were different, lower, of course, for the export trade than for the home trade, and in some instances the prices for export to different countries differed. It appears to me that in such case either the home value there or here should be taken.

Another expert to whom I refer was Hon. Henry F. French, then Assistant Secretary of the Treasury, in charge of customs, and whose argument is so instructive that the following copious extracts need not be apologized for. He said:

ANOTHER—ASSISTANT SECRETARY OF THE TREASURY FRENCH.

I think the question whether your commission should not recommend a home valuation instead of a foreign valuation is one of the most important you should consider. By section 2902 of the Revised Statutes it is provided that—

“It shall be the duty of the appraisers of the United States, and every one of them, and every person who shall act as such appraiser, or of the collector and naval officer, as the case may be, by all reasonable ways and means in his and their power, to ascertain, estimate, and appraise the true and actual market value and wholesale price, any invoice or affidavit thereto to the contrary notwithstanding, of the merchandise at the time of exportation, and in the principal markets of the country whence the same has been imported into the United States.”

Why should we go to India, or to England, or anywhere else, to ascertain what the value is or was there, rather than to take the value in the port of importation, or in the principal markets of the United States, which would be the better term or better method? It seems to me that it is one of the curiosities in the law that such a provision should have existed from 1799 down to the present time; and I think it only exists now because nobody has really thought it possible to change a thing that has existed so long. People have supposed that there must be some reason that they did not understand why the foreign value should be found rather than the home value.

There is another practical difficulty. I suppose the members of the commission are familiar with the fact that large invoices come into New York, notably of silk goods, which are not sold in any other market except the American market. The factory where they are manufactured is devoted to a certain line of goods, especially made for the American market, and they are not sold abroad, but are consigned to an agent here, and the price is fixed in the invoice as the consignor or the consignee wants it, and when they come here there is no foreign market value. In such cases we have been through the absurdity of trying to ascertain what the goods are worth in a foreign market by finding what they are worth in this market and adding to that the costs and charges, and so working back from the original value here to ascertain the foreign value in order that we might assess the duties in this country. We have been obliged to do that because there was no foreign value upon those articles. Of course, in all of them, even in Japanese goods, they soon have a market value here, and the value in Japan is not of any particular consequence that I know of. But in every case, if you desire to fix the home value, you have the foreign invoice. It is now nothing but *prima facie* evidence. The law says that the real value shall be ascertained; so that whatever the invoice says, you can fix the home value by any other means at your command.

I think any person who should be told for the first time that we look abroad in order to find out what duty we should assess upon an imported article would be very much puzzled to know what reason there could possibly be for so doing, or how we were any better able to find out in that way than we should by submitting to our appraisers the question, What is the article worth on a valuation to be fixed here? But the answer is very apparent if you look at the condition of things in 1799, when the first enactment of this kind was made. At that time the country was young and the value of manufactured articles

was not known. Imported articles had no fixed value as they now have, and therefore there was occasion to go abroad to see what the article cost. There was not then, as there is now, communication between the different ports, and there were no opportunities for consultation between the officers of the different ports. It was therefore necessary to find out what the articles cost. If you look at the old statute you will see that the leading idea was to find what was actually paid for the article, when and where it was purchased, and that was a very fair criterion. A thing sold in a fair market is ordinarily bought and sold at its fair value. And so it was provided that the value should be fixed by the "original invoice," and the "bill of lading," as it was called in the old statutes, that is to-day the bill of sale, as I suppose it was—the actual bill of sale that passed from the seller to the buyer. The oath was that this was the original bill of sale or original invoice, and these were the original "bills of lading." It was assumed that the honest transaction would be disclosed, and then it might fairly be taken with such additions as were afterwards made. I think there were no charges or commissions so long ago as that. It was the simple question as to how much the article cost.

After a while it was found that the original invoice, as it is still called, was no criterion of value, because it was found that one price could be paid, and a different price put in the bill of sale or invoice. And so, many years afterwards, I think not until 1842, authority was given to the appraiser to disregard the invoice and ascertain by every means in his power the true value of the article. He was not limited to the invoice price, but was allowed to go about among his neighbors and ascertain by any means in his power what the fair value was in the market of the country from which the article was brought. Thus the original idea of assuming that the bill of sale and bill of lading disclosed the true value, and relying upon that is entirely waived, and no appraiser feels safe for a moment to regard the invoice produced, although sworn to 40 times, as showing the true price at which the article was bought and sold. Undervaluation and fraudulent invoices of all kinds occur, so that the reason why the foreign value was taken instead of the home value has entirely disappeared. There is no reason that I can see why the value in the ports of the United States upon every article can not as well be ascertained as the foreign value, and, indeed, much better. What article can be named which the appraisers in one of our ports can not ascertain the value of, being at liberty to look at the invoice, to examine on oath the importer, to inquire in every direction what such articles are bought and sold for in this country and other countries? Why can they not ascertain the home value, and why is not that the simplest way? Then you get rid of this whole class of charges and commissions, which is an outrage in itself, I was going to say. It is a provision of law that can not be fairly executed. Invoices come into New York in English, in German, in Spanish, French, and Italian, and all other known languages. The charges and commissions are entered in those various languages and in the currencies of those countries. You not only have to know foreign languages, but to know foreign moneys—pounds, shillings, pence, francs, ducats, thalers—everything else you can conceive of. Those must all be reduced to American currency in order to be understood. Some of it is depreciated currency, but it all has to be reduced to a gold standard before it can be dealt with in the invoices. Then, as I read from section 2502 of the Revised Statutes, if there are general charges upon an invoice containing several descriptions of articles, the custom-house officers are required to distribute fairly among the different classes of articles this amount of general charges and commissions, and that, I think I may say, is an impossible thing to do fairly. I do not think any custom-house officer will say that in a complicated invoice of that kind he can succeed in administering the law to his own satisfaction.

By Commissioner McMahon:

Q. As you say, the law provides that the charges shall be distributed pro rata on the different classes of articles, and it sometimes happens that a change of the one-tenth part of a mill, where there are large quantities of goods thrown from one rate of duty to another, will make a very large difference in the charges upon the different articles.—A. That is very true, and I think you can get rid of that whole complicated matter of charges and commissions, and that it is very desirable that you should do so.

Another matter is the fact that formerly most of the goods that were imported were actually bought and sold. They were imported by the buyer, and purchased in the market at a fair and regular price. Now, a great proportion of the goods that come into the market (dress goods and silk particularly) are consigned.

They are not sold before they come to this country, and, as I said yesterday, in the silks particularly there are large establishments which manufacture for the American market and sell to one particular American dealer. A house in New York will have a line of goods manufactured especially for them in France, perhaps in Lyons, and will import all the goods that are manufactured by that house, themselves. They will have no competition in the market. These goods are not sold in the foreign market at all. They have no established price abroad, and the question is, How shall they be valued here? We have to find out how much the goods sell for here and how much they must cost. The raw material costs so much, the labor so much, and other goods somewhat like them sell for so much. We thus work out the problem, and we assume a foreign price which never did exist, because (as I have said) there is no sale abroad for these goods. By that sort of computation we get at the foreign price. It can not be done in any other way.

As to consigned goods, they are in the same position. A silk manufacturer in France who makes a particular kind of goods for this market has an agent in New York to whom all these goods are consigned. They do not sell a yard of them in the open market, but send them here on consignment. There is no French value for them by which our statute can be complied with, but it has to be ascertained. The invoice is made up as the law contemplates, but it is made up at the lowest value which the consignors dare to fix for the goods, because if the value were fixed too low they know that it would be raised here. There is, therefore, no sense in retaining this provision for foreign valuation. It is the home valuation, in fact, which should control the duty.

Besides the articles of silks, gloves are also consigned (a very large proportion of them), and so are all fancy articles of women's dress. We frequently have communications from our special agents on the subject, stating that these goods are undervalued. Investigations are made abroad, and we have hearings here, and have constant controversies on these points. About three years ago our special agents, whose business it is to hunt up frauds of this kind, reported that there must be a great undervaluation in silks, because the silks were selling in New York at a less price than they were selling for in the places where they were manufactured. That they proved to the satisfaction of the Treasury Department.

Now, after considering these matters, a prominent business man in Massachusetts, Mr. George A. Draper—and, by the way, he is a brother of General Draper and of Governor-elect Draper in Massachusetts—said:

If I have not miscounted, there are 617 specific duties in the Dingley tariff, 230 ad valorem duties, and 145 compound duties. Since the compound are partly ad valorem, there are 375 of 992 duties in the law which are assessed wholly or partly on the value of the goods.

Even when there is no fraud there is such a difference in the cost and value of similar articles in countries that are far apart, that when those articles are brought together here the duties based on foreign valuation are very different. Under the present law an exactly similar article which honestly costs in England \$1 and which would honestly pay duties of fifty—

The CHAIRMAN. I think if there is anything on which this committee is agreed on both sides it is that whenever we can place specific duties instead of ad valorem duties we will do so. I do not think there is any variance in the committee on that proposition.

Colonel CLARKE. I am very happy to know that that is the opinion of the committee. I was reading what Mr. Draper said as to the unfortunate working of the foreign-valuation clause where ad valorem duties prevail, as they will, necessarily, in many articles. There is very little more of this. He further said:

There is another feature of this business which has now become of immense practical importance. I am told that nine-tenths of the great imported staples can not be purchased by Americans in Europe and imported; that the selections are largely made there, but that the actual purchases are made in the United

States, and the goods delivered by the foreigners in this country, duty paid. This practice is, I am told, substantially universal. There is a reason for it. Foreigners do not send their agents to this country and pay them large salaries or commissions, and keep up agencies here at an added expense, unless there is a gain to them in doing it, and there is only one place where this gain can be made, and that is in the amount of duty paid; and it is without doubt true that nine-tenths of the goods imported into the United States through these agencies subject to ad valorem duties do not pay proper duties.

If home valuation were substituted, it would make no difference what the goods cost the foreigner. There would be an American price for them, and he would manufacture and sell them in this market under a practically fixed duty, and knowing substantially what it would be. It would (and this is perhaps in theory the most important advantage) base the tariff on the cost of American production in all competing articles rather than on the cost of foreign production, and as we should here reduce costs and prices it would automatically work to reduce in the same proportion the duties, and it is a fact that costs and prices are constantly being reduced.

There is a very brief further paragraph in the historical statement:

A provision was introduced into the United States tariff of 1897 (the Dingley law) which authorizes appraisers "to take into consideration the wholesale price at which such or similar merchandise is sold or offered for sale in the United States," etc. This is not home valuation, but is an approach to it. The fact remains, however, that importers often contend that the goods are different from any to be found here, and so they insist on the foreign valuation.

In view of all the light of a century of experience, and the study of experts, and of the fact that every variety of goods is now found in the principal ports of this country, and the railroad and telegraph have established general uniformity of prices of staple manufactures, it would seem to be entirely practicable now to frame a law for home valuation which will be both just and workable.

At least, the difficulties attending it are very small and very few compared with the difficulties of the present system.

Mr. HILL. Do you know Edward M. Woodward, president of the Woodward & Powell Planer Company, of Worcester, Mass.?

Colonel CLARKE. I do not.

Mr. HILL. Is he a member of the Home Market Club?

Colonel CLARKE. I could not tell you without looking at their list.

Mr. HILL. You do not know him personally?

Colonel CLARKE. No.

Mr. HILL. You have quite a good many members of the Home Market Club who are machine-tool manufacturers in Worcester and Fitchburg, have you not?

Colonel CLARKE. Possibly.

Mr. HILL. I would like to read a letter which has come to me by special delivery. It is very short. I would like to ask your judgment on it. I do not know why it was sent to me. It was handed to me a few moments ago. It is a letter requesting me to file this brief with the committee:

WORCESTER, MASS., *December 3, 1908.*

HON. SERENO E. PAYNE,

*Chairman Committee on Ways and Means,*

*Washington, D. C.*

GENTLEMEN: The machine-tool builders of Worcester and Fitchburg, Mass., a large majority of whom are members of the National Machine Tool Builders' Association, present to you the following brief with reference to the proposed revision of the tariff on machine tools.

We believe that it would be for our best interests that we should have a maximum and minimum tariff on machine tools coming into this country, and that the maximum tariff be 45 per cent ad valorem, as now exists, and that the minimum tariff be 30 per cent ad valorem; also that the minimum tariff be

used when the most favorable tariff is granted the United States on machine tools by foreign countries.

Yours, respectfully,

Edward M. Woodward, President Woodward & Powell Planer Company, ex-President National Machine Tool Builders' Association; Stockbridge Machine Company, A. W. Beaman, Treasurer; J. E. Snyder & Son, J. E. Snyder; The Young Machine and Tool Company, W. C. Young, Vice-President; Francis Reed Company, Francis Reed, Proprietor; Whitcomb-Blaisdell Machine Tool Company, Charles E. Hildreth, Treasurer; H. G. Barr, per H. E. Barr; Heald Machine Company, per James N. Heald, Manager; Donald Tulloch; B. G. Luther Company (Incorporated), B. G. Luther; O. S. Walker & Co., per I. F. Williams; Norton Grinding Company, by George I. Alden, Treasurer; C. H. Cowdrey Machine Works, by C. F. Cowdrey; Fitchburg Machine Works, G. H. Dyer, Treasurer; Bath Grinder Company, John Bath, President; Putnam Machine Company, C. F. Putnam, President.

It is signed by practically all of the machine-tool makers of Fitchburg and Worcester. In your judgment, would the adoption of such legislation as that tend to increase the trade of foreign machine-tool builders in this country?

Colonel CLARKE. I think it would increase it.

Mr. HILL. Would it be any detriment to the home trade?

Colonel CLARKE. I think it would.

Mr. HILL. You think it would be a detriment to the home trade?

Colonel CLARKE. Decidedly.

Mr. HILL. Would your judgment commend such legislation?

Colonel CLARKE. It would not.

Mr. LONGWORTH. I might say that I have had a number of such communications on exactly the same line.

Mr. CALDERHEAD. Why not?

Colonel CLARKE. We have a very large manufacture of machine tools in this country, and the competition between these many producers is very keen. It has reduced the price to the consumer as low as it can safely be reduced and maintain our present American system of living and American wages. To introduce more easily the foreign-made machine tools, which, of course, are the products of countries with much lower labor cost than prevails here, would by just so far dislocate the American industry and displace American goods which have given employment to American labor.

The CHAIRMAN. Do we not sell machine tools abroad?

Colonel CLARKE. Hardly any.

Mr. LONGWORTH. Cincinnati is one of the largest machine-tool districts in this country. I am told that more than 40 per cent of their trade is export trade.

The CHAIRMAN. I think you are mistaken about that, Colonel. I have read constant references to it. I think you are mistaken about that. I understand that we beat the world in making machine tools, in the fineness and quality of the tools.

Colonel CLARKE. That may be so, Mr. Chairman, but I have been told by machine-tool builders that the foreigners copy the American patterns within a year after they obtain a pattern; and we have not the advantage of the lower cost of labor and the lower cost of everything that enters into their manufacture.

The CHAIRMAN. The statement was that because of their excellence they were sold at even a higher price than the tools of domestic manufacture there. I am sure I saw that statement about machine tools in the consular reports.

Colonel CLARKE. It may be true of certain special instances, Mr. Chairman, but I can not believe that it is true as a whole. The machine-tool industry, of course, is a very large industry. There is a great variety of machine tools, and naturally some would be exported, and we naturally import some.

The CHAIRMAN. Is there any portion of the present law where you think it would be possible to reduce the rate?

Colonel CLARKE. I think it may be possible, if you adopt home valuation.

The CHAIRMAN. If you adopt what?

Colonel CLARKE. Home valuation, where ad valorem duties apply.

The CHAIRMAN. I am speaking of a reduction. If we adopted home valuation, the rate might well be the same as now, if we could get an honest valuation. For instance, if we adopted home valuation on crockery, the rate would be 22½ per cent, and would run fully as high as it is now at 60 per cent on foreign valuations. That figures out to a certainty. But I mean aside from that, is there any schedule or any paragraph where you think the rate might be reduced with safety?

Colonel CLARKE. I think probably there are a number of instances.

The CHAIRMAN. But you have not been able to specify any.

Colonel CLARKE. I have tried for the last three years to get somebody to name those articles, and with very, very limited results. I have heard more in these hearings here on that subject than I have been able to ascertain in three years from talking with individuals and reading their magazine and newspaper articles.

The CHAIRMAN. How about the duty on hides?

Colonel CLARKE. The duty on hides; the hides of cattle?

The CHAIRMAN. The hides of cattle, now at 15 per cent?

Colonel CLARKE. Of course that can be taken off probably with some small advantage to the shoe industry and the harness industry of the country, unless they thereby have to sacrifice their price.

The CHAIRMAN. Did you hear the shoe men the other day when they said they were willing to have the duty all taken off of shoes if they had free hides?

Colonel CLARKE. I did. I heard the telegram from a Lynn firm.

The CHAIRMAN. You think they are mistaken about that?

Colonel CLARKE. I do, and I know there is a large number of shoe manufacturers in Massachusetts who do not agree with them.

Mr. RANDELL. They are manufacturing for export, though, are they not, and they get a drawback on the hides that they import; they get their hides free, and are manufacturing for foreign markets?

Colonel CLARKE. If they are able to identify the leather.

Mr. RANDELL. Is that the case or not?

Colonel CLARKE. If they are able to identify the leather made from imported hide which enters into a shoe, they can get the drawback. Otherwise not.

The CHAIRMAN. That seems to be a little difficult, because they buy uppers and soles already cut.

Colonel CLARKE. Certainly. The manufacturer of sole leather has no difficulty at all in getting the drawback, except in this respect: The foreign producer of that leather knows very well that the American exporter is entitled to that drawback, and so in driving his bargain he insists on having that drawback, or a part of it.



Mr. BONYNGE. Do you agree with those witnesses who appeared before us in favor of free hides, who contended that the packers got all the benefit of the 15 per cent on hides?

Colonel CLARKE. I do not.

Mr. BONYNGE. And that the cattlemen and ranchmen of the West got none of it?

Colonel CLARKE. I do not agree with their statement about that.

The CHAIRMAN. If the whole duty were added to the price of the hides, still the amount of that duty would not affect the price of shoes to exceed 2 per cent; it would be nearer 1 per cent on the price of a pair of shoes. Say it is 2 per cent. The duty on shoes is 20 per cent, I think. Now, if their statement is correct, without any reduction in the duty on hides they could reduce the duty on shoes 15 per cent and not be hurt, and that would leave them 5 per cent. If I am not right about the duty being 20 per cent, and it is 15 per cent, they could reduce the duty 10 per cent and leave it at 5 per cent. If these gentlemen know their business, and know what they are talking about, they can stand a reduction to 5 per cent and have ample protection, according to their notion.

Colonel CLARKE. The duty on shoes is 25 per cent. Possibly it could be reduced a little. Mr. William B. Rice is one of the largest shoe manufacturers in Massachusetts. He is a free trader in theory and a member of the Democratic party, and when the subject of taking the duty off shoes in consideration of taking it off hides was brought up three or four years ago he said the shoe manufacturers could not afford to take it all off, because other things besides hides went into shoes. There is the cotton cloth used for lining, and there are some metallic goods used for eyelets, and so forth, and they are dutiable. He said that it would place the shoe manufacturer at a disadvantage. The other day this Mr. Jones who testified so ably before this committee told me in conversation that the Germans and Austrians are now manufacturing what is called an "American shoe" on machinery sent over to them and leased to them by the United Shoe Machinery Company, which they operate under the skilled guidance of a man or men sent over by the United Shoe Machinery Company, and those shoes are in great favor in the foreign markets. He says an expert can hardly tell the difference between them and an American shoe of the same style. He looked upon it as setting the limit to the exportation of American shoes to European markets, and he said, "We shall be very fortunate if it does not result in an invasion of the home market by those same shoes."

The CHAIRMAN. You say Mr. Jones who appeared during the hearing?

Colonel CLARKE. Yes, sir.

The CHAIRMAN. Why did he not come out in the open and express his views?

Colonel CLARKE. I do not know. I had this conversation with him.

Mr. GAINES. He is speaking of Mr. Jones, who testified here so ably before this committee on this subject, or at least so skillfully. Colonel Clarke, I have been told to-day by a gentleman from Massachusetts that the persons who were here the other day represent the very large manufacturers of shoes, who, by reason of their great output, can manufacture more cheaply than the great bulk of shoe manu-

facturers, and also men whose product has, to a certain extent, now a monopoly because they manufacture shoes of superior fit and fashion, but that the great bulk of Massachusetts shoe manufacturers will say that upon cheaper grades of shoes, such as can be manufactured abroad, the shoemakers of this country can not stand free trade, and that the gentlemen who were testifying here the other day did not represent the majority in number or even the bulk in output of the shoe trade.

The CHAIRMAN. Why do they not appear and give the information to the committee?

Mr. GAINES. I understand they want to appear, and will appear. I wanted to ask Colonel Clarke whether, in his opinion, those gentlemen who expressed themselves in favor of free shoes do or do not represent the sentiment of the Massachusetts shoe manufacturers.

Colonel CLARKE. I think they represent the majority of that sentiment.

Mr. GAINES. You do?

Colonel CLARKE. I do; and I will tell you why. Three or four years ago the Boston Commercial Bulletin, owned and edited by Governor Guild, made a canvass of the shoe manufacturers of New England, and 65 per cent of them declared in favor of free hides and declared their willingness to sacrifice a part of the protection on shoes if they could get free hides.

Mr. BONYNGE. A part of the protection only?

Colonel CLARKE. Part of the protection.

Mr. GAINES. But these gentlemen said they were willing to do away with all of the protection, if I understood them correctly.

Colonel CLARKE. I do not believe that a majority, or even a large minority, of the shoe manufacturers of Massachusetts would consent to taking off all of the duty.

The CHAIRMAN. They not only stated that, but they have asserted it to me repeatedly in the last three or four years; and I have asked them if they had all the duty taken off on shoes if they would not be back here asking us to put it on again, and if they were aware of the fact that if it was done under a general revision of the tariff it would be years before the tariff would be changed again; and they said yes, they were aware of that, and they were willing to have it taken off. That is what these gentlemen told me, some of these same gentlemen.

Mr. CALDERHEAD. There is no tariff upon any hides that come in of any kind except the heavy hides, the sole-leather hides?

Colonel CLARKE. That is all; hides weighing 26 pounds, I think.

Mr. CALDERHEAD. What percentage of the importation of hides is of that character?

Colonel CLARKE. It is a comparatively small percentage, but still it is an important factor in the business.

Mr. CALDERHEAD. If there were six or seven millions altogether, the importations of heavy hides would be about one million?

Colonel CLARKE. I would not undertake to give the percentages without looking them up.

Mr. CALDERHEAD. I wish you would.

Colonel CLARKE. I will look them up and furnish the information to the committee.

Mr. CALDERHEAD. I wish you would. Where do the heavy hides come from?

Colonel CLARKE. From South America, very largely.

Mr. CALDERHEAD. Any from India?

Colonel CLARKE. I doubt if any heavy hides come from India. We import a great many light skins, goatskins. Of course they come in free.

Mr. CALDERHEAD. Yes. There is no tariff of any kind except upon heavy hides?

Colonel CLARKE. That is all.

Mr. CALDERHEAD. The heavy hides of 3 and 4 year old cattle?

Colonel CLARKE. That is all.

Mr. LONGWORTH. Do you agree with the statement of Mr. Jones that the price of hides has nothing whatever to do with the price of cattle?

Colonel CLARKE. I do not.

Mr. LONGWORTH. I did not understand whether you did or not.

Colonel CLARKE. I think the growers of cattle know what the duty is, and they are generally keen-scented for what they are entitled to. I think they exact a little higher price for the steer than they would but for that duty.

Mr. LONGWORTH. Mr. Jones had some figures which he read to show that when the price of hides was highest the price of cattle was lowest, and vice versa.

Colonel CLARKE. I do not recall those figures, but that might happen as a coincidence. There might be other factors entering into the problem at different times which would make prices high or low.

Mr. CALDERHEAD. What would the packer who buys cattle say to the shipper who sells cattle if the tariff was taken off of heavy hides?

Colonel CLARKE. Well, I am not much acquainted with the packers. I do not know what they would say.

Mr. GAINES. You mean whether he would not use that as an argument to force down prices when the cattle were offered for sale?

Mr. CALDERHEAD. Yes; when the cattelman offers his cattle he offers them with the hides on. The price is \$6 a hundred at this time, and he pays that much with the hide on, and he pays for the hide as well as the other part of the animal. Now, the hide of a 3 or 4 year old steer weighs from 100 to 115 pounds. If the tariff amounts to 3 cents a pound, will the packer say to the shipper, "The tariff has been taken off and I can not pay quite so much for this steer?"

Colonel CLARKE. I think he is very likely to say that; but there is a very large proportion of the hides of cattle which are not sold by the packers. The output of small slaughterhouses all over the country amounts probably to about one-half of all the hide-producing industries.

Mr. BONYNGE. What do they do with the hides?

Colonel CLARKE. They sell them in their city markets at the prevailing prices, always getting all they can.

Mr. CALDERHEAD. Those are all hides of young cattle, usually?

Colonel CLARKE. No; they are very often the hides of cows, and sometimes, in some States, of oxen. I was in a town in Maine four years ago, where I was told that every farmer keeps one yoke of oxen, and some farmers more. They are returning to the use of oxen more and more in some parts of New England. Of course those hides get into the market sooner or later. They are heavy hides.

Mr. LONGWORTH. Do you believe, Colonel, if the duty on hides was increased that the cattle industry would be stimulated?

Colonel CLARKE. I hardly think it would, for the reason that people do not grow cattle exclusively for their hides nor largely for their hides. They grow them mostly for beef. But as the hide is a part of the animal a grower feels that he is entitled to get as much as he can for that part, the same as he gets for other parts, and I never have been able to see why he should not.

The CHAIRMAN. I think the committee will ask Mr. Jones to come back here and tell us about this. We want to get all the facts on this subject.

Mr. HILL. Referring back to the Massachusetts machine-tool industry, which is a very large one in Massachusetts and managed very successfully, to my personal knowledge, the home market is much larger than any possible foreign market that could be found by those men, is it not?

Colonel CLARKE. I think it is.

Mr. HILL. Undoubtedly. Why and on what ground should these men come before this committee and ask for such a change in the duty as you say will extend their foreign market and injure their home market?

Colonel CLARKE. Perhaps they do not take that view of it.

Mr. HILL. It is quite evident that they do not take that view of it, but I did not know but what you might give us the ground on which you think they acted.

Colonel CLARKE. I had no knowledge, before coming before the committee, that there was any such request from Massachusetts, and I do not know the motives of those men.

Mr. HILL. I think I can tell you what one of their arguments is. They fear that the French will raise the duty against them, and therefore they want a tariff on which a trade interest can be made, and that is their reason for asking for a minimum tariff.

Mr. RANDELL. Is it not a fact that the tariff on hides has not had a real, fair test in reference to the matter of raising the price of cattle, because three-fourths of the importations have been cut out from being a revenue by a ruling of the department applying the tax only to hides of 25 pounds and over? Is not that a fact?

Colonel CLARKE. I do not know whether that is a ruling of the department or a provision of the law.

Mr. RANDELL. But do they not trim the foreign hide so as to send in the better part of it, and bring the hide in under the 25-pound provision, so that the average hide that comes in from South America and other countries comes at the weight of about 22½ pounds; is not that a fact?

Colonel CLARKE. I do not know about that.

Mr. CALDERHEAD. Do I understand you to say that that is a ruling of the department?

Mr. RANDELL. Some of the witnesses were talking that way, and I will say that is the ruling; the department ruled on it in that way. That is not the law; it is a ruling of the department.

Do you not think that the situation is just about this, that there is just enough pressure brought to bear in favor of taking off the tariff on hides, and enough consent given to get the pressure in that direction, so that before this thing winds up and this bill should become a law the producers of hides will have no tariff on their product and the produceres of leather and shoes will still have the tariff, just the same? Is not that about the situation?

Colonel CLARKE. That may be what would please them.

Mr. RANDELL. That is what I think will be the result.

Colonel CLARKE. But, so far as I am concerned, I am in favor of protecting every domestic article that is subject to foreign competition.

Mr. RANDELL. I am in favor of protecting the American people and letting these business men stand on their proper business basis.

Colonel CLARKE. The shoe-manufacturing industry has generally been very prosperous since this Dingley duty was put on, not because of it, perhaps, but in spite of it, maybe. At any rate, it has been largely owing to the general prosperity of the country.

Mr. RANDELL. Had we not better take it off and give them a fair chance?

Mr. CALDERHEAD. If it were taken off, do you think our eighty millions of people would be any better off than they are now?

Colonel CLARKE. I do not.

Mr. CALDERHEAD. Would they get any cheaper shoes?

Colonel CLARKE. They would not get cheaper shoes unless they were cheaper in quality.

Mr. CALDERHEAD. Unless they were cheaper in quality?

Colonel CLARKE. Yes. The shoe manufacturers, as was testified to here the other day, have got the processes of manufacture down to a fine point of economy, and they can not reduce the price without reducing the quality.

Mr. RANDELL. If the tariff was taken off, do you mean to say that would let foreign shoes into the market?

Colonel CLARKE. I think it would.

Mr. RANDELL. Then, would not that reduce the price?

Colonel CLARKE. Not necessarily at once.

Mr. RANDELL. Then why do they not come in with the price not reduced? What difference does it make about a tariff if the price remains the same? What difference does that make about the importations?

Colonel CLARKE. Up to within a year——

Mr. RANDELL. Please answer that question, if you can.

Colonel CLARKE. I will, if I can. I do not know that I can. Up to within a year Americans would not wear foreign-made shoes to any extent, except a few fine shoes made in France, but now that the United Shoe Machinery Company's machines are in use, and American styles are copied so that experts can not tell the difference in the two kinds, the cheaper-labor country will get the foreign markets.

Mr. CALDERHEAD. And when your cheaper-labor country gets the markets, will the price of meat be any better in this country?

Colonel CLARKE. I think it will be less. You can not impair the purchasing power of the people, you can not strike down one great industry, without all industries suffering, and these men who are clamoring to have the duty on shoes taken off simply do not know what they are talking about.

Mr. RANDELL. They are very successful shoe men, are they not?

Colonel CLARKE. Some of them are very successful shoe men.

Mr. RANDELL. And they say they have got a cinch on the markets of the world outside of the home market.

Colonel CLARKE. Their exportation has been growing well.

MR. RANDELL. Do you not think they know more about that than you do?

Colonel CLARKE. I do not. I cheerfully agree that they have more practical knowledge of their business than I would assume for a moment to have.

Mr. POU. Are not any of these foreign manufactured shoes coming into this country now?

Colonel CLARKE. Hardly any, now. But I am apprehensive, as Mr. Jones expressed himself to me in conversation, that our market will be invaded.

Mr. POU. I was asking that purely for information. I did not know.

Colonel CLARKE. Since you have alluded to the men and their interests in this matter, allow me to say that two or three years ago, when the question of reciprocity with Canada and the free-trade questions were uppermost in Massachusetts discussions, some workingmen in Lynn, which is a great shoe town, united in a protest against it on account of the fact of the great disparity in wages between this country and other countries, and they gave a table of those wages taken from consular reports. I shall be happy to furnish a copy of that protest, if the committee would like to see it.

Mr. GAINES and others. We would like to see it.

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**WILLIAM W. BATES, DENVER, COLO., FAVORS ASSESSMENT OF  
AD VALOREM DUTIES ON DOMESTIC VALUES.**

38 WEST SECOND AVENUE,  
Denver, Colo., December 22, 1908.

HON. EBENEZER J. HILL,  
*Member Ways and Means Committee,  
House of Representatives, Washington, D. C.*

DEAR SIR: I note in your questioning of Mr. W. F. Wakeman, secretary of the American Protective Tariff League, a desire to draw out his opinion of the wisdom of home in place of foreign valuations on goods imported. Mr. Wakeman was not prepared to favor the idea.

Some years ago I examined this "basis"-of-valuation subject and concluded that foreign valuation is a mistake. If my recollection serves me well the original basis was home valuation. It was changed to foreign by Walker in the tariff of 1846, and was intended to give an advantage to British manufacturers, they being then the cheapest producers of our principal imports. Now Germany is the cheaper manufacturer, and soon Japan and China may be. Query: Is Asiatic labor, skill, and capital to be given advantage of European?

You are entirely right in thinking of changing the basis of valuation for ad valorem taxation. It is now unjust to the countries that are not the cheapest manufacturers.

I can see no object in seeking to have a uniform valuation throughout all the ports of the United States. It looks to favoring one port at the expense of others (which is unconstitutional). Let the foreign exporter be free to ship to any port he may choose, and the market value in that port to govern the payment of duties.

This is the plan I have adopted in formulating the four sections for the tariff bill that should be included in it for ship protection. (See my "Memorial" in the Hearings for December 4.)

I think the customs administrative law would be simplified and improved vastly by changing the basis of valuation from foreign to home market.

Very respectfully, yours,

WM. W. BATES,  
*Formerly Commissioner of Navigation, Treasury Department.*

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HON. JAMES KENNEDY, M. C., ADVOCATES ASSESSING AD VALOREMS ON SELLING PRICES IN THIS COUNTRY.

WASHINGTON, D. C., *December 23, 1908.*

WAYS AND MEANS COMMITTEE,

*Washington, D. C.*

GENTLEMEN: In my district I have a great many industries that are manufacturing the kind of goods which when imported from abroad pay ad valorem duties, and complaint has been general that the protective tariff has failed to protect in all cases where it is an ad valorem tariff. The glass blowers of Massillon, the watchmakers and roller ball bearing manufacturers of Canton, and the potters of East Liverpool are all contending that they have never had the protection against imported wares from abroad which was intended by the Dingley bill to give them. This could be remedied by a simple change in the administrative clause of the Dingley bill with reference to ad valorem duties. If the tariff were based upon the price at which the importer sells his goods, after the duty is paid, freely at wholesale in our market, further objection to ad valorem duties would disappear and the ad valorem duty, in place of being a source of infinite trouble and annoyance, would become the easiest of administration and the most satisfactory in every way. At present we permit foreigners to fix the market value in a foreign country and to pay duty upon that value which they have fixed.

In the testimony of Mr. Burgess, when appearing for the potters, he stated that the United States import figures on earthenware and china for 1907—our import figures from Germany are \$5,153,943, whereas the German export figures for the same goods at the same time were \$8,114,848. In the Daily Consular Trade Report No. 3338, dated November 23, 1908, per figures from the German Statistical Year Book (*Statistisches Jahrbuch für das Deutsche Reich*) for 1908, is given the imports from Germany to this country for the year 1908 aggregating \$7,689,980, while the Treasury Department collected duties, as appears by American figures, on \$5,287,367 worth. For the two years 1907 and 1908 German statistics show that importations to the United States were \$5,400,000 in excess of American figures, and that the admission of these goods into our country was attended by a swindle of our revenue department of over \$3,000,000. This gross undervaluation of goods coming from abroad was made at a time when the pottery associations were using the utmost endeavors to prevent such a practice. In the testimony given by Mr. Burgess it clearly appears that the United States Government was, in the matter of these duties, charging one

rate of duty for English goods entering our ports and a very much less rate of duty for the identical article when it came from German ports. This is indefensible. The bill which you are framing should be prepared with every care possible, so that it will not get out of adjustment, out of harmony, with the existing conditions quickly. The present method of levying duty upon the market price in the country where goods are made is vicious. The distance between the labor cost of goods abroad and the labor cost of the same goods manufactured in this country should be spanned or bridged by the duties collected. This is the protective idea. If duty is based upon a foreign price and conditions become disturbed, labor rapidly falls, carries down with it the foreign market price of the article, the tariff which is intended to span the entire distance between the foreign cost and ours should automatically become greater and not less. As for example: Let us assume that the hat I wear would cost \$1 to manufacture in a foreign country; that the labor cost and the material cost of manufacture here would make the cost of the hat \$2; the tariff should be \$1; if based upon the foreign price the rate of duty should be 100 per cent; if based upon the American price it should be 50 per cent.

Now I take it this committee is ambitious to frame a tariff bill that will have the tendency to free business in this country from all unnecessary disturbances by reason of unfavorable foreign conditions. In the case I instanced if prices should suddenly fall in those countries from which hats are imported into this country under the Dingley bill the tariff also would rapidly decrease, thus allowing foreign goods in great quantities to be shipped into our market cheaper, and so to suddenly disturb conditions resulting in calamitous disturbances to business of all kinds, making necessary the readjustment of wage scales in the factories and workshops, needlessly causing strikes and lockouts until every panic or labor depression wherever coming in the civilized world is instantly felt in greater or lesser degree upon our shores. Upon the other hand it is not the foreign market price of goods coming to America that should be considered in the framing of a protective tariff. It is the competitive price in this country, and upon that the duty should be based. I think that the ad valorem duties should be levied upon the price—the specific price—at which the importer sells goods freely to the jobber or to the wholesale trade in this country after the duty is paid. It would be the simplest thing in the world to require our administrative officers to collect the duties when goods are entered which are intended for sale at the price which the importer makes declaration that he expects to sell them, with the provision that he must report the exact price at which same are sold and when so sold, and if sold below the price originally entered the excess duty should be returned, and if sold above that price the additional duty immediately paid. This arrangement would make the ad valorem duty the ideal duty. It would free their collection from all embarrassments and suspicion of false valuations. It would bring this duty back to the just basis of all taxation, the value in money at the place where taxed.

Again, it has been shown that the same goods, identically the same articles of pottery, when imported from England are valued for taxation at 35 cents per dozen; when coming from Germany at 19½ cents.



It would seem fair to infer that the pottery of other kinds coming from Germany entered with an undervaluation bearing the same ratio to the real value that the Holland teas did. If this be true, then the figures given in the German Year Book, notwithstanding the fact that they are three-fifths greater than the valuation upon which they paid duty, are still away below, more than \$1,000,000 per year below, the price at which the same goods would have been appraised if they had come from England. The proportion stated for the year 1907 would be  $19\frac{1}{2}:5,153,943::35:9,332,012$ ; for the year 1908,  $19\frac{1}{2}:5,287,267::35:9,578,082$ . In the two years pottery imported from Germany was entered at our ports at a valuation of \$8,458,884 below the value at which the same goods would have been appraised had they come from England.

The administrative clause of the Dingley bill, which makes even possible such gross discrimination against the commerce of a friendly nation, must be corrected. Why, if the wages of workmen are lower in Germany than in England, we need more tariff upon them and not less.

It is objected that this change can not be effected because it would render unnecessary an army of special agents and appraisers who are now in the employ of the Government and who would use their influence to defeat the reform.

While it is difficult to understand why a feature in our tariff law so unscientific as the administrative clause relating to ad valorem duties has obtained for over half a century, while everywhere has been complaint and comment about the difficulty of its execution and its unsatisfactory operation, I am loath to think that our predecessors in Congress were influenced by the mere hunger of patronage in retaining this provision. Nor will this Congress hesitate for any such unworthy reason to make the change if it is thought right by a majority of its members.

When this idea was suggested to the president of the American Potters' Association he expressed surprise that it was not adopted long ago; at the same time, however, saying that intensely interested as he had been in the subject he had never thought of it before. I advert to this for the reason that it has been said that the potters do not ask this. They do. They made other suggestions of change, however, because they feared that this could not be had, inasmuch as it would affect all the schedules having ad valorem duties.

Respectfully submitted.

JAMES KENNEDY, M. C.,  
*Eighteenth District of Ohio.*

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**THE DURBROW & HEARNE MANUFACTURING CO., NEW YORK CITY, OFFERS SUGGESTIONS ON VALUATIONS.**

12 WOOSTER STREET,  
*New York, January 5, 1909.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

DEAR SIR: If not too late, we would ask if some modification of the present definition of market value of goods assessed "ad valorem" could not be embodied in the new tariff under discussion.

We refer only to goods which are purchased outright in the open market.

Under the present interpretation of the law the attempt is made to ascertain what the home price on goods is and assess duties on that basis irrespective of what is actually paid.

In effect this almost constitutes a specific duty instead of an "ad valorem" as specified in tariffs on many goods.

We respectfully submit that, viewed from the point of protection, the home price on goods has no bearing on the matter of protecting our industries. It is the export price that affects the matter. If the duty is not high enough on the export price, then make it sufficiently high. Practically all goods imported into the United States are bought for export.

The foreign manufacturer who parts with his goods for no other consideration but the cash return for same as per invoice rendered is the factor to be reckoned with.

We submit that the bona fide purchase of goods, for money, in the open market by an American merchant from a foreign merchant should be the basis on which to assess ad valorem duties.

There is no reason why American merchants should not have their statements (under oath if necessary) accepted as to these facts, when not controverted by any knowledge as to statements being untrue.

We also submit that in all appraisement hearings, formal or informal, before one, two, or three appraisers, the merchant is entitled to know what evidence he must contest, and should have the privilege, if necessary, of cross-examining government witnesses.

One-sided hearings where the appraisers conceal the facts on which they decide against merchants are un-American and unjust.

Yours, respectfully,

DURBROW & HEARNE MFG. CO.,  
*Manufacturers and Importers of Small Machinery,*  
 R. J. HEARN.

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## DOUBLE DUTIES.

**HON. WILLIAM S. GREENE, M. C., THINKS THERE SHOULD BE SOME PROVISION FOR ARTICLES ONCE IMPORTED AND SENT ABROAD FOR REPAIRS.**

WASHINGTON, D. C., *January 15, 1909.*

HON. SERENO E. PAYNE,  
*Chairman Ways and Means Committee,*  
*Washington, D. C.*

MY DEAR SIR: Constituents of mine are interested in the use in this country of the musical instrument known as the concertina. I am informed that none of these are made in this country, nor can they be repaired here. Hence, it is necessary when they need to be repaired that they be sent abroad. There is a duty on these instruments when they are first brought into this country, and I understand that when they are sent abroad to be repaired another duty is charged upon the same instruments to bring them back. This cer-

tainly seems an injustice, and I call the matter to your attention for the consideration of your committee to see if some remedy for this double tax can not be evolved.

Very truly, yours,

W. M. S. GREENE, M. C.,  
*Thirteenth Massachusetts Congressional District.*

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## ENGLISH PATENT LAW.

**HON. S. BRUNDIDGE, JR., M. C., SUBMITS LETTER OF E. C. LIPPMANN, TUPELO, ARK., RELATIVE TO PATENTED ARTICLE.**

TUPELO, ARK., *November 28, 1908.*

HON. SAMUEL W. MCCALL, M. C.,  
*House of Representatives, Washington, D. C.*

DEAR SIR: I have recently patented a roller guide for band saws under No. 876816, dated January 14, 1908, of the United States Patent Office, and am expecting to have the manufactured product on the market within the next few weeks. It is a very useful and important invention, and will, I think, be largely adopted by the users of band saws.

A short time ago I read an article relative to a change in the patent laws of England, in which it was shown that American inventors could easily be deprived of the benefits of their inventions, it being stated that England now requires that the manufacture of all patented articles must be begun within her borders inside of two years after the date of an English patent, or the patent would expire, and it would then become possible for an article to be shipped into this country in the original package, and the holder of letters patent for such article would have no remedy except to prosecute each individual distributor. It was pointed out that the United States might retaliate by passing a similar law, but that that would still be unfair on account of the greater number of patents issued by the United States than by England. In the meantime the inventor would be standing helplessly waiting for a readjustment, and seeing the benefits of his labor and money shared by those who had possibly never given an instant of thought or a dollar of expense toward making an improvement over old methods. This is particularly true when applied to the smaller and less valuable inventions, of which mine is one.

As I would not be able to start to manufacturing my guide in England and the prosecution of individual distributors in this country would cost more than my profits would amount to, I see nothing but a loss of all the labor and money I have used in perfecting my invention, unless a tariff of sufficient amount can be put upon the manufactured guide to make it unprofitable for anyone to ship same into this country.

I would be very glad to have you give this matter your consideration and, if you see fit, to take it up with the committee on tariff legislation and see if they will grant me the necessary protection.

My guide is the only all-roller guide for band saws that is made, and any contrivance using rollers would be an infringement on the idea, and if the committee will grant this protection, I hope they

will make the description broad enough to bar any roller guide that may be gotten up with the object of reaping the benefits that I would otherwise secure from my invention.

The retail price of the different sizes of guides will be about as follows:

Guides for saw blades 1½ inches and less in width.....	each..	\$10.00
Guides for saw blades over 1½ inches and up to 3 inches wide.....	do....	20.00
Guides for saw blades over 3 inches and up to 7 inches in width.....	do....	50.00
Guides for saw blades over 7 inches wide.....	do....	75.00

These prices will be subject to a trade discount, but will give you an idea of what it will take to protect; the net cost of manufacturing being expected to be one-half of the retail prices of the smaller sizes and a little more than one-half the retail prices of the larger sizes.

Assuring you of my appreciation of anything you may do for me, I beg to remain,

Yours, very truly,

E. C. LIPPMANN.

## EXPORT DUTIES.

**ROSWELL A. BENEDICT, NEW YORK CITY, SUGGESTS AN EXPORT TARIFF AND PROHIBITIVE PROTECTION.**

29 BROADWAY NEW YORK,  
January 9, 1909.

HON. SERENO E. PAYNE,  
*Chairman Committee on Ways and Means,*  
*Washington, D. C.*

GENTLEMEN: If your committee has time to consider general policies at all, in the exacting labor necessary to frame a tariff law, will you not consider the following points, and so far as you may agree with me let your agreement be reflected in some measure in the new law?

(1) Ought not the country gradually to learn to pay its own way by internal taxation and place tariffs on imports more and more for the purpose of protection to domestic employment and wages, even to the limit of a final cutting off of imports altogether?

Does not our looking in part to customs duties for revenue lead to the encouragement of imports, the displacement of domestic employment and wages, and so domestic business, and a necessary lowering of our means of support, and therefore our citizenship and our civilization?

Our population increases both by native procreation and by immigration. All increase in domestic consumption must come from one of two sources, viz, increase in the number of those employed, or increase in per capita wages, every aggregate increase being made up of these two elements in varying proportions.

During the currency of the Dingley law there has been a very large increase in competitive imports, I believe something like an increase of 100 per cent. These added imports must have been absorbed either by the increased consuming power per capita, by the increase of the consuming population, or by both of these agencies combined.

The question is how far this absorption of foreign goods can be traced to these sources of consumption, separately considered; for inasmuch as the country which furnishes either the increase in per capita wages or in the number of consumers is alone entitled to benefit by the correspondent increase in consuming or purchasing power, it would be instructive to know from which of these sources of increase belonging to us alone foreign producers were indebted for their opportunity to destroy consuming power in this country. For, of course, since employment and wages must precede consuming power, it follows that employment of foreign instead of domestic producers, as has been the case to the extent of something like \$800,000,000 of competitive goods annually for some years past, has destroyed domestic consuming power to the extent of the wage-yielding employment which would otherwise have come to our own producers had the production taken place at home instead of abroad.

How far has the apparent increase in domestic consumption during the currency of the Dingley law been due to increase in per capita wages, and how far to increase in population?

May it not be that the increase in consuming power is represented by increase in wages of skilled labor entirely and not at all by increase in population?

This would leave the increment of population from native and foreign sources during that period short in employment by the whole employment required for producing the \$800,000,000 of competitive imports annually.

May it not be that the increase in aggregate consuming power was due both to per capita wage increase and to increased population, but still be far short of what it should have been and would have been had the competing imports not have been made, but instead an equal amount answering the demand had been made in this country?

In this calculation it should be remembered that employment here, quantity for quantity, has a far different value in raising consuming power than it has abroad, because the wages arising here from a given employment are from twice to twenty times the wages arising from the same employment abroad, depending upon the foreign locality in which such employment is lodged. When we import \$800,000,000 of competing products we must bear in mind that the value of \$800,000,000 is the declared foreign value upon which tariffs are collected, and that this value is always stated at the lowest possible figure in order that the smallest amount possible may be paid in the way of customs duties. It is likely that \$800,000,000 in foreign values, taken promiscuously from the world's round export into this country, represents something like \$4,000,000,000 in wages here, following each article from the rawest state to the point of consumption, and that the canceled exchanges which would otherwise have been current in this country would amount in a year to from \$20,000,000,000 to \$40,000,000,000, seeing that every dollar placed in trade here passes from hand to hand at least five times and possibly ten times in a twelvemonth.

May not this cancellation of domestic business, by stopping our consuming power and destroying domestic exchanges at the rate above named, account largely for the great depression and wide unemployment which is even now severely felt in many places?

On our Bowery Mission bread line here in New York there are nightly 2,000 men, a great many of whom are skilled workmen, absolutely unable to find employment. This fact is eloquent for the proposition that our increase in domestic production and consequent employment does not keep pace with our increase in population; and it points to the probability that our enormous increase in competitive imports is accounted for by our tariffs being already far too low and the consequent fact that a certain proportion only of our increased population, especially the native increase, finds employment in domestic production, and that the consuming power of the country, and therefore its business-producing power, is far below its potentiality with protective tariffs adequate to compel the country largely to pay its own way by internal revenues. If it is losing from \$20,000,000,000 to \$40,000,000,000 a year now in business exchanges by the admission of foreign goods on which to levy tariffs for revenue, it surely could better afford to pay all the expenses of government by direct taxation instead.

(2) The "consumer" feels himself aggrieved because the producer is protected by a tariff which compels the "consumer" to buy goods of the producer, but does not compel the producer to sell his goods to the "consumer." If the "consumer" does not like the price at which the producer offers his goods, nevertheless the import tariff on foreign goods compels the "consumer" to take the producer's goods; even while there is no export tariff to compel the producer to sell his goods to the "consumer." The "consumer" therefore says, as did your Mr. Samuel W. McCall in his article in the October Century, 1907, entitled "Outlook for Tariff Revision:" "The man whose pockets the law has just helped monopoly to pick cares little whether the tariff is called the mother or the grandmother of trusts. \* \* \* It matters little to him whether the law creates the implements of plunder or whether it seizes the victim and delivers him over bound for the operation."

Of course, as a matter of broad fact, the entire country is benefited impartially by every effective protective tariff; and while it is a fact that the country is helped by protection directly in proportion to the number of industries protected, nevertheless it would be positively helped if there were but a single industry in the country protected, for that industry would at least furnish one means of employment to which labor could go to relieve the congestion of labor and so the wrecking of wages among unprotected industries. Now, to disarm this argument that protective tariffs "rob" consumers, and above all to disarm the importing trust, which puts a free-trade tongue in all our metropolitan newspaper offices and all the boards of trade and chambers of commerce in our great importing cities on the low-tariff side of the fence, ought there not to be also a protective tariff for the "consumer"—a protective export tariff as an offset to the protective import tariff in each case?

As an equitable proposition, should not an export tariff compel the producer, to a certain extent, to sell to the "consumer," if an import tariff, to a certain extent, compels the "consumer" to buy of the producer?

Would not a comprehensive plan for the promotion of American civilization, which depends entirely on the promotion of American employment and its wage scale, secure an exclusive American price

and compel its payment by everybody living within American national boundaries? And would not this be equally just to everybody if, while we compelled one party to buy entirely of American production, we also compelled the other party to sell entirely to American consumption? Adequate import tariffs offset by adequate export tariffs would establish a purely American price by which no American could possibly be prejudiced.

(3) Would not adequate export tariffs on all materials, provisions, and cereals, put us in a better condition industrially and financially? Foreign countries only buy of us because they can not buy at all elsewhere; for if they could buy at all they could buy at lower prices, inasmuch as our labor cost is the highest in the world. Export tariffs would not at once greatly hinder exports, but they would at once raise the prices of the exported goods abroad and so increase the cost of our materials for manufacture in foreign hands and of our foods to foreign mouths, which two facts would increase foreign cost of production, and act as an added protection to our industries from foreign competition.

Isn't it bad national strategy to feed foreign workmen to underbid our workmen in our own market here, and furnish foreign manufacturers with cheaper materials than they can get elsewhere, also to underbid our manufacturers?

For example, we raise and export cotton to English and German mills to be made up by foreign labor and returned here to rob our own people of employment and business, which we are now suffering to nearly \$100,000,000 worth a year.

(4) If the purpose of tariff legislation at this time is to prevent American monopoly, as our President-elect recently intimated, would not this end be reached more quickly, decisively, and conclusively by increasing tariffs so that foreign mills would have to move into the United States to get our domestic market at all; and so furnish off-hand an indefinite number of competitors right on the spot to dispute the domestic market with our "monopolists?"

There is no tariff on capital entering the United States to build factories or do other things. Would not, therefore, the following be true, as a proposition in naked economics, viz, that as long as there was an industry in this country making a larger profit than industries elsewhere, foreign capital would flow in here and set up its plants and contest the domestic market with our "monopolists" and trusts? Would not this be a multiplication of employers on the one hand and a multiplication of products on the other? And would not employers bid against employers for labor, and so raise wages? And would not products bid against products for the domestic market—if we had a good export tariff—and so lower prices? And would not thus what are called "trusts" and "monopolies" be forced to divide more and more of their "exorbitant" profits with the public on the one hand, through lower prices, and with laborers on the other hand, through higher wages; and would not this process keep on until it was stopped by the fact that the profits of the "trusts" and "monopolies" had fallen so low that they would make more money by going abroad with their plants than by lowering their prices further or increasing wages? Would not prices now remain practically stationary by the balancing of production with consumption? And

would not wages always remain high enough so the country's aggregate wage volume would be able to buy the entire product? For, with an import tariff keeping out foreign competitors with their goods, and an export tariff keeping in American competitors with their goods, there would be no recourse by which labor on the one hand could buy goods of others than the employers of labor here, or capital on the other hand could sell its goods to others than their laborers; and if wages fell, they would not be sufficient in the aggregate to buy all the goods until the price fell to where the aggregate value of all the goods again was equal to no more than the aggregate volume of wages; and if prices fell, it would cut into the interest return for capital to where it would pay it better to go abroad than to remain at home, and it would go abroad until goods had been so diminished in quantity here that the price would return to the old paying level.

Therefore, would not an adequate protective import tariff, balanced by a like protective export tariff, just balance the interests of the producers and consumers, so that prices could never be so high that the entire product could not be purchased by the consumers, and never so low that an adequate product could not be furnished by the producers?

Where could a "monopoly" or a "trust" possibly exist under such circumstances of equally balanced production and consumption where all industries had reached an equilibrium?

(5) Is it not evident from the foregoing proposition that monopolies are rooted out by limiting as much as possible the fields from which, on the one hand, they draw their labor, and, on the other, in which they sell their goods?

Is it not, therefore, an earmark of a monopoly proposition that it seeks to increase both the field from which it can draw its labor and that in which it can sell its product?

Is not the proposition to admit the Philippine Islands to free trade with us the proposition of monopolists, for the reason that it proposes to add to the number of American laborers here all the laborers of the Philippine Islands and as many more as can be imported into the Philippines by interested capital seeking to profit by the difference between American and foreign, Temperate Zone and tropical wage rates, and at the same time increases the field in which it may market its goods by adding to the Filipino market where the goods are produced the whole American domestic market on the mainland of the United States?

It is thus likely that this proposition for free trade with the Philippine Islands does not necessarily mean a low price for sugar or any other product, since if these Philippine Island exploiters are not satisfied with the price this market offers them, they can travel all over the rest of the world looking for a higher one; but it is very certain that the proposition does mean lower wages here; for, as said before, to all the American sugar producers and laborers here it adds all the producers and laborers that are already in or can be crowded into the Philippine Islands.

(6) In view of the foregoing considerations, is it not true that every man, without exception, who appears before your committee asking for lower tariffs, asks for a condition in which commercial speculators may profit by trading off American employment, either



potential or actual, for foreign cheapness in production; that is, may gamble on the difference between the American and foreign levels of subsistence costs, American and foreign levels of morality, refinement, and civilization?

Does not each such pleader for lower tariffs stand for a private monopoly at the expense of American citizenship?

And is it not just as true that every person who appears before you, asking for an increase of the tariffs, is asking for an opportunity at least to destroy one of the conditions upon which monopoly is built, by the fact that he is asking for an opportunity to employ only American labor and swell only American wages, American business, and American aggregate prosperity?

Can we morally encourage a man of the first class, or discourage a man of the second?

Very respectfully submitted.

R. A. BENEDICT.

### FIRE INSURANCE TARIFF.

PORTLAND, OREG., *November 21, 1908.*

Chairman PAYNE, *Washington, D. C.*

DEAR SIR: I note that you are in favor of removing the tariff on lumber, which I think is very wise. We must have a revenue. Why not place some kind of a national tax on fire insurance companies? They collect annually a net premium from the American people of about \$70,000,000. You can easily verify these figures. It is over \$70,000,000 net.

Respectfully, yours,

A. M. GRAY.

### FOREIGN-BUILT YACHTS.

GEORGE B. CARPENTER & CO., CHICAGO, ILL., ASK FOR LEGISLATION RELATIVE TO YACHTS BUILT ABROAD.

CHICAGO, *December 9, 1908.*

HON. HENRY SHERMAN BOUTELL,  
*Washington, D. C.*

DEAR SIR: Inasmuch as we are vitally interested in the ship and boat building industry in this country, as manufacturers and jobbers of supplies used in this industry, we respectfully call your attention to the discrepancy and injustice existing at the present time in our tariff regulations as between protection afforded to our so-called "merchant marine" and the lack of protection afforded to American builders of yachts and pleasure craft in general—craft which fly the American yacht ensign and not the American flag.

Under the present regulations no American can have a ship built in a foreign country for use in our coastwise trade, whereas any American citizen may go abroad—and many of them are constantly doing so—for the purpose of having expensive yachts built there at less prices than they can be bought for in the United States and

such yachts are brought over here and used along our coast and on the inland waters. The result is evidently an unjust and probably unintended discrepancy against American builders of pleasure yachts. During the past year there were built abroad yachts the value of which aggregated approximately \$2,000,000. These yachts are now being used in this country. It is obvious that if distributed in this country this work would have tended to build up and strengthen our American yacht-building industry, and this is not only true of the yacht itself, but also its general equipment, which would otherwise have been purchased in this country.

We respectfully call this unjust discrimination to your attention at the present time, and hope that tariff regulations may be enacted which will give adequate protection to the American yacht-building industry to at least the same extent as is afforded our merchant ship-building industry, and thereby not only encourage the yacht-building industry at home, but also open greater avenues of employment for labor.

Yours, very truly,

GEO. B. CARPENTER & Co.,  
*Ship Chandlers and Sailmakers.*

**GOBLET-DOLAN CO., NEW YORK, ASKS PROTECTION FOR AMERICAN YACHT BUILDERS AND VESSEL BUILDERS ALIKE.**

New York, *December 9, 1908.*

HON. SERENO E. PAYNE,  
*Washington, D. C.*

DEAR SIR: In view of the fact that a revision of the present tariff is soon to take place and receive the serious consideration of Congress we feel it is of great importance that your attention should be called to certain provisions under the present law which affect the ship-building industry of our country. At present our citizens are not allowed to have their vessels built in foreign countries and use them in our coastwise trade, thereby giving great protection to that part of our merchant marine. The law, however, does not apply to yachts, particularly those used for pleasure, and yachts or pleasure crafts merely flying our American yachts' ensign (not the American flag), and gives our citizens the privilege of going abroad, as they constantly do, to have their expensive yachts built for less than it can be done in the United States, and such yachts are brought over here and used along our coast and other places within the country.

By permitting our citizens to go abroad to have their yachts built this line of industry is being discouraged here, and many shipyards which would meet with great success if the business was retained here meet with failure and become bankrupt. A large number of foreign-built yachts are enrolled in the yacht clubs of this country, and the owners reside here. During the past year there were built abroad several large yachts, the value of which is approximately \$2,000,000, and they are now being used in this country. Many idle shipyards would be in flourishing condition if the yachts had been built in this country, and not only is this true in reference to the yacht itself, but also to its equipment, such as lighting plants, furniture, upholstery,

bedding, china, silver, glassware, nautical instruments, power tenders, boats, and even the uniforms of the crew.

It is respectfully submitted that there should be no discrimination between the aforesaid class of vessels and outfits and that the same protection should be given to capital invested here in the building of yachts and pleasure crafts and to the marine-hardware and marine-supplies trades as in the case of merchant vessels, and thereby not only encourage such industries at home, but also open greater avenues of employment for labor.

Hoping that you will use your best efforts for the encouragement and protection of the aforesaid industries and that the new tariff will secure for our citizens the fair and just protection which they seek, we are,

Very respectfully, yours,

GOBLET-DOLAN Co.,  
D. J. DOLAN, *Treasurer.*

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HON. S. W. McCALL, M. C., SUBMITS LETTER OF ADRIAN WILSON,  
BOSTON, RELATIVE TO FOREIGN-BUILT YACHTS.

BOSTON, MASS., *December 12, 1908.*

Hon. SAMUEL W. McCALL, M. C.,  
*Washington, D. C.*

DEAR SIR: I have been requested by members of several concerns who, with myself, are interested in the shipbuilding industry, to join them in writing to you personally as our Congressman from New England to ask your assistance in a matter of vital importance to the shipbuilding industry of this country, and especially in our own section. The question of protection and tariff to-day is one of the largest questions before the country, and, while I am not coming to you for any special privilege relating to our especial industry, I wish to call your attention to a matter that is vitally affecting our line of business and every shipbuilding plant in this country. Four of our rich men of this country during this year—1908—have spent \$2,000,000 in building new steam yachts, all four being built in English shipyards. The yachts are brought to this country and by some special privilege allowed to fly the American yacht ensign, which enables them to cruise from port to port same as an American-built vessel. The yachts are all under English register and manned by English officers and crew. Do you consider that this is just to our mechanics and our shipbuilding industry here? It seems to me if these men can make this money in this country, thereby enabled to enjoy luxuries to the extent of millions spent for palatial steam yachts, and, considering the fact that their money comes to them here in this country, why not have them spend it here? It would be impossible to do this with a freighting vessel. We would not be permitted to go abroad and buy a tramp steamer built in a foreign port, or go down to Nova Scotia and build a cheap wooden vessel and put it under the American ensign for commercial purposes. Of course the business of building ships in this country to-day is at a very low ebb. We can see in our own line of business—that is, sailmaking—the great decrease in the industry. Of course, in our special line a great deal is

accounted for by the fact that sailing ships are about extinct and have been replaced by steam. But in the line of yachts we have excelled and been able to surpass all other nations, and we have turned out a corps of workmen whereby we have made them the most expert in the world. In our own special line, as I say, of sailmaking, by our skill and care, which we have taken in improving of our work, we have contributed many times to the winning of the highest prizes in the racing of yachts, and especially that of the American yacht cup.

If these men who build these palatial steam yachts can save a few thousand dollars in building them, they certainly could not have done so if they had to pay duty on the yacht. I am not asking to put duty on yachts, but ask why the privilege is granted to them to put these yachts under the American flag, as to us it most certainly savors of a special privilege.

The falling off of the shipbuilding industry, of course, has been great, and it is a serious question with us if the American merchant marine can ever be brought back to a prominent place in the world's business again. Foreign ships are sailed much cheaper and more economical than ours, and it is a question if we could man our ships with Americans and compete with foreign ships without we have government assistance.

But, in the special line of yacht work, this industry was left to us and, as I say, by our skill we were enabled to compete with and beat the world in sailing yachts. When it comes to building of steam yachts we already have yards and plants in this country capable of taking care of this line of work; and I do not consider there is any question but what right here, in the city of Boston, there can be produced to-day as fine a piece of work in the shape of a steam yacht as in any place in the world. Some of our builders here, in this country, make claim that the difference in wages accounts to a great extent for the difference in the cost of steam-yacht building in this country and on the other side of the water. Personally, I do not believe this to be entirely the whole trouble. I think, without question, that, man for man, we produce more work on this side than on the other side. I believe this to be the fact in regard to our own personal business of sailmaking.

The difference in the cost of material must enter to a great extent in the transaction. According to all information, material costs us more in this country, even that which is produced here, than the same material costs when exported for use in foreign yards.

Our experience in sailmaking has been this: We are in competition in a small way with English sailmakers inasmuch as we export every year from 15 to 25 suits of yacht sails. The business has gradually grown, that is, in a small way, and we were much surprised to find that we were able to deliver yacht sails for racing yachts in Norway, Sweden, Denmark, and Russia in competition with English sailmakers, while we were paying very much more in the way of wages. This we accounted for by the fact of our "push" and ability to rush the work through. My own personal experience has been this: Of all the steam yachts built on the other side of the water and brought over here, from close personal inspection I do not hesitate to say that the boats produced here in this country are vastly superior in workmanship and finish to those produced abroad; and if we in this country were to turn out exactly the same class of work that they turn out over there, we could come nearer to competing in price

on the building of boats than we do at the present time, but would the owners accept from us here the same quality of work that they do from builders on the other side of the water? You are well aware of the fact that we have on this side of the water some people who can not accept for as good anything that is made in this country as that produced abroad. Hope you understand what I mean in this statement.

I note, for instance, in one boat built on the other side in 1907 and brought out to this country that season that there was expended many thousand dollars last fall, 1907, on her engines and on her hull to put her in first-class condition. This work was improperly done in the builder's yard in England, and I should judge that almost, if not quite, the whole sum of the difference between building the yacht in this country and on the other side has been expended since she has been in use by the owner here. The whole point of my question in writing this letter is the fact that I do not believe they do any better work or give any more value, money for money, on the other side of the water than what we can give here. It is certainly unjust to this country that, after years of industry and toil we have succeeded in turning out a corps of workmen and made them the most skilled in the world in their lines, we are compelled to compete with people who are turning out work which is not as good as our own, and that our customers here are enabled, as we have said in the very beginning of this letter to you, to go across the water, build a boat, bring her over here and use her the same as if a product of this country and of our own workmen, and receive the benefits of being able to use her here under the American flag. Any further information that I can give you I will be only too glad to do so. Nevertheless, the principle of the thing that I am writing to you about is the fact that they do go over and build these boats and use them under the American flag, which we do not consider fair and just to our own yards and our own workmen.

Our own personal business of sailmaking has reached a point when it is almost a question of making even a bare living out of it. Eight or ten years ago we were making about \$100,000 of yacht sails every year. The last three or four years our business has been less than half of this. While we have established a plant second to none in the world for the business we are doing, we are not doing business enough to keep it going at a profit.

If the industry of shipbuilding in this country is to be encouraged and built up by the Government, we think they are doing us the greatest injury possible in allowing this thing to continue—that is, flying of the American yacht ensign over foreign-built boats. These yachts will be built by these rich men, and, if they can not build them abroad, they will build them here in this country, if they are not allowed these special privileges. Also, in addition to the steam yachts, there are a number of sailing yachts of English build that are owned in this country and sailed under the American yacht ensign.

Very truly, yours,

WILSON & SILSBY, *Sailmakers*,  
ADRIAN WILSON.

(Communications similar to the above, and asking for relief from the conditions referred to, were received from the following: The

Thomas Laughlin Company, Portland, Me., submitted by Hon. Amos Allen, M. C.; George Lawley & Son Corporation, South Boston, Mass., submitted by Hon. John W. Weeks, M. C.; Wilcox, Crittenden & Co., Middleton, Conn., submitted by Hon. N. D. Sperry, M. C.; Boston and Lockport Lock Company, 100 Condor street, East Boston, Mass.; The Jennison Hardware Company, Bay City, Mich.; Geo. B. Carpenter & Co., 212 South Water street, Chicago, Ill.; The Marine Hardware and Equipment Company, South Portland, Me.; Lackawanna Manufacturing Company, Newburgh, N. Y., submitted by Hon. Peter Porter, M. C.; Dean-Allen Manufacturing Company, South Portland, Me., submitted by Hon. Amos Allen, M. C.; The Thomas Laughlin Company, Portland, Me.; A. S. Morss Company, 210 Commercial street, Boston, Mass.; The Porter Company, 194 Water street, New York City; Columbian Rope Company, 62 South street, New York City; Marine Supplies Association, 149 Broadway, New York City; W. and J. Tiebout, 118 Chambers street, New York City; Topping Brothers, 122 Chambers street, New York City.)

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**STATEMENT MADE BY HON. L. E. PAYSON, OF WASHINGTON, D. C.,  
RELATIVE TO FOREIGN-BUILT YACHTS.**

WEDNESDAY, *December 16, 1908.*

Mr. PAYSON. My object in asking to be heard here for a few moments to-day is more for the purpose of arresting the attention of the committee than going into any particular details which will require much thought on the part of the committee. I am counsel for the Newport News Shipbuilding and Dry Dock Company, having its works in Newport News, in Virginia.

The Newport News Shipbuilding and Dry Dock Company is one of the largest and best plants in the United States, if not in the world, and therefore is deeply interested in everything that pertains to the merchant marine of the country.

It, in common with other shipbuilding industries of the country, has been met by this condition, which to us, and, I take it, to practically every member of the committee, will be almost absolutely new.

It is not generally known that foreign-built yachts, with their machinery equipment, fixtures, and furnishings, are not, as most all other imported manufactures, subject to duty. Yachts can be built abroad for less money than in this country, and being exempt from duty explains why each year several millions of dollars are sent abroad for such purchases, while the builders in this country can only look on and see their yards lying idle. A conservative estimate during the year 1908 would be, from this cause, a loss of employment in the American yards of from five to ten thousand men.

Not only the component parts of the yacht, such as hull, spars, ironwork, joiner work, and machinery is duty free, but also its accessories, lighting plant, furniture, upholstery, bedding, china, silver, and glass ware, nautical instruments; power tenders, and other small craft, and even the uniforms of the crew. If an owner of an American-built yacht desires to purchase any of these fittings of foreign manufacture he must pay freight and duty, whereas when assembled on a foreign-built yacht they come in duty free.

Furthermore, these foreign yachts, flying as they generally do the American yacht ensign, which is the flag generally in use by American yachts, have thereby equal courtesy and protection, but are not subject to the United States pilot laws or regulations, neither do the United States authorities have any power to require licensed officers aboard such yachts, as are necessary in the case of American-built yachts.

The merchant marine is amply protected by existing laws, as foreign-built merchant vessels can not be brought to this country even by paying a duty, whereas a foreign-built pleasure vessel, essentially a luxury, can be purchased and entered into this country without paying a penny in duty.

This condition affects not only the yacht builder but every accessory that goes to make up in its entirety a complete pleasure yacht.

Foreign-built yachts owned by American citizens are now subject to the following special taxes only:

1. Fifty cents per net ton on arriving from a foreign port on each arrival. This tax is imposed under so much of section 4219, Revised Statutes, as reads: "On other vessels not of the United States, at the rate of 50 cents."

2. Fifty cents per net ton on the first arrival from a foreign port. This tax is imposed as "light money" under section 4225, Revised Statutes. Under section 4226, however, after its first arrival a yacht can obtain a commission as an "unregistered" vessel owned by citizens of the United States, and thereafter it is not required to pay this second 50 cents.

I have here an illustration:

J. P. Morgan's yacht *Corsair*, built at Newburgh, N. Y., is 1,136 gross, 772 net, tons, and does not pay any tonnage taxes.

F. W. Vanderbilt's yacht *Warrior*, built at Leith, Scotland, is 1,097 gross, 396 net, tons. The first time the yacht came to the United States she would have paid \$396 (two taxes of 50 cents each) on her net tonnage, plus \$23.76 (6 cents per net ton from Europe), or \$419.76 in all.

Thereupon a certificate of American ownership was filed in the New York custom-house, and thereafter she was exempt from the 50 cents "light money." Her special tax on entering from a foreign port thereafter became 50 cents per net ton, or \$198, plus \$23.76 (6 cents per net ton from Europe), or \$221.76.

Such a foreign-built yacht might make two cruises a year. Her disabilities would amount to less than \$450 a year. That sum is insignificant to a man of large wealth. It is inappreciable in computing the cost of building such a yacht in the United States compared with the lesser cost of building abroad.

A foreign yacht chartered by an American retains her foreign ownership and foreign flag. Under the act of February 5, 1897, she merely has to pay the regular 6 cents per net ton tonnage tax, on each entry from Europe (3 cents from West Indies), as in the case of the *Warrior*, \$23.76, or on two entries a year less than \$50.

Americans buy foreign-built yachts because:

1. There is usually a considerable number of English steam yachts which British owners are willing to sell for various reasons. There

is thus a market from which ready-built yachts may be selected by an American who wants one at once.

2. The cost of building a yacht in England is, of course, much less than in the United States, and so is the cost of furnishing.

The CHAIRMAN. The point that I am interested in is this: The difficulty is that these yachts do not come in; they are not imported.

Mr. PAYSON. The answer to that is that they are imported.

Mr. DALZELL. Have they American registry?

Mr. PAYSON. They have not registry as such, but the Treasury authorities issue what they call a certificate and give it to an unregistered vessel which does not carry either freight or passengers, and that certificate protects them in this country.

Now, coming to the question of these ships not being an importation, I insist that they are an importation, and nothing but an importation. The difficulty with the situation grew out of this. There was an attempt made in 1896, and under the tariff act of 1890, to impose a duty on a yacht, the *Conqueror*, which was built abroad for one of the Vanderbilts. She cost about \$700,000, and everything about her was put on abroad.

An attempt was made to collect the duty, and the Supreme Court decided at the October term, 1896, that as the act of October 1, 1890, required duties to be levied on all "articles," "imported from foreign countries," and, as none of the schedules mentioned ships or vessels, eo nomine, a pleasure yacht, under the legislation then in force could not be held to be a dutiable manufactured "article."

But there is nothing to prevent Congress from so declaring now, and we urge that it be done in the coming bill at an ad valorem of 75 per cent.

An importation, Mr. Chairman, is simply this: Something that is made, grown, or produced in one country and carried to another. Whether it is on the dutiable list or not by law is another proposition. But simply because, in these days, and under the policy which obtained then, the Supreme Court decided it was not dutiable, that does not prevent Congress, nor is there anything illogical in it, from providing by law, as I shall submit later, from declaring that these ships should be treated as manufactured articles. Why should they not be? It is purely and simply a matter of luxury, indulged in by the wealthy citizens of the country. Millions and millions of dollars are invested.

I have a partial list of these yachts, which I will furnish.

The CHAIRMAN. I do not think we need to argue that. The only question is a legal one. Of course if you will file a brief, we will read it.

Mr. PAYSON. I will be glad to.

Mr. DALZELL. Did we ever impose a tax on yachts under any tariff law?

Mr. PAYSON. No, we never have.

As I said in my opening, Mr. Chairman, all I care for now is to secure the attention of this committee with reference to the importance of this proposition, and that it shall not be said that a Republican Congress, or indeed a Congress composed of Republicans and Democrats, shall allow the shipyards of this country to remain idle



while millions and millions of dollars are expended abroad for the purposes of pleasure, simply and solely, when everything that can be secured by going abroad in this way can be better supplied by American workmen.

I have here the list of foreign-built yachts owned by Americans:

*Foreign-built yachts owned by Americans.*

Name.	Gross tons.	Net tons.	Owner.
Wanderer.....	362	184	H. A. O. Taylor.
Yacona.....	527	169	Henry C. Pierce.
Anemone.....	118	88	John M. Mitchell.
Wakiva.....	417	149	Lamon V. Harkness.
Delaware.....	785	634	Frederick G. Bourne.
North Star.....	818	328	Cornelius Vanderblt.
Apache.....	451	307	Edmund Randolph.
Enchantress.....	189	128	Nathaniel L. McCreedy.
Narada.....	490	272	Henry Walters.
Areturus.....	360	166	Rutherford Stuyvesant.
Tarantula.....	123	85	W. K. Vanderbilt, jr.
Riviera.....	407	174	Frederick Gallatin.
Venetia.....	588	229	Morton F. Plant.
Alcedo.....	981	573	George W. Onilds Drexel.
Ohristabel.....	248	102	Walton Ferguson.
Warrior.....	1,097	396	Frederick Wm. Vanderbilt.
Atalanta.....	1,303	379	George J. Gould.

**THE MARINE SUPPLIES ASSOCIATION OF AMERICA FILES LIST  
OF FOREIGN-BUILT PLEASURE YACHTS.**

149 BROADWAY,  
New York, December 22, 1908.

HON. HENRY S. BOUTELL, M. C.,  
*House of Representatives,*  
Washington, D. C.

DEAR SIR: Referring to your letter of December 12, 1908, to Messrs. Geo. B. Carpenter & Co., Chicago, Ill., in regard to their letter to you of the 9th instant, I herewith beg to inclose a list showing some of the foreign-built pleasure yachts owned by American citizens and sailed on these waters, together with the estimated value and tonnage. As to the difference in cost of having these yachts built at home and abroad, would say that it is about 25 per cent cheaper abroad, not on account of the cost of steel, but owing mostly to the better wages paid here for skilled labor and partly for cost of fittings.

Thanking you for the interest you are taking in this matter and assuring you that it is greatly appreciated by this association, we are,  
Respectfully, yours,

MARINE SUPPLIES ASSOCIATION OF AMERICA,  
By ARTHUR FALK, *Secretary.*

## LIST OF FOREIGN-BUILT YACHTS OWNED BY AMERICAN CITIZENS.

Name.	Tonnage.	Estimated value.	Name.	Tonnage.	Estimated value.
Agawa.....	602	\$300,000	May.....	653	\$300,000
Alcedo.....	983	400,000	Mohican.....	231	75,000
Apache.....	451	200,000	Nahma.....	1,600	700,000
Arcturus.....	360	100,000	Narada.....	490	250,000
Asteria.....	425	250,000	North Star.....	818	400,000
Atalanta.....	1,303	600,000	O-we-ra.....	426	175,000
Barracouta.....	167	75,000	Ophelie.....	378	150,000
Calanthe.....	350	100,000	Remlik.....	432	175,000
Carmen.....	150	50,000	Riviera.....	407	175,000
Cassandra.....	900	350,000	Safa-el Bahr.....	487	200,000
Christabel.....	248	100,000	Surf.....	390	125,000
Conqueror.....	386	125,000	Tarantula.....	123	100,000
Corona.....	304	125,000	Valiant.....	1,823	800,000
Diana.....	785	300,000	Vanadus.....	1,300	400,000
Emblanche.....	244	100,000	Varuna.....	1,573	600,000
Enchantress.....	189	75,000	Venetia.....	588	300,000
Enterprise.....	252	100,000	Wakiva.....	417	175,000
Fiona.....	240	100,000	Wakiva.....	853	400,000
Gundreda.....	294	125,000	Wanderer.....	362	125,000
Gumilda.....	385	150,000	Warrior.....	1,097	500,000
Iolanda.....	1,700	700,000	Waturus.....	571	250,000
Ituna.....	171	75,000	Yacona.....	527	225,000
Liberty.....	1,607	700,000			
Margarita.....	1,780	600,000			12,400,000

**HENRY B. JOY, DETROIT, MICH., WRITES RELATIVE TO FOREIGN-BUILT YACHTS AND RECOMMENDS AMENDMENT TO LAW.**

DETROIT, MICH., *December 29, 1908.*

HON. SERENO E. PAYNE,  
*Chairman Ways and Means Committee,*  
*Washington, D. C.*

DEAR SIR: I am a small yacht owner, and if I build a yacht of moderate dimensions, I pay American wages and American prices for material. If I was a "rich guy," and could afford to go to Europe and have my yacht built, I could get foreign cheap material and cheap labor.

As a yacht owner, I most cordially favor an amendment to the existing laws which permit a foreign-built yacht to sail under an American flag free of duty.

Yours, very truly,

HENRY B. JOY,  
*Packard Motor Car Co.*

**L. E. PAYSON, WASHINGTON, D. C., SUBMITS SUPPLEMENTAL BRIEF RELATIVE TO YACHTS BUILT ABROAD.**

WASHINGTON, D. C., *January 6, 1909.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: Protectionists and free-traders alike in this and in other countries, though differing sharply and irreconcilably on every other fiscal question, are in perfect accord on this one fact—that costly articles of luxury and voluntary use are proper objects of taxation and most legitimate sources of public revenue. This sig-

nificant agreement of the two contrasting schools of economic thought has long been exemplified in the tariff law of the United States, whether that law was based on the principle of revenue and protection, as now, or, as sixty years ago, on the principle of revenue only. Thus in the fiscal year 1907 our imports of spirits, wines, and liquors were made to yield an income of \$15,797,000; tobacco and cigars, \$26,125,000; diamonds and other precious stones, \$3,170,000; automobiles, \$2,100,000; perfumery, cosmetics, etc., \$801,000; jewelry, \$653,000. These luxuries, these articles of voluntary use, in our tariff, as in all tariffs, are made to bear particularly high rates of duty, with the cordial assent of legislators of all political faiths and with the unanimous sanction of the people.

But in the present practice of the United States there is one strange, glaring, almost incredible exception to this sound principle of taxation—the most costly and extravagant of all articles of voluntary use, the consummate luxury of luxuries, is absolutely exempt not only from customs duties, but from almost every other contribution to the cost of government. This is the pleasure yacht of the millionaire.

A wealthy American who purchases and imports a foreign automobile for use both in this country and in summer tours of Europe is compelled to pay a customs duty of 45 per cent upon the value of a machine costing perhaps from \$5,000 to \$8,000, on the first arrival here. But this same wealthy man, purchasing a foreign steam yacht at a cost of from \$500,000 to \$1,000,000 for use on our harbors, bays, and coasts and occasional tours abroad, is required to pay not one cent of customs duty and only a trivial tonnage tax of perhaps from \$200 to \$400 on the first arrival from a foreign port, and a little more than half of that thereafter.

#### A SUBSTANTIAL DUTY RECOMMENDED.

Last year six very rich men built in Europe each a large, elegantly appointed steam yacht, adapted for around-the-world cruising. The total cost of these floating palaces probably exceeded \$3,000,000. Yet their total contribution to the national revenue on first arrival here could not have been, in tonnage taxes, as much as \$3,000, or one-tenth of 1 per cent of their valuation. Not only were the hulls, machinery, and full nautical equipment admitted at this insignificant tonnage tax, but all their beautiful and costly furnishings, their elaborate cabinetwork, upholstery, china, glassware, and silverware, even the uniforms of their officers and men, were brought in entirely free of customs duty, though the rates upon these articles if imported separately would have been from 35 per cent to upward of 100 per cent ad valorem. Under these circumstances it is not unreasonable to ask that foreign-built yachts hereafter purchased by American citizens shall be made subject to a duty of 75 per cent ad valorem in the revised tariff now being prepared by the Committee on Ways and Means. To this end the following draft of a definite proposal is submitted:

Section —. Upon any foreign-built yacht purchased after the passage of this act by a citizen of the United States there shall be levied and collected a duty of 75 per cent ad valorem, to be payable at the time of the first arrival of said yacht within the jurisdiction of the United States after said purchase if said yacht was purchased outside the jurisdiction of the United States, or at the time of the purchase if said

yacht was purchased within the jurisdiction of the United States, but this duty shall not be levied more than once on the same yacht.

Any yacht upon which the duty has been paid as above prescribed shall be entitled to all the privileges and shall be subject to all the requirements prescribed by sections 4214, 4215, 4217, and 4218 of the Revised Statutes and acts amendatory thereto in the same manner as if said yacht had been built in the United States, and shall be subject to tonnage duty and light money only in the same manner as if said yacht had been built in the United States.

#### A LUXURY OF MILLIONAIRES.

It has been said that these foreign-built yachts are a luxury of millionaires. Looking at the list of 74 foreign-built yachts drawn from Lloyd's American Yacht Register for 1908 and appended, it might be added that many if not most of them are the luxuries of multimillionaires. Such great and stately vessels as the *Atalanta*, 1,303 tons gross, of George J. Gould; the *Alcedo*, 983 tons, of George W. C. Drexel; the *Iolanda*, 1,647 tons, of Mortan F. Plant; the *Lysistrata*, 1,942 tons, of James Gordon Bennett; the *Margarita*, 1,780 tons, of A. J. Drexel; the *North Star*, 1,818 tons, of Cornelius Vanderbilt; the *Valiant*, 1,823 tons, of W. K. Vanderbilt; the *Varuna*, 1,573 tons, of Eugene Higgins; the *Warrior*, 1,097 tons, of F. W. Vanderbilt; and the *Liberty*, 1,607 tons, of Joseph Pulitzer—these powerful ocean-going steamships, as large as the average United States cruisers of thirty years ago, not only require each a considerable part or all of one million dollars for their building and equipment, but the total income of from two to five million dollars for their annual maintenance.

A substantial revenue duty upon these luxurious foreign-built craft will be more effective than any other expedient which your honorable committee can devise to equalize the burdens of taxation. It is a frequent and often well-founded complaint that those who can afford to contribute most to the public revenues actually do contribute least in proportion to their resources. It is this thought which inspires efforts to establish a graduated income tax or a similar tax on the distribution of great fortunes. A tax like this advocated on foreign-built yachts would reach with certainty and precision the very men who ought to and are able to bear a liberal share of the cost of the Government which has made possible their great prosperity.

#### TAXING THOSE ABLE TO BEAR IT.

Such a tax as is proposed upon foreign-built yachts would not be in any way an exaction upon men of small or moderate means, because as a rule only large and costly pleasure vessels are imported—of recent years only those large enough to cross the Atlantic under their own power. The smallest yacht of European construction on the accompanying list is of 17 tons net, or such a vessel as only a distinctively wealthy man would buy or own, and there are only six of less than 100 tons gross. There are besides a few small craft built on the lakes in Canada. The thousands of small yachts in American waters, owned and run by men of small or moderate means, are practically all of American construction. Such small yachts are built here almost as cheaply and, most yachtmen believe, more skilfully and thoroughly than in foreign countries, because of the native aptitude of the American race for the shipbuilding and sailing

trade, and because the great and increasing ardor with which the sport of yachting is pursued in America, not by the wealthy and fashionable classes, but by the average professional and business men, has developed small-yacht building to the point of a great and important manufacturing industry.

A revenue duty would not affect the importation of small yachts in any way, because virtually none are now imported. The cost of loading, transporting, and unloading such small vessels, if conveyed by the ocean carriers, is in itself as a rule a prohibitive barrier to their purchase from Europe. The only foreign-built yachts which can now or at any future time be imported to advantage are the large ocean-going vessels which can cross the Atlantic under their own steam or sail—that is, the great and costly vessels which can be acquired and maintained only by the wealthiest Americans. These yachts are rightfully to be regarded as in the same economic class as diamonds or precious wines or the most expensive laces or embroideries or bric-a-brac. They are articles of voluntary use, the very luxury of luxuries, and it is not only right and just but imperative that they should be made to produce a proportion of that increase of the national revenue which must in some way be secured to meet the increase of national expenditure and to extinguish the present deficit in the financial operations of the Government.

#### FOR REVENUE AND INCIDENTAL PROTECTION.

A substantial duty upon costly foreign-built yachts is absolutely justified by considerations of revenue alone, and so may be accepted by the free trader equally with the protectionist. But he must be an extreme, rigid, and uncompromising free trader indeed who could object to such a duty as this because of the indirect and incidental protection which it would undoubtedly afford to the American industry of ocean-yacht building and the allied industries concerned in the equipment and furnishing of the luxurious pleasure vessel of the millionaire. Since the Supreme Court of the United States decided, in the case of Mr. F. W. Vanderbilt's *Conqueror* several years ago, that a foreign-built yacht under the tariff legislation then in force could not be considered a manufactured article, though composed of hundreds of manufactured articles, nearly all of the large ocean-going steam yachts acquired by American millionaires have been bought or built abroad, though previous to that time nearly all of these large pleasure vessels owned by American citizens had been of American construction. This decision of the Supreme Court established absolute free trade in the most elaborate and ambitious article of human handiwork, a complete and furnished ocean ship, provided that the ship was used for purposes of pleasure and not of commerce.

Because the wages of skilled workmen engaged in ship and engine building, in painting and decorating, in cabinet work, upholstery, china, glass, and silver making, and in other trades in Europe are about one-half of the wages of American workmen, a foreign-built steam yacht of ocean-going size can be produced at a somewhat lower price in Europe than in America. It should be understood that there is practically no difference, however, in the original cost of the raw materials, like steel and wood. Some of our millionaires with their business acumen discovered that if they bought or built their yachts

abroad, they could save the exact amount of money by which the labor cost of the American-built vessel exceeded the labor cost of the foreign-built vessel, and these thrifty gentlemen have been quick to take advantage of the circumstance—with the result that the industry of ocean steam-yacht building, once strong and prosperous here, has virtually gone out of existence in America. It is estimated that if the foreign-built yachts bought abroad and imported free of duty by Mr. Vanderbilt, Mr. Pulitzer, and other very rich Americans last year had been constructed and equipped in this country they would have provided employment for five or ten thousand skilled American mechanics, who were compelled to pass a part of the year in idleness.

#### FAIR PLAY FOR OUR MECHANICS AND SAILORS.

Workmen of the type of those required in such yacht building must be first-class men—masters of their trade, efficient, sober, and reliable. They are just the men who would be valuable to the nation in the building and repair of ships of war, and mail steamers, and other naval auxiliaries. They are being denied a chance to follow their calling in this country and denied a chance to earn a livelihood by that strange loophole in our tariff legislation through which the pleasure vessels of our millionaires are being imported without paying any customs duty or any adequate share of the urgently needed revenue of the National Government.

Nor does the injustice to skilled American labor cease here with the free importation of the foreign-built yacht. That same thriftiness which impels a millionaire to escape paying the American wage scale by constructing or purchasing his pleasure vessel abroad moves him also to save more money still by officering and manning his foreign-built craft throughout with foreign seamen, though the vessel flies the American ensign.

An American-built yacht properly registered is subject to our pilotage and inspection laws, from which the foreign-built craft is exempt. The American-built yacht must have duly examined and certified American officers, and these officers would naturally prefer a crew of their own race and allegiance. That American sailors can be had under proper conditions of wages and treatment is being signally demonstrated by the fact that 90 per cent of the enlisted men of the United States Navy are American citizens, nearly all of them native born, while the servants of the ships make up most of the small proportion of foreigners. Large and swift ocean-going steam yachts are useful naval auxiliaries in an ocean war, as we realized in the conflict with Spain when 28 of these vessels, all but five of them American-built, were purchased and armed for naval service. The officers and men of these ocean-going yachts are especially valuable recruits in an emergency—or they are if they are American citizens, loyal to the United States.

The alien crews of the present foreign-built yachts of our millionaires would doubtless be found to be as worthless a reliance as we discovered alien sailors as a rule to be in our war with Spain. Most of the European steamships then purchased by our Government because of our lack of merchant ships of our own were hastily deserted by their officers and men, who refused to risk their lives for a flag they did not love, in a war in which they had no interest.

So far as the foreign-built yachts of our wealthy families are now manned by subjects of foreign powers, these yachts, though flying the American yacht ensign, are in effect training ships for the naval reserves of European governments.

#### A DUTY NOT PROHIBITIVE.

A sufficient customs duty, even a duty of 75 per cent, would not put an end to the importation of costly yachts from Europe. It would not prove to be prohibitive, and thus fail to produce a revenue. A certain proportion of the very rich men of America are apparently determined to possess foreign-built yachts at any price, without regard to circumstances. Thus, even before the decision in the case of the *Conqueror*, several of the most conspicuous millionaires of New York had acquired foreign-built pleasure vessels—some of them the discarded craft of royalty or nobility—and had used them in American waters, though they were then denied the privilege of flying the American yacht flag. So now if the proposed duty of 75 per cent is adopted, it is highly probable that men of this type will continue to go abroad for ocean yachts, to build them there after the pattern affected by royal highnesses, or to pick up at a "bargain" craft worn out and set aside by shining lights of the peerage or celebrities of the stage. But very few everyday Americans will be disposed to object to a requirement in our tariff law that these millionaires who persist in indulging in such transatlantic luxuries shall at least pay something for the privilege by a contribution to the revenue of the Government. On the other hand, some, and probably many, of the wealthy yachtsmen who have built or bought their yachts abroad simply to save money by so doing, will, if met by a sufficient duty, prefer hereafter to construct their yachts at home.

Every consideration, therefore, not only of the needs of the national revenue, but of regard for the interests of American industry and the national defense, demands the immediate closing up of this loophole in our tariff legislation by the placing of a substantial duty upon foreign-built yachts and the enforcement upon them of the same laws and regulations to which American-built vessels are subject. In seeking this we are asking fair play and nothing more.

#### *Foreign-built yachts owned by American citizens.*

[From Lloyd's American Yacht List for 1908.]

Name.	Net.	Gross.	Where built.	Year built.	Owner.	Port.
Agawa.....	186	602	Scotland.....	1907	C. W. Harkness.....	New York.
Alcedo.....	388	983	.....do.....	1895	Geo. W. C. Drexel.....	Philadelphia.
Allita.....	.....	.....	Canada.....	1892	John H. Flagler.....	New York.
Anemone.....	88	118	England.....	1899	Chas. L. Tutt.....	Denver.
Apache.....	307	451	Scotland.....	1890	Edmund Randolph.....	New York.
Arcturus.....	166	360	.....do.....	1895	R. Stuyvesant.....	Do.
Argo.....	.....	.....	Canada.....	1903	G. F. McComb.....	Olcott, N. Y.
Asteria.....	265	421	Scotland.....	1880	Col. Alex. Gordon.....	New York.
Atalanta.....	379	1,303	.....do.....	1903	George J. Gould.....	Perth Amboy.
Athena.....	267	447	.....do.....	1887	Ralph E. Towle.....	Boston.
Barracouta.....	113	167	France.....	1869	Edward Swann.....	New York.
Calanthe.....	238	350	Scotland.....	1898	J. A. Hinckley.....	Do.
Cassandra.....	.....	.....	.....do.....	1908	Roy A. Rainey.....	Do.

## Foreign-built yachts owned by American citizens—Continued.

Name.	Net.	Gross.	Where built.	Year built.	Owner.	Port.
Christabel	102	248	Scotland	1893	W. Ferguson, sr.	Stamford, Conn.
Columbine	144	240	do	1885	Geo. W. Wood	Denver.
Conqueror	174	386	do	1889	F. W. Vanderbilt	New York.
Corona	133	304	England	1905	H. A. Laughlin	Do.
Cysne	31	55	do	1899	E. B. Morton	Do.
Diana	534	785	Scotland	1896	C. Ledyard	Do.
Belin	44	73	England	1899	Gordon Dexter	Beverly, Mass.
Enchantress	128	189	do	1875	N. L. McCready	New York.
Enterprise	132	252	Scotland	1882	Frank L. Perin	Baltimore.
Eri King	187	443	do	1894	A. E. Tower	Poughkeepsie.
Gundreda	102	294	do	1893	W. S. Pierce	New York.
Gunilda	158	385	do	1897	W. L. Harkness	Do.
Hester	48	110	England	1895	C. H. Dodge	Do.
Hurricane			Canada	1901	Randolph Hurry	Do.
Iolanda		1,647	Scotland	1908	Morton F. Plant	Do.
Isolde	37		do	1895	Frederick M. Hoyt	Stamford, Conn.
Ituna	98	171	do	1886	F. H. Stevens	Buffalo.
Jessica	17		do	1890	M. R. Schuyler	Nyack, N. Y.
Lysistrata	626	1,942	do	1900	J. G. Bennett	New York.
Magia			Canada	1904	William Eilert	Do.
Margarita	781	1,780	Scotland	1900	A. J. Drexel	Philadelphia.
May	369	653	do	1891	A. Van Rensselaer	Do.
Miranda	84	139	England	1876	C. N. Nelson	New York.
Mohawk	31	46	do	1892	Capt. R. D. Bucknam-Bey	Baltimore.
Mohican	157	231	do	1890	O. Harriman	New York.
Nahma	969		Scotland	1897	Mrs. Robert Goelet	Do.
Naniw			Canada	1905	J. G. Glaver	Chicago.
Narada	272	490	Scotland	1889	Henry Walters	Baltimore.
Natalie			Canada	1903	Ralph F. Forman	Erie, Pa.
Neola			Canada	1898	Hary A. Scott	Sodus Point, N. Y.
North Star	328	818	England	1893	Cornellus Vanderbilt	New York.
O-we-ra	187	426	Scotland	1907	F. H. Stevens	Buffalo.
Queen Mab	40		do	1892	Lucius H. Smith	New York.
Remlik	90	432	England	1903	W. S. Kilmer	Do.
Riviera	174	407	Scotland	1898	Frederic Gallatin	Do.
Safa-el Barr	205	487	do	1894	Col. F. L. Leland	Do.
Salva	9	14	Canada	1903	H. F. Wolcott	Do.
Satanella	114	169	England	1880	M. J. Lawrence	Cleveland Ohio.
Senta		72	Scotland	1898	R. B. P. Walker	Port Jefferson.
Shona			do	1884	C. H. Tweed	Beverly, Mass.
Surf	154	390	do	1898	C. K. G. Billings	New York.
Syharita	114	214	do	1900	W. C. Brokaw	Do.
Taormina			England	1871	R. I. Bosman	Norfolk.
Tarantula	83	123	do	1902	W. K. Vanderbilt, jr.	New York.
Tuscarora	303	540	Scotland	1897	Mrs. O. B. Jennings	Do.
Vallant	886	1,823	England	1893	W. K. Vanderbilt	Do.
Vanadis		1,091	Scotland	1907	C. K. G. Billings	Do.
Varuna	595	1,573	do	1896	Eugene Higgins	Do.
Venetia	229	588	do	1903	John L. Livermore	Do.
Wakiva	149	417	do	1903	Lamon V. Harkness	Do.
Wakiva	337	853	do	1907	do	Do.
Wanderer	184	362	do	1897	H. A. C. Taylor	Newport, R. I.
Warrior	397	1,097	do	1904	F. W. Vanderbilt	New York.
Waturus	388	571	do	1900	Randal Morgan	Philadelphia.
Yacona	169	527	do	1898	H. C. Pierce	New York.
Zara	80	195	do	1891	Mrs. J. M. Haynes	Bath, Me.
Zinita	18		do	1893	Hyman Cohen	New York.
Zulu			Canada	1898	E. G. Dorchester	Geneva, N. Y.
Larita II			do	1906	Geo. R. Pease	Chicago.
Trio			do	1907	F. de P. Townsend	Buffalo.
Liberty	875	1,607	Scotland	1908	Joseph Pulitzer	New York.

Respectfully,

L. E. PAYSON.



**FREIGHT RATES.**

**COL. ALBERT CLARK, BOSTON, MASS., FILES STATEMENT SHOWING CERTAIN ALLEGED DISCRIMINATIONS IN FREIGHT RATES IN FAVOR OF IMPORTS.**

BOSTON, *November 25, 1908.*

HON. SERENO E. PAYNE,

*Chairman Committee on Ways and Means,  
House of Representatives, Washington, D. C.*

MY DEAR MR. PAYNE: When I was in attendance upon the hearings I noticed that several witnesses called attention to the discrimination in freight rates in favor of imports.

Inclosed is an article from the Protectionist of August, 1904, containing a table of export rates in France over a state-owned railroad.

Inclosed also is copy of an Associated Press dispatch showing the discriminations in favor of imports made by our trunk lines and Gulf lines into the Mississippi Valley.

It occurs to me that these are important statements which should go into the hearings and be considered by the committee.

I send them in this way as I may not have an opportunity after my return to Washington to present them to the committee.

Very truly, yours,

ALBERT CLARKE.

EXHIBIT A.

[The Protectionist, August, 1904.]

**RAILROAD EXPORT RATES—HOW OUR TARIFF IS PARTIALLY OVERCOME BY SPECIAL FREIGHT RATES ON GOVERNMENT RAILROADS ABROAD.**

Many people who think that our customs duties are higher than they need to be have no idea how foreign exportation to this country is aided by special rates of freight on through bills of lading.

The Protectionist has received from a government official the following table taken from a British document on export bounties, showing the export rates on cotton tissues granted by the Northern Railway of France, which is a state railway:

*Table of export rates on cotton tissues <sup>a</sup> granted by the Northern Railway of France.*

Distance.	Consignments of 50 kilograms and upwards.			Consignments of 5,000 kilograms.			Linen tissues. <sup>b</sup>		
	Inland régime.	Exportation.		Inland régime.	Exportation.		Inland régime.	Exportation.	
		European countries.	Countries beyond Europe.		European countries.	Countries beyond Europe.		European countries.	Countries beyond Europe.
<i>Kilometers.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>
50.....	6.00	4.00	4.00	5.00	3.50	3.50	8.00	4.50	4.50
100.....	12.00	7.00	7.00	10.00	5.75	5.75	16.00	8.50	8.50
150.....	17.50	9.50	9.50	14.00	7.75	7.75	23.50	11.75	11.75
200.....	23.00	11.50	11.50	18.00	9.25	9.25	31.00	14.75	14.75
250.....	28.00	13.00	13.00	21.00	10.50	10.50	38.50	17.00	17.00
300.....	33.00	14.00	14.00	24.00	11.40	11.40	46.00	18.50	18.50

<sup>a</sup> The rates specified above apply only to unbleached goods. Bleached or dyed cotton tissues, and cotton tissues mixed with jute or wool, and woolen tissues, come under a higher tariff with preferential rates for exportation, especially to countries beyond Europe.

<sup>b</sup> Linen tissues dispatched by wagonloads of 5,000 kilograms for export to countries beyond Europe have a preferential treatment. Pure silk tissues are charged at the general rates.

It will be seen that the differences between the inland rates and the export rates sometimes exceed 100 per cent; for example, on a consignment of 5,000 kilograms the inland rate is 24 francs and the export rate 11.4 francs. This difference will serve to explain in part how foreign goods can, even with the duties to pay, compete successfully in our domestic markets with our own products.

With this advantage added to undervaluations of the goods, which in some lines are common, it is not surprising that foreigners often overcome our duties, even when they are as high as 60 per cent, and enjoy increasing sales in this country.

The Industrial Commission gave a little attention to this subject, having learned that Welsh tin plates were delivered in St. Paul at a lower cost for freight than was charged on tin plates from Pittsburg. Of course our Government has no control over foreign railroads, except what it may exert indirectly, over roads in this country uniting with them in making low through rates. But the commission thought the evil a sufficient menace to home industries so that they made this recommendation to Congress:

"4. That railroad companies be prohibited by law from making lower freight rates upon imports hilled to the interior of this country, in connection with ocean transportation or otherwise, than are made on similar articles from the seaboard to the interior, or than are made from one inland point to another when the distance is not greater."

Congress has not yet acted upon the recommendation. Doubtless the subject will be found full of difficulty, but something ought to be done to prevent neutralizing tariff rates by freight rates.

It is known that our railroads are making lower rates on export business than on domestic business. It is this, to a great extent, which enables some of our merchants and manufacturers to sell lower abroad than at home. The Democratic platform attributes the evil to the tariff, but there is no tariff on exports and the duties on imports are hardly sufficient to offset the lower foreign labor cost, therefore low prices abroad are not made because unduly high prices are charged at home, for there is enough foreign competition here to keep prices down.

Every man who is incited to accept the Democratic idea should ask himself how we can protect our industries against foreign dumping, aided by special export rates on government railroads, and by low wages and in some countries long days of labor, except by a tariff. Shall we allow the productive industries which give employment to our people to be crushed by foreign industries aided by state railroads and subsidized ships? Individuals, or companies, or even combinations of companies, can not compete with governments. Our Government would be supine if it did not shield its people and their industries from foreign aggression.

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#### EXHIBIT B.

(Dispatch from Chicago, dated March 18, 1905.)

During the remainder of this year all the import traffic which moves through the Atlantic and Gulf ports will be carried on cut rates. This fact developed at the joint import conference which was held here yesterday with representatives present from all of the trunk lines, the Central Freight Association lines, and lines between Chicago and the Missouri River and between the Gulf and the river.

When an attempt was made to secure a restoration of import rates it quickly developed that practically all of the import traffic for the current year had been contracted for on reduced rates averaging not more than 50 per cent of the normal tariffs. All effort, therefore, to obtain a restoration of the rates was abandoned.

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### GERMAN TARIFF AGREEMENT.

HON. J. HAMPTON MOORE, M. C., SUBMITS RESOLUTIONS ADOPTED  
BY THE NATIONAL ASSOCIATION OF HOSIERY AND UNDER-  
WEAR MANUFACTURERS.

WASHINGTON, D. C., *December 4, 1908.*

HON. SERENO E. PAYNE,

*Chairman Committee on Ways and Means,*

*Washington, D. C.*

DEAR MR. CHAIRMAN: I inclose herewith resolutions on behalf of the National Association of Hosiery and Underwear Manufac-

turers, protesting against the German tariff agreement, all of which is in line with many communications I have received from hosiery manufacturers in the Third Pennsylvania District.

Very truly, yours,

J. HAMPTON MOORE, M. C.

*To the President and Members of Congress:*

Pursuant to instructions in annual convention assembled at Philadelphia, Pa., May 12, 1908, I have the honor to hand you the accompanying preamble and resolutions adopted by the National Association of Hosiery and Underwear Manufacturers.

C. B. CARTER,  
*Secretary and Treasurer.*

Whereas the United States Government has entered into a tariff trade agreement with the German Empire which embodies important customs administrative concessions and important amendments to the customs administrative act:

*Resolved*, That the National Association of Hosiery and Underwear Manufacturers in annual convention assembled earnestly protests against the provisions of the German tariff agreement, now extended to other countries of the Continent, as contrary to law, contrary to policy of protection, injurious to American labor, unfair to the honest importer, demoralizing to the customs service, and in effect a material and indiscriminate reduction in the tariff which should be made only after hearings granted, and then by the legislative branch of the Government; and

*Resolved*, That the National Association of Hosiery and Underwear Manufacturers thanks the Congress of the United States for not adopting the recommendations of the administration as to amendments to our customs laws; and

*Resolved*, That copies of these resolutions be forwarded to the President and to each Member of Congress.

## GRADUAL CHANGES.

THE SPENCER IMPORTING AND TRADING COMPANY, NEW YORK CITY, SUGGESTS A GRADUAL INCREASE OR DECREASE IN THE TARIFF RATES WHICH MAY BE ADOPTED.

No. 163 GREENWICH STREET,  
New York, December 30, 1908.

COMMITTEE ON WAYS AND MEANS,  
*House of Representatives, Washington, D. C.*

DEAR SIR: It is easier to swindle the Government under a specific duty than it is when rates are ad valorem, as there is only one man to handle, viz, the weigher on the dock, and it is almost impossible to swindle the Government under an ad valorem tariff, as all articles of import have their market values day by day at their place of production, just the same as wheat, corn, and oats have their values on the exchanges and in the markets of this country. Besides this, the

collector's office, the surveyor's office, the appraiser's department, the United States consuls and consular agents, and all the merchants at home and abroad in any special line of merchandise of any importance constitute a great detective body of men to protect the Government and the trade interests of all the people in that line.

Now, as to changing the tariff, you very well know that tariff agitation not so many years ago between protection and revenue kept the commercial affairs of this country almost constantly stirred up; then came the settlement of the dimension of the financial yard stick, then labor settlement, then prosperity, and then the deluge.

Now the country does not want any more upsets or agitation. Consequently the first duty of the tariff commission is to recommend any changes up or down in the tariff, which should be at the rate of 1 per cent per month the first year, this difference to be settled arbitrarily by the Treasury Department, and at the rate of 10 per cent per month after the first year. This would enable every one to go on with their business, and it would reduce changes to almost an interest basis, and with a year to arrange matters differences would easily stand 10 per cent per month until a minimum or maximum ad valorem rate is reached.

Another feature of importance is for the Treasury or appraiser's department to have authority to fix rates of duty on articles not enumerated, and no article to be free which is the by-product or a constituent part of an article on which a duty is assessed, viz: Why should I pay 6 cents on shelled almonds, and the oil extracted from the almonds come in free, and the almond cake or meal, after expressing the oil, come in at a nominal rate? A clause should be inserted in the tariff with an arbitrary power on the part of the appraisers to equalize tariff in such cases, whether the article is provided for or not in the tariff. All of my propositions would take some figuring, but better to employ a corps of men at figures in the steady development of trade and commerce than to employ a body of experts to figure on naval construction and coast defences, because commerce is a greater peacemaker than either.

Another thing in conclusion, and this is, I advocate the importation of ships by paying a duty, and the same freedom to manage same as the individual manages his fishing boat and his horse and wagon. Why not right the wrong of the past forty years, reclaim the boys of our Atlantic coast, and save that part of our great country from drifting into barbarism?

Very truly, yours,

SPENCER IMPORTING AND TRADING CO.  
JAS. H. SPENCER, *President*.

HON. WILLIAM S. BENNET, M. C., FILES LETTER OF WILLIAM M. CHADBOURNE, OF NEW YORK CITY, RELATIVE TO MAKING GRADUAL CHANGES IN TARIFF.

DECEMBER 15, 1908.

Hon. SERENO E. PAYNE,

*House of Representatives, Washington, D. C.*

MY DEAR MR. PAYNE: Inclosed please find a letter from a very active Republican lawyer in New York City, which bears evidence of thought and consideration.

Will you please return the letter with any reply you may do me the honor of making?

Very truly, yours,

WILLIAM S. BENNET.

49 WALL STREET,  
New York, December 14, 1908.

HON. WILLIAM S. BENNET, M. C.,  
Washington, D. C.

MY DEAR CONGRESSMAN: Will you permit me to put in a little more formal shape my suggestion to you over the telephone yesterday?

I have been in the last few weeks strongly impressed with the effect which the uncertainties of tariff revision have upon the business interests of this country. I feel, therefore, that the return to normal business activity would be facilitated if an assurance could be given that any change in the tariff would be so gradual that business would have a chance to adjust itself to the change.

Such a gradual change could be accomplished by extending the reduction to be made by the new tariff act over a series of years. Thus, if a reduction of 50 per cent is made in the tariff on steel plates, the reduction could be spread over a series of five years, the tariff being reduced 10 per cent each year. A reduction of 10 per cent in the amount of the tariff would be, in most instances, I think, so slight that the merchants' and manufacturers' allowance for fluctuations from ordinary causes would take care of it.

I have always felt that the reductions in the tariff effected by the Wilson bill were so brutal that, wholly apart from the question of protection and free trade, their effect could be little short of disastrous, and I think these reductions contributed in considerable measure to the depression of 1892 to 1896. Surely we should profit by the example of our political opponents and arrange that any changes which we make should be gradual.

It seems to me that it would be well if some one high in the councils of the party should, if the plan above outlined commends itself, give out a statement to this effect. It is the uncertainty of what changes are to be made which, even more than the actual changes themselves, tends to paralyze business until the worst is known. Such a statement would, I am sure, set many anxious minds at rest.

Such a gradual reduction in the tariff finds precedent in the compromise tariff act of 1833. Of this act Taussig, in his authoritative *Tariff History of the United States*, speaks as follows:

In 1833 the compromise tariff act was passed, and remained in force until 1842. That act, there can be little doubt, was the result of an agreement between Clay and Calhoun, the leaders of the protectionists and free traders, while it secured also the support of the Jackson administration. Clay had been hitherto the most uncompromising of the protectionists; Calhoun had represented the extreme southern demand that duties should be reduced to a horizontal level of 15 or 20 per cent. The compromise provided for the retention of a considerable degree of protection for nearly nine years, and thereafter for a rapid reduction to a uniform 20 per cent rate. The tariff of 1832 was the starting point. All duties which in that tariff exceeded 20 per cent were to have one-tenth of the excess over 20 per cent taken off on January 1, 1834; one-tenth more on January 1, 1836; again one-tenth in 1838; and another in 1840. That is, by 1840, four-tenths of the excess over 20 per cent would be gone. Then, on January 1, 1842, one half the remaining excess was to be taken off; and on July 1, 1842, the other half of the remaining excess was to go. After July 1, 1842, therefore, there would be a uniform rate of 20 per cent on all articles. Obviously, the reduction was very gradual from 1833 till 1842, while in the first six months of 1842 a sharp and sudden reduction was to take place.

Hoping that you will give me the pleasure of your company at dinner when you are next in New York, I am,

Yours, very truly,

WILLIAM M. CHADBOURNE.

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## GRADUATED REDUCTION OF TARIFF.

SELDEN BACON, NEW YORK CITY, SUGGESTS THAT REDUCTIONS  
IN PROPOSED BILL BE MADE GRADUALLY.

NEW YORK, *November 9, 1908.*

HON. SERENO E. PAYNE,  
*Auburn, N. Y.*

DEAR SIR: I inclose you copy of a letter I recently sent to Senator J. C. Burrows and of his note in answer to it.

I may add that I have submitted the proposal to a number of business and financial men, who seem all disposed to regard the suggestion as a wise one. I believe something like it was suggested several years ago, but I am not sure that the matter of inserting the clause in the bill, as suggested, with a corresponding relief of tension while the bill is under consideration, was ever distinctly brought forward.

Yours, very respectfully,

SELDEN BACON.

NOVEMBER 7, 1908.

MR. SELDEN BACON,  
*New York, N. Y.*

MY DEAR MR. BACON: I am in receipt of yours of the 4th instant containing suggestions in relation to the proposed revision of the tariff, and I note all you say in relation to the method of procedure. Of course you are aware that the House takes the initiative in the matter of revision, and I would suggest that you communicate with Mr. Payne, of New York, who is chairman of the Committee on Ways and Means, giving him your views in the matter, which I think are worthy of consideration.

Very cordially, yours,

J. C. BURROWS.

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NEW YORK CITY, *November 4, 1908.*

HON. J. C. BURROWS,  
*U. S. Senate.*

MY DEAR SENATOR BURROWS: The election of Judge Taft has obviously cleared away a great deal of anxiety in the business world. But our great merchants and manufacturers are still disturbed over impending probable changes in the tariff. And their continued uncertainties necessarily deeply affect all the rest of the community.

Is it not possible to relieve their anxieties by the adoption of a simple general principle in making any changes? Marked changes in the tariff are especially troublesome, because they come more or less suddenly, and this difficulty expresses itself chiefly in two ways.

The merchant or manufacturer needs to accommodate his business arrangements to the change. This can be relieved in some measure

by advertising the change many months in advance. But if this is done, the revenue is apt to be affected either by a great rush of imports before an increase or a withholding of imports before a reduction, and such rushes frequently bring about bad commercial conditions in addition.

Could not each of these difficulties be greatly mitigated without disadvantage to the Government and with great advantage to the merchant and manufacturer by adopting as a policy in making any changes in the tariff the system of making any increase or decreases gradually? As an example of what I mean, suppose the tariff on an article is 50 per cent ad valorem and it is decided that it should be reduced to 30 per cent ad valorem. Why could not this change, instead of being made in one change of 20 per cent eight or ten months hence, be made gradually through a period of twenty months, reducing itself by one-twentieth of the change to be made on the first of each month, beginning a month after the passage of the law?

Under such a policy the change at any one month would be so slight that arrangements of merchants and manufacturers would not be seriously disturbed thereby. Time would be given them to adjust themselves gradually to the changed conditions. Nor would there be the piling up or withholding of imports in serious amounts to get the advantage of a change of but 1 or 2 per cent on a given day.

To phrase my suggestion briefly, it is that no change in any duty, either up or down, in any one month shall exceed a fixed small percentage of the present tariff, say 1 or 2 per cent, but where a larger change is determined on it shall be scattered through as many months as are necessary to accomplish the change determined on without exceeding this rate of change.

It would seem that a policy of this character could be assented to by all parties in Congress irrespective of their attitude toward any particular change of tariff. It has seemed to me that a great deal of anxiety could be allayed, while any bill is under discussion, if an attitude favorable to a general provision of this character were known to exist on the part of leaders on both sides of each of the Houses of Congress. A clause providing that any changes made should be governed by such a rule could easily be inserted in any bill, were it deemed desirable. And the mere fact that such a clause was contained in the bill with the approval of committees might help greatly the business recovery, which can only be retarded if merchants, importers, and manufacturers are left in uncertainty as to sudden and great changes all the time the bill is pending.

You are, I know, in a position to get the views of many men representing important interests likely to be affected by changes in the tariff. If the suggestion commends itself to you as one of possible merit, might it not be worth while to ascertain, from the widely diverse sources open to you, how such a policy would affect the Government, the merchant, the manufacturer, the importer, and the community in general?

Yours, very respectfully,

SELDEN BACON.

## INTERSTATE COMMERCE TAX.

ALFRED O. CROZIER, WILMINGTON, DEL., SUGGESTS A POSSIBLE  
NEW AND PRODUCTIVE SOURCE OF REVENUE.WILMINGTON, DEL., *November 24, 1908.*

HON. SERENO E. PAYNE,

*Chairman Ways and Means Committee,  
Washington, D. C.*

DEAR SIR: Andrew Carnegie's declaration in favor of complete abolition of the protective policy, so far as iron and steel are concerned, substituting a mere revenue tariff, is a thrust at the heart of the entire protection system. For, if his position is true as to iron and steel, it is true respecting many other great industries. It raises the most dangerous and difficult situation in the history of tariff legislation. It seems to put Mr. Carnegie on the side of the people and against the trusts, while those who oppose his proposition may be accused of favoring trusts at the expense of the people. But this is a superficial view. Whether so intended by Mr. Carnegie or not, no more clever plan could be devised to permanently intrench the steel trust in absolute mastery and monopoly of the entire iron and steel business of the United States. Incidentally every one of its nearly 200,000 employees and the 1,000,000 wives and children dependent upon them would forever and constantly be at the mercy of the Wall street managers of that trust. They would be obliged to submit to any terms as to wages and hours imposed by the corporation, with no possible way of escape.

Trusts are all overcapitalized. They must charge high prices to pay dividends on such excessive capitalization. The one menace to a trust's supremacy is establishment of new competitive industries. It is well known that, other things being equal, a corporation with actual capital equal to one-third the total of the stocks and bonds of the United States Steel Corporation could easily handle the same volume of business done by that trust. When the trust maintains high prices that will yield a profit on its enormous total of securities, capital is constantly tempted to start independent plants. This can be done over and over, forcing the trust to buy them out, and at high prices, except when, as with the Tennessee Coal and Iron Company, Providence or certain Wall-street-controlled agencies sends a panic to aid the trusts in their process of benevolent assimilation of competitors. For it is wholly impracticable for a big trust to cut prices on its entire output to crush an independent plant with a comparatively small output.

The rigid enforcement of stringent laws against rebates and special transportation advantages and combinations in restraint of trade ultimately will largely settle the trust problem, chiefly because trusts are so excessively capitalized. It may be necessary also to so regulate banking as to insure that small producers can borrow money at the same rates paid by trusts, and to limit the monopoly of raw materials.

The trust problem will be worked out gradually and satisfactorily to the people and to such trusts as are satisfied with reasonable profits, unless Mr. Carnegie's plan to abolish the protective tariff is adopted. If his plan is put in force the trusts, in their most offensive and oppres-



sive form will be fastened upon the people forever, for they no longer would be endangered by the starting of independent plants. The constant menace of competition of products made abroad by cheap foreign labor would scare independent capital from embarking in an enterprise that would be threatened on one side by an aggressive trust and on the other by unrestricted foreign importations. The danger of new competing plants being thus removed by act of Congress, the trust would be left free to both lower wages and increase prices of its products with impunity, for there is no means known to the law to force them to maintain wages or reduce prices. In case of a strike the international trust would produce in its mills abroad and ship here, closing its American plants until labor is starved into submission. To protect itself against foreign importations, the trust has only to internationalize itself. This could be done easily by offering foreign producers the temptation of greater gains, aided by the spur of threatened retaliation and competition abroad by the American trust, and by reenactment here of the high tariff. In the long run it is safe to assume that producers the world over will unite for greater profits. In fact wages here could then be reduced so goods can be produced much cheaper and used abroad to whip foreign producers into a general combination to plunder, with excessive prices, the consumers of the world. It is a dazzling scheme, such as the genius of modern finance is capable of conceiving and executing, and it is wholly practicable. There is some inducement to them in the fact that the international trust would largely be beyond the reach of our antitrust and other laws.

Four years ago in an address, and recently in *The Magnet*, I pointed out the probability and danger of international trusts and abolition of the protection policy as a means of further trust aggrandizement and for tightening upon the people the screw of trust monopoly and attendant financial and political domination. Since then, the iron and steel men of the United States and those of Europe have held meetings abroad which seem clearly to foreshadow the ultimate creation of a gigantic international trust to control the iron and steel business of the entire world. Whether Mr. Carnegie was chosen to inaugurate as a beneficent philanthropy the one thing needed to make the international trust practicable or possible, or whether Providence moved him to so speak on his own account in all innocence as to the ultimate ruinous effect upon American workmen and producers generally, I do not know. Doubtless it was the latter, for Mr. Carnegie is an excellent gentleman, who has done many patriotic acts. But it is time for the American people to "Look, stop, listen!" before taking a step of such possible danger to their welfare.

Tariff reduction and readjustment is due and right. It should be thorough, honest, unselfish. How to do it and avoid these perils is a problem that will tax the wisdom and patriotism of Congress to the utmost. Whether it would be practicable and legal to maintain the high tariff to guard against these dangers, and then, in lieu of tariff reduction and in return for this protection, impose upon products of American manufacturers engaged in interstate commerce a special internal tax equal to a fair proportion of the general tariff, I am not yet prepared to say. It may be worth considering. It is made merely as a suggestion. In this way all the people would share in such excessive profits as might be realized because of the high tariff

maintained by the people's laws for the common good. Consumers would not so object to high prices if a fair proportion of the excessive profits were contributed to the general welfare.

A billion dollars is needed by the Government for the improvement or construction of natural and artificial waterways. And other billions will be needed as time goes on. Such a tax on interstate commerce would yield it without appreciable harm either to producers or consumers. And the public improvements it would enable, and the general progress and prosperity such improvements would cause, certainly would offset any such burden. If this plan should be considered wiser than to let down the bars to all the evils mentioned, and to the uncertain menace of the products of 15 cents a day Asiatic labor, some practicable and legal plan doubtless can be devised by Congress for putting it into effect. For the people have not by their Constitution permanently tied their own hands in a way to prevent what may be for the general welfare. Surely American workmen and producers that are not such trusts as are seeking by international action to rid themselves of all responsibility and accountability to the people's laws while they enjoy the country's rich markets, will prefer such interstate-commerce tax to the uncertainty and dangers incident to a destruction of the protective-tariff policy. And our home markets would be saved to our industries. The American manufacturers and workmen have come to look upon the protective doctrine the same as the people of South America revere the Monroe doctrine. Congress surely will not enforce the latter, even at the risk of war, for the benefit of alien peoples, and then expose our own citizens to unrestricted commercial and industrial exploitation by foreign nations.

Very respectfully, yours,

ALFRED O. CROZIER.

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### LABOR COST.

**GEORGE STABER, NEW YORK CITY, SUGGESTS A METHOD FOR  
EQUALIZING DIFFERENCE IN LABOR COST.**

127 DUANE STREET,  
New York, December 21, 1908.

HON. SERENO E. PAYNE,

*Chairman of Committee on Ways and Means,  
House of Representatives, Washington, D. C.*

SIR: The undersigned respectfully begs to submit to your committee the following suggestions, which he believes may assist in solving the problem of fixing rates of duty on an equitable and scientific basis, and in accordance with the principles laid down in the Republican platform, viz, that the tariff should protect American industries to the extent of equalizing the difference in cost of labor between the United States and other manufacturing countries, and assuring to the American manufacturers a reasonable profit.

The undersigned suggests that to determine rates of duty which will accomplish these objects is a simple problem in arithmetic, requiring for its premises only two data:

1. The cost of labor in proportion to the value of the finished goods.
2. The comparative rate of wages in the same industry in the United States and in competing foreign countries.

And if these two data are known, a reference to the inclosed tables will show at a glance the rate of duty needed to equalize any difference in cost of labor between the United States and foreign countries, and also to assure a reasonable profit to the American manufacturer.

As the people understand the Republican platform the object of a protective tariff is to protect American labor, but not to equalize any difference in cost of materials, if there should be any, except when an industry uses imported materials on which already a United States duty has been levied, and in that case a compensatory duty should be added to the protective duty to equal the increase in cost.

Another object of a protective tariff is to assure a "reasonable" profit to American manufacturers. The people understand this to mean reasonable profits on actually invested capital coupled with brains and good management, but they do not understand that the tariff should, at the expense of the consumer, guarantee extravagant profits to enterprises with a fictitious capitalization and perhaps poor management.

The American manufacturer enjoys, without the enactment of any tariff, a natural protection of 8 to 15 per cent through the increase in cost of foreign goods caused by the inevitable expenses of bringing them here, viz, foreign forwarding charges, freight, insurance, landing charges here, banking and exchange, commissions, and importer's profits.

Furthermore, import duties are levied on market prices in foreign countries, and these prices naturally include a profit for the foreign manufacturer. Consequently the American manufacturer is assured, as far as a tariff can do it, the same profit at which the foreign manufacturer sells his goods, plus the rate of duty levied thereon. For instance, a foreign manufacturer makes 10 per cent profit on his sales to American importers, and the United States duty is 40 per cent, assuring thus to the American manufacturer a profit of 10 per cent, plus 40 per cent duty, equal to 14 per cent, provided the materials here cost no more, and any difference in the cost of labor is equalized by the duty.

That the prices at which European manufacturers sell and on which the United States duties are levied include fair profits to the foreign manufacturers is proved by the fact that for a number of years past the leading factories in Europe have paid to their owners or stockholders not only "fair" but large profits after writing off ample percentages for deterioration of plant and reserve, as shown by the detailed annual statements published according to law, by the foreign manufacturing corporations. In a great many, in fact, in most instances, such foreign corporations have paid and are paying to their stockholders larger dividends on "actually invested capital" than manufacturing companies in the same lines of business here pay to their stockholders.

As to cost of labor I beg to observe that official statistics establish the fact that during the last ten years wages in the principal industrial countries of the world, outside of the United States, notably in Germany and Japan, have risen in a greater ratio than in the United States, and that consequently there is not as much need to-day for high tariff rates as there was when the Dingley tariff was framed.

In presenting to you the inclosed tables showing the rates of duty needed to equalize the cost of labor between the United States and foreign countries I beg to state that—

1. They are based on wages in the United States ranging from \$1.25 to \$3 as against \$1 in foreign countries.

2. They are based on cost of labor here varying from 10 per cent to 90 per cent of the total value of a finished article.

3. They are based on the assumption that American labor employed in manufacturing is on an average 20 per cent more efficient than labor in foreign countries.

In other words, that an American factory employing 100 men will turn out as large a quantity of goods as a foreign factory in the same line of business employing 120 men.

It will be admitted that this is a strictly conservative estimate, considering that superior machinery is generally employed here requiring less help and run at a greater average speed than elsewhere; considering further the improved labor-saving methods generally used by American manufacturers, and last, but not least, the higher intelligence of the American workman.

In respectfully submitting for your thoughtful attention these suggestions, the undersigned begs to add that they are the result not of mere theoretical study, but of the long and practical business experience of an American citizen, who believes in reasonable and fair protection to American industries as long as they need such protection and who has implicit faith in the pledges of both great political parties to revise honestly and thoroughly present tariff rates.

Yours, very respectfully,

GEO. STABER,  
*Pres. Germania Importing Co.,*  
*127 Duane Street.*

TABLE 1.

Wages.		Equivalent cost of labor. <sup>a</sup>	
American.	Foreign.	American.	Foreign.
\$1.25	\$1.00	\$1.00	\$0.96
1.50	1.00	1.00	.80
1.75	1.00	1.00	.686
2.00	1.00	1.00	.60
2.25	1.00	1.00	.533
2.50	1.00	1.00	.48
2.75	1.00	1.00	.436
3.00	1.00	1.00	.40

<sup>a</sup> Estimated that five American workmen produce as much as six foreign workmen.

TABLE 2.

Cost in United States.		Wages per day.								
Labor.	Material, expenses, and manufacturer's profit.	American....	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$2.50	\$2.75	\$3.00
		Foreign.....	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
		Rate of duty needed to equalize wages.								
Per cent.	Per cent.	Per ct.	Per ct.	Per ct.	Per ct.	Per ct.	Per ct.	Per ct.	Per ct.	Per ct.
10	90	0.4	2.0	3.2	4.2	4.9	5.5	5.9	6.4	6.4
20	80	.5	4.2	6.7	8.7	10.3	11.6	12.7	13.6	13.6
30	70	1.2	6.4	10.4	13.6	16.3	18.5	20.3	22.0	22.0
40	60	1.6	8.7	14.4	19.0	23.0	26.3	29.0	31.6	31.6
50	50	2.0	11.1	18.6	25.0	30.4	35.1	39.3	42.8	42.8
60	40	2.5	13.7	23.3	31.6	38.9	45.4	51.1	56.3	56.3
70	30	2.9	16.3	28.2	38.9	48.6	57.2	65.3	72.4	72.4
80	20	3.3	19.1	33.5	47.1	59.5	71.2	82.1	92.3	92.3
90	10	3.7	22.0	39.5	56.3	72.4	88.0	102.8	117.4	117.4

American labor estimated 20 per cent more efficient than foreign.

EXAMPLE I.

An article made in United States costs 20 per cent for labor. Wages in United States are \$1.50, against \$1 in a foreign country.

Five American workmen produce as much as six foreign workmen. What should be the protective duty to equalize cost of labor?

Answer.

	United States.		Foreign.
	Per cent.		Per cent.
Cost of labor.....	20	Cost of foreign labor 80 per cent of American (see Table I).....	16
Material, expenses, and manufacturer's profit.....	80	Same as in United States.....	80
		Foreign selling price.....	96
		Duty, 4.2 per cent (see Table II).....	4
	100		100

EXAMPLE II.

An article made in United States costs 40 per cent for labor. Wages in United States are \$2.25, against \$1 in a foreign country.

Five American workmen produce as much as six foreign workmen. What should be the protective duty to equalize cost of labor?

Answer.

	United States.		Foreign.
	Per cent.		Per cent.
Cost of labor.....	40	Cost of foreign labor 53.3 per cent of American (see Table I).....	21.3
Material, expenses, and manufacturer's profit.....	60	Same as in United States.....	60
		Foreign selling price.....	81.3
		Duty, 23 per cent (see Table II).....	18.7
	100		100.0

## EXAMPLE III.

An article made in United States costs 60 per cent for labor. Wages in United States are \$3, against \$1 in a foreign country. Five American workmen produce as much as six foreign workmen. What should be the protective duty to equalize cost of labor?

*Answer.*

	United States.		Foreign.
	<i>Per cent.</i>		<i>Per cent.</i>
Cost of labor.....	60	Cost of foreign labor 40 per cent of American (see Table I).....	24
Material, expenses, and manufacturer's profit.....	40	Same as in United States.....	40
		Foreign selling price.....	64
		Duty 56.3 per cent (see Table II).....	36
	100		100

## LAND VALUES.

**HENRY GEORGE, JR., THINKS THAT THE VALUE OF LAND IS NOT A PROPER BASIS FOR TARIFF ARGUMENT.**

WASHINGTON, D. C., *January 6, 1909.*

Hon. SERENO E. PAYNE,

*Chairman Committee on Ways and Means,*

*House of Representatives, Washington, D. C.*

SIR: In reading the reports of testimony before your committee in regard to proposed changes in the tariff, I have noticed numerous statements by advocates of higher tariff rates on certain articles to the effect that their demand for excessively high duties was justified by the comparatively high cost of the land on which their products are grown or produced. California fruit growers, Florida tobacco raisers, Missouri barytes miners, Michigan lumbermen, all unite in giving the high price of land as a reason why the present tariff should be retained or higher rates of duty imposed.

Permit me to suggest to your honorable committee that you should give no consideration to pleas for high tariff rates based on the alleged high price of land in this country. If the price of land is high, this fact would seem to show conclusively that the industry using such land must be prosperous, else men would not be willing to pay such high prices for the privilege of engaging in it.

It is, of course, possible that many persons may have paid more for land than it is really worth, but this is not a reason why Congress should legislate for the benefit of unwise speculators in land.

If the necessity for making a profit out of land for which excessive prices have been paid is to govern the enactment of our revenue laws, it would be an easy matter for the owners of land to estimate its value from \$500 to \$5,000 per acre, thus justifying prohibitive tariffs, under which the Government would receive no revenue.

A careful examination of the testimony in favor of higher duties will show, as demonstrated in my father's work, "Protection, or Free Trade?" that the real beneficiaries of the protective tariff are those persons who have secured possession of such natural resources as our coal lands, timber areas, iron-ore deposits, oil-yielding lands, etc., and that monopoly of these resources is the chief obstacle to the full and fair competition in manufacturing which the founders of the protective system sought to promote.

Yours, respectfully,

HENRY GEORGE, Jr.

## LOWER LEVEL OF DUTIES.

THE FORBES LITHOGRAPH COMPANY, BOSTON, MASS., WRITES  
RELATIVE TO ACTION OF BOSTON MERCHANTS' ASSOCIATION.

185 SUMMER STREET,  
Boston, December 30, 1908.

Hon. SAMUEL W. McCALL,  
*House of Representatives, Washington, D. C.*

DEAR SIR: In connection with the revision of the tariff the vote which was passed by the Boston Merchants' Association at their meeting held in this city on December 16, in our belief, as members of that organization, may be misinterpreted, and we therefore take the liberty of stating the following facts:

Bulletin No. 71, issued by the Boston Merchants' Association and dated December 14, was received by us on the morning of December 16, and this contained, as far as we know, the first intimation the general membership of the association had that the tariff was under consideration by the Boston Merchants' Association. The preamble and vote adopted are as follows:

*Preamble.*—In the eleven years during which the present tariff law has been in force many changes have occurred in the conduct of business and the methods and conditions of production and manufacture.

Some of the duties in this law have been found to be prohibitive rather than protective, and others have been found to be protective beyond the reasonable requirements of a tariff designed to safeguard our enterprise, industry, and labor against undue competition.

*Vote.*—Be it therefore voted that the Boston Merchants' Association advocates a thorough revision of our tariff by a readjustment of the schedules, with the purpose of establishing a lower level of duties than that which now exists.

A substitute motion was offered, containing the same preamble, but proposing that the vote read as follows:

*Vote.*—Be it therefore voted that the Boston Merchants' Association advocates a thorough revision of our tariff by a readjustment of the schedules, with the purpose of correcting any inequalities in the present tariff, and for the purpose of establishing a lower level of duties than that which now exists, where such reduction is warranted.

In revising the tariff, we recommend and indorse the principle of giving protection to American products and industries equal to the difference between wages paid in this country and wages paid abroad, plus a reasonable profit to the American producer.

Mr. John C. Cobb, the chairman of the committee presenting the motion as recommended by the directors, was asked to accept the substitute in place of the one prepared by the committee, but he declined to do so on the ground that he believed there was no material

difference between the vote as offered by him and the substitute, and stated that in his opinion the preamble covered the matter in substantially the same form as the substitute vote proposed. We fear this influenced members present to pass the vote as proposed by Mr. Cobb. There was also, of course, the natural reluctance on the part of the members, when they had not sufficient time to consider the matter, to oppose a measure approved by the board of directors. The Boston Post of December 17, 1908, states:

This was the first serious opposition to any measure approved by the board of directors of the Boston Merchants Association.

The membership of the Boston Merchants Association consists of 849 members. You will note from the vote that but 131 voted on the question, less than one-sixth of the membership.

We do not feel that this question should have been taken up in the form that it was by the merchants association and such a vote passed when the committees considering same had not given the interests affected an opportunity to be heard, and we also believe that had a proper time been given after the publication of the proposed vote, so that the members of the association could have considered the matter, the result of the vote would have been different.

You will note that the substitute motion merely qualified the recommendation for establishing a lower level of duties by the words, "where such reduction is warranted," and the addition:

In revising the tariff, we recommend and indorse the principle of giving protection to American products and industries equal to the difference between wages paid in this country and wages paid abroad, plus a reasonable profit to the American producer.

This we believe to be good doctrine, having been adopted by the Republican national convention in Chicago and indorsed by Judge Taft in his speech of acceptance.

I am interested in the matter not only as a manufacturer, but I feel a personal responsibility in the subject, as many of our employees asked me before election what ticket I believed it would be for their best interests to support, and I unhesitatingly advised them to vote the Republican ticket because it was pledged to protect their interests; that the tariff was not for the manufacturer any more than it was for the workman, because the tariff is really a tariff for the workman, to protect him from foreign labor, and in our own business we are direct competitors with German lithographers, where the wages paid average only one-quarter of the wages paid in the lithographic trade in the United States.

I have no controversy with the Boston Merchants' Association, realizing the important work they are doing in behalf of our city and State, but think the impression as gathered from the Boston papers of December 17 gives a mistaken idea of the sentiment of the business interests in this city, and I believe they do not wish to establish a lower level of duties than that which now exists, except in those schedules where it has been proven by the facts submitted to the Ways and Means Committee that such reduction is warranted.

Very truly, yours,

THE FORBES LITH. MFG. CO.,  
W. H. FORBES, *Treasurer.*



## MAXIMUM AND MINIMUM TARIFF.

S. B. PACKARD, MARSHALLTOWN, IOWA, MAKES SUGGESTIONS  
RELATIVE TO MAXIMUM AND MINIMUM TARIFF.MARSHALLTOWN, IOWA, *December 24, 1908.*COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: Being greatly interested as a farmer in the outcome of the present proposed tariff revision, and desirous of having my views considered by your committee in the connection with your conclusions, I submit that no cut in the tariff should be made save in the manner pointed out by the late President McKinley, when "no longer needed for revenue or to encourage and protect our industries at home why should they not be employed to extend and promote our markets abroad." Without intruding any discussion on the subject as to what commodities will, in the judgment of your committee, come under the head of those not being needed for revenue or protection, I claim that such, if any, that are to be so considered should of right be added to the list named in section 3 of the Dingley law, with the less rate of duty named by you to become a new minimum rate with which the President will be authorized to use in the manner named by President McKinley. This presupposes that the present rate shall remain as the maximum to all countries without such trade relations toward us as Great Britain until trade relations shall be established of a reciprocal character with others. Leading up to a suggestion which I conceive to be essential to properly conserve the industrial conditions the tariff should tend in every way "to promote our markets abroad," and a study of the imports of such countries as are not giving us the minimum rates for our farm and manufactured products, for the whole world save Great Britain are living under highly protected tariffs, it may occur to your committee that you owe something to the power of our tariff to make the countries incline to meet us half way in gaining the markets we need.

To emphasize this point, it should be remembered that in every line of industry we are or would be if every wheel in every closed mill was turning and every farm product is and every manufactured product would be produced beyond the home market consumption; markets abroad for this surplus is growing year by year more essential to our welfare. Germany and France are the countries perhaps where most can be immediately gained by reciprocal trade. These countries are among the largest exporters to us of the goods which must have an outlet here, or they will be hurt as badly as these countries have hurt western farmers by their sanitary and tariff war on our meat products. Why may you not take into consideration the need of making them play fair and eat our meats and let the flesh of horses and dogs alone as a diet? If you agree, as I suppose you will, that a tariff a little higher or lower on such articles as are not produced in this country in full of the demand, say sugar, the effect of a raise in the tariff would hurt the foreign producer and a reduction would add that amount to his price and in neither case would the article be changed in value here because the prices are established abroad. Articles like sugar, if raised a trifle over the present rate as the maximum and if then placed on the list of

section 3 at a trifle less than the present rate for trade purposes, would be a hard proposition for the big beet-root sugar-producing countries abroad to stand against coming our way. Articles of the character highly taxed as luxuries and not competitive with us could be included in section 3 at a less rate of duty, and the origin of this class of goods is mainly in the same countries, and this might add to the revenue. In concluding this part of my remarks it will be understood that, as a tariff, the minimum rates of duty should be those laid down by Congress under section 3, having been conceded in consequence of trade agreement established and proclaimed by the Executive.

Ad valorem duties are pernicious, tending to excite the cupidity of men, loss of honest revenue, and unjust to honest merchants who have to compete with their less scrupulous neighbors. During my observation two periods have disclosed the colossal size of the revenue frauds—the first, in 1874, when the repeal of the moiety law disclosed the facts, and again in the Forty-eighth Congress, first session, by executive documents 101 and 128, growing out of the efforts I made during my consulate at Liverpool, from 1878 to 1885, to make the importers pay honest revenue. Document 128, pages 152 to 188, will disclose my claim to the truth that but for my inaugurating a method of compelling appraisers to be advised by my reports of dutiable values, and in having a treasury agent sent abroad to stir the other consuls to do likewise, the old, and likely the present, perfunctory way of passing invoices would have continued. The amount of money saved to the Government is, for the year 1883, given on page 247, same document, for the port of New York. I wish to call attention to the bill recommended by Secretary Folger, on page 3, same document, and invite your attention to the need of such a proposed law now. There were some jokers in the tariff law, and I find one which is worked now—the value of all merchandise at the export or place of production to be considered as the dutiable value. The Alberta hay-fed steers brought to the Chicago market last spring were declared at \$45 per head; they went over the scales weighing and at a price paying about \$85; dutiable at 27½ per cent, though on a fictitious value in one sense, yet hard to prove the value of a fat steer in Alberta with no local market. I submit these views, which may not be found entirely amiss.

Sincerely,

S. B. PACKARD,  
*Superintendent Cattle Department, State of Iowa,*  
*Department of Agriculture.*

**THE STANDARD TOOL COMPANY, CLEVELAND, OHIO, URGES THE ENACTMENT OF A MAXIMUM AND MINIMUM TARIFF.**

CLEVELAND, *December 29, 1908.*

HON. SERENO E. PAYNE,  
*Chairman Ways and Means Committee,*  
*Washington, D. C.*

DEAR SIR: We are advised that the French Government contemplates another increase in the import duty on machinery and small tools. Our French representative in Paris assures us that this act will seriously affect the importation, especially small tools, and in

all probability cut the American manufacturers out of that market. The contemplated act of the French Government should have some bearing upon, or be given some consideration in connection with, the proposed revision of our tariff.

We strongly favor a maximum and minimum tariff on both machinery and small tools. We believe the present rate is sufficient for the maximum and that a rate as low as 25 per cent would be about right as a minimum. With a tariff established on approximately this basis, our State Department would be in a position to prevent retaliatory action on the part of foreign governments and at the same time protect home manufacturers.

We think this is extremely important, especially as affecting the machinery and small-tool industry, which represents a large business, both in capital invested and labor employed. Therefore, we strongly recommend and urge that you use your best endeavors to bring about a maximum and minimum feature in connection with the revision of the present tariff laws.

We might also add that if a permanent tariff commission could be established, with authority to handle all tariff matters both affecting imports and exports, to meet the conditions as they might arise from time to time, that it would prove very beneficial to the manufacturing and labor interests in this country. By this plan the tariff affecting any particular industry could be adjusted at any time without disturbing the whole tariff proposition.

If you think that such a plan would be feasible and consistent with your views, we should like exceedingly well to see it become established.

Yours, very truly,

H. A. HIGGINS, *General Manager.*

**THE NATIONAL MACHINE TOOL BUILDERS' ASSOCIATION URGES  
ADOPTION OF MAXIMUM AND MINIMUM TARIFF.**

SPRINGFIELD, OHIO, *January 1, 1909.*

WAYS AND MEANS COMMITTEE,  
*Hon. Sereno Payne, Chairman,*  
*Washington, D. C.*

SIRS: Supplementary to the brief submitted to your committee under date of November 30, 1908, which was signed by twelve representative machine tool builders, which expressed their individual sentiments on the contemplated revision of the tariff, I respectfully wish to state that a copy of this brief was sent to all the members of the National Tool Builders' Association, asking for their opinion and indorsement of same, and I take pleasure in inclosing a copy of this brief, and have added thereto the names of the firms who have responded.

Each of the firms or names appended indorsed the brief in its entirety as to the proposed reduction of the tariff, and quite a number even favor a further reduction of the tariff to 25 per cent. We, therefore, respectfully pray that you will consider the brief as coming from an association vitally interested in foreign tariff on machine

tools, and that the signers represent a large majority of those engaged in this particular industry in the United States.

Our association is also vitally interested in another related subject, viz: That our particular branch of the metal industry should have a classification of machine tools and that the classification as it is now, namely—metals and metal-working machinery—is too broad and sweeping. Should such a classification be embodied, or redesigned, it would greatly simplify your work of revising the tariff in this branch because of the uniformity of opinion expressed by our members in the brief attached.

Other industries now coming under the head of metals and metal-working machinery may have other views or recommendations to make to your honorable committee, and if so, you could perhaps arrange the tariff on machine tools, independent of other industries now coming under the standard classification of metals and metal-working machinery.

The new suggested classification, to create a new classification or distinction of our particular branch of the iron industry, that would be known as a machine tool classification, would be most satisfactory, and very practical also.

Respectfully submitted.

NATIONAL MACHINE TOOL BUILDERS' ASSOCIATION,  
 FRED L. EBERHARDT, *President*.  
 P. E. MONTANUS, *Secretary*.

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WASHINGTON, November 30, 1908.

WAYS AND MEANS COMMITTEE,  
 Hon. Sereno Payne, *Chairman*.

GENTLEMEN: We, the undersigned, representatives of the machine tool industry of the United States, voicing what we believe to be the opinion of machine tool manufacturers generally, respectfully petition your committee that in the contemplated revision of the tariff, that full consideration be given to the protection of our foreign trade.

And inasmuch as an average of 30 per cent of our output is sold to foreign countries, some of which have been continually raising their tariff against us—and to-day threaten such a further advance as will be practically prohibitive (as for instance in the proposed French tariff advance)—therefore we desire to place ourselves on record as favoring a reduction in the present domestic tariff on our product (machine tools) wherever such reduction will secure for us a corresponding consideration in the tariff levied against American machine tools by foreign countries.

And to this end we suggest that the present tariff of 45 per cent be maintained as a maximum tariff, and that a minimum tariff of 30 per cent be established with which we may favor such foreign countries as in return may favor us with their tariff schedules.

Respectfully submitted.

Fred L. Eberhardt, of Gould & Eberhardt, Newark, N. J.;  
 W. P. Davis, of the W. P. Davis Machine Co., Rochester, N. Y.; E. M. Woodward, of the Woodward & Powell Planer Co., Worcester, Mass.; H. L. Flather, of the Flather & Co. (Inc.), Nashua, N. H.; P. E. Monta-

nus, of the Springfield Machine Tool Co., Springfield, Ohio; Murray Shipley, of the Lodge & Shipley Machine Tool Co., Cincinnati, Ohio; C. Wood Walter, of the Cincinnati Milling Machine Co., Cincinnati, Ohio; J. B. Doan, of the American Tool Works Co., Cincinnati, Ohio; A. T. Barnes, of the W. F. & John Barnes Co., Rockford, Ill.; C. A. Johnson, of the Gisholt Machine Co., Madison, Wis.; C. H. Alvord, of the Hendeley Machine Co., Torrington, Conn.; W. R. Warner, of the Warner & Swasey Co., Cleveland, Ohio; The Heald Machine Co., Worcester, Mass.; The Binssse Machine Co., Newark, N. J.; The Seneca Falls Mfg. Co., Seneca Falls, N. Y.; The R. K. Le Blond Machine Tool Co., The Cincinnati Planer Co., Cincinnati, Ohio; National Acme Mfg. Co., Cleveland, Ohio; The Queen City Machine Tool Co., Cincinnati, Ohio; Rockford Drilling Machine Co., Rockford, Ill.; The Bullard Machine Tool Co., Bridgeport, Conn.; Brown & Sharpe Mfg. Co., Providence, R. I.; The Grant-Lee Machine Co., Cleveland, Ohio; The Garvin Machine Co., New York, N. Y.; Stockbridge Machine Co., Worcester, Mass.; Fox Machine Co., Grand Rapids, Mich.; The Owen Machine Tool Co., Springfield, Ohio; Prentice Brothers Co., Worcester, Mass.; I. H. Johnson, jr., Co. (Inc.), Philadelphia, Pa.; The Mark Flather Planer Co., Nashua, N. H.; The Detrick & Harvey Machine Co., Baltimore, Md.; Putnam Machine Co., Fitchburg, Mass.; J. E. Snyder & Son, Worcester, Mass.; Jones & Lamson Machine Co., Springfield, Vt.; New Haven Manufacturing Co., New Haven, Conn.; Norton Grinding Co., Worcester, Mass.; T. C. Dill Machine Co., Philadelphia, Pa.; The W. A. Wilson Machine Co., Rochester, N. Y.; The J. Morton Poole Co., Wilmington, Del.; Newark Gear Cutting Machine Co., Newark, N. J.; Barnes Drill Co., Rockford, Ill.; Hoefler Manufacturing Co., Freeport, Ill.; Greaves, Klushman & Co., Cincinnati, Ohio; Walcott & Wood Machine Tool Co., Jackson, Mich.; Bickford Drill and Tool Co., The William E. Gang Co., Cincinnati, Ohio; International Machine Tool Co., Indianapolis, Ind.; The Fairbanks Co., Springfield, Ohio; Cincinnati Machine Tool Co., The John Steptoe Shaper Co., John B. Morris Foundry Co., Cincinnati, Ohio; Builders Iron Foundry Co., Providence, R. I.; Francis Reed, W. C. Young Co., Whitcomb-Blaisdell Machine Tool Co., H. G. Barr, O. S. Walker & Co., B. G. Luther & Co., Worcester, Mass.; Bath Grinder Co., Cowdrey Machine Works, Fitchburg, Mass.

## NO FREE LIST.

**THE SPENCER IMPORTING AND TRADING CO., NEW YORK CITY,  
THINKS EVERY IMPORTATION SHOULD PAY DUTY.**

163 GREENWICH STREET,  
*New York, February 3, 1909.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: We beg to state that we do not believe in any imported goods coming in free. It is not a question in our mind as to whether merchandise and things are produced in this country or not. The question before the House, as we understand it, is protection or revenue sufficient to cover the running expense of the Government, and as goods are not imported unless there is a demand for them, why should not all goods pay a duty? The idea that certain merchandise should not pay a duty because the article is not produced in this country, and goods similar to home production but radically different from anything produced here should pay a duty, is all "moonshine."

Our ideas are that all imports should pay duty and that the revenue sufficient to pay the running expenses of the Government, based upon value, are sufficient protection for both capital and labor.

Under a specific duty the foreigner transports his factory or his business to this country or stays at home and does the work in his own establishment, according to his convenience or profit, but under an ad valorem duty he has no choice; he must do the work here or it has to be done by someone established on this side. But, in conclusion, don't forget that the country can progress under any reasonable tariff, but that a graduated change would have a less depressing effect on the business of the country than a change to take effect immediately or one to become operative in three or six months.

Very truly, yours,

SPENCER IMPORTING AND TRADING Co.,  
JAS. H. SPENCER, *President.*

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## PHILIPPINE TARIFF.

**STATEMENT OF W. C. GREGG, OF NEWBURGH, N. Y., RELATIVE  
TO EQUIPMENT FOR SUGAR PLANTATIONS.**

SATURDAY, *December 19, 1908.*

(The witness was sworn by the chairman.)

Mr. GREGG. Mr. Chairman, I represent a manufacturing company on the Hudson River in New York State making narrow-gauge railroad equipment, especially for sugar plantations. Our business is in Porto Rico, Hawaii, Mexico, Cuba, and other cane countries. I want to talk for a minute on the question of the free importation of 300,000 tons of sugar from the Philippines, which the newspapers say has been proposed, and I want to ask if any of you gentlemen know where the equipment is coming from that is going to manufacture that sugar over in the Philippine Islands? I can tell you how

much capital is required in a plant in machinery and equipment to make a ton of sugar on a plantation. It is about \$33.33 $\frac{1}{3}$ . I can give you the figures that go to make that up if you desire them. The equipment, on that basis, for producing this tonnage in the Philippine Islands would be about \$10,000,000. According to the way in which the Filipinos have been buying their equipment and all of the other imports, according to the government reports for the last six or seven years, they have been buying 15 per cent in the United States and 85 per cent elsewhere. On that basis, of this \$10,000,000 of equipment that is necessary there they would be buying \$1,500,000 in the United States and \$8,500,000 in Europe, principally Germany and England.

Mr. BOUTELL. Just what is it you want?

Mr. GREGG. I want to adjust the tariff there so that they can be induced to increase their trade with the United States.

Mr. FORDNEY. Would free trade on your goods going into the Philippine Islands do that?

Mr. GREGG. Just a minute, and I will explain this whole situation. They are not under the United States tariff; they are under their own Philippine tariff, made by Congress here, your own committee. Under that they import, under section 245 of that tariff bill, apparatus and machinery for sugar making, as well as other things, at 5 per cent ad valorem. Now, it is proposed to give us free trade with them and still make that 5 per cent against Europe, but that does not any more than offset the difference of freight rates, so that it does not give us any advantage. I would suggest, for instance, that we are not opposed to general reductions in the United States on the tariff. For instance, we are willing, along with the rest, to take a reduction on our products from 45 per cent, say, to 25 per cent. That is our general attitude, and we are willing to trust to the committee to fix up a general average bill that will probably suit us all right. How would it be to extend that same 25 per cent to the Philippines—let them if they buy machinery in Europe pay 25 per cent duty on it; if they buy machinery in the United States, no duty on it? Then we can go out there and do business.

I can say this, that we export to countries where we have no protection, under some circumstances. Our business is almost altogether export; 95 per cent of our business goes out of New York Harbor.

Mr. UNDERWOOD. I just want to make this observation, that the treaty with Spain is not out yet.

Mr. GREGG. It is practically out.

Mr. UNDERWOOD. If this bill is finished before that is out, your proposition can not be included in the bill.

Mr. GREGG. It will soon be out.

Mr. UNDERWOOD. That is the question which comes up after this bill is enacted into law.

Mr. GREGG. Perhaps the bill can be so formed as to take off that.

Mr. UNDERWOOD. It might be after the treaty has expired. The treaty does not expire until ten years from the date of ratification.

The CHAIRMAN. The ten years will expire a year from December.

Mr. GREGG. I have a suggestion on that. We do business with Americans in Mexico and Americans in Cuba, but it is very difficult to do business with Spaniards in Cuba, and we have not been able to do business with Spaniards in Mexico at all under the same tariff

condition. We go out to the Philippines; we have been out there and sent men out there, we go there right along, but they are foreigners, and they have been used to doing business in Europe, and we can not upset that. They rather prefer to do business that way, and as individuals they will follow their individual inclinations.

Mr. FORDNEY. They do do business there?

Mr. GREGG. They do do business there, but only 15 per cent of their business comes to the United States, while we take 40 per cent of their products. That is the average from 1901 to 1906, according to the Government reports.

Mr. BOUTELL. What do you make, cars?

Mr. GREGG. Cars, portable tracks for cane fields, switches, and things of that kind.

Mr. BOUTELL. You do not make the narrow-gauge rolling stock, locomotives and things of that kind?

Mr. GREGG. No; we do not make locomotives; we make cars.

Mr. BOUTELL. Passenger cars?

Mr. GREGG. No; for hauling the cane.

Mr. BOUTELL. I understand that you do not make any commercial cars—passenger cars of narrow gauge?

Mr. GREGG. No; we make nothing for the United States except as it goes into Louisiana. We have a small business down there.

Mr. BOUTELL. The reason I ask is, I was on a narrow-gauge road up in Maine last year and wondered where the equipment came from—a little railroad 2½ feet broad.

Mr. GREGG. A good many concerns are making that kind of road in this country for domestic use, but our business is with the cane producers.

Mr. BOUTELL. I understand.

Mr. GREGG. I want to ask you gentlemen what sort of business proposition it is for this country to open the Treasury to the Filipinos and let those men out there—now, mind you, those men out there who are owning this land and will go into this business are not the Filipinos only; they are other foreigners interested.

The CHAIRMAN. What do you want in reference to the Philippine Islands?

Mr. GREGG. We want the thing let alone, just as it is now; that would suit everybody, as far as we are concerned, but if changes are going to be made—

The CHAIRMAN. Do you want free entry of your goods into the Philippine Islands?

Mr. GREGG. Well there is nothing in that; we are only taxed 5 per cent; there is nothing there for us.

The CHAIRMAN. What do you want?

Mr. GREGG. We do not want much for ourselves.

The CHAIRMAN. If we do anything with the tariff in the Philippine Islands the committee will undoubtedly take off that 5 per cent and give you free entry to the islands.

Mr. GREGG. I understand that. Now, if you put 25 per cent duty on equipment, machinery, and so forth, for mill and plantation, then we will have a chance to do some business, because they will have to come to us.

Mr. FORDNEY. You mean duty on those goods coming from any other country?



Mr. GREGG. Yes. Then there is one more suggestion I have to make, and that is, that unless we are sure we want to keep the Philippines, that we should make the 300,000 tons, or whatever it is, a measure terminating at the end of, say, eleven years; give them two years of free trade with us; next year withdraw 10 per cent of it; the next withdraw another 10 per cent of it, and so on, giving them until the end of eleven years—putting them out of touch with us on that business.

Mr. FORDNEY. What duty is there on your products now?

Mr. GREGG. Forty-five per cent in the United States.

Mr. FORDNEY. You only want 25 per cent in the islands?

Mr. GREGG. I should say we are willing to stand a general reduction in the United States.

The CHAIRMAN. You do not want over 25 per cent anywhere?

Mr. GREGG. No; and if Americans were going into this country we would not want a red cent.

Mr. RANDELL. Twenty-five per cent you consider just as good for you as 45 per cent in the United States?

Mr. GREGG. Yes.

Mr. RANDELL. Of course 25 per cent is prohibitive anyhow?

Mr. GREGG. We have no competition here; our competition is in Germany.

Mr. RANDELL. Then why have any per cent at all? Is it a revenue producer, or just simply a keeping out of the trade?

Mr. GREGG. The question is whether we shall admit the sugar from the Philippines free, and allow the Philippines to buy their machinery in Europe at 5 per cent, when you compel the sugar producers of Michigan and Louisiana to pay 45 per cent?

Mr. RANDELL. I am asking about this. You have a tariff of 45 per cent on the articles you manufacture in this country. Is there any importation of any articles in competition with you?

Mr. GREGG. There is in Porto Rico and Hawaii.

Mr. RANDELL. In the United States, though, proper; on the mainland?

Mr. GREGG. No; none to speak of, but we do not have any business in the United States.

Mr. RANDELL. Then those articles are not important at all.

Mr. GREGG. We do not do any business in the United States; 95 per cent of our business goes out of the port of New York.

Mr. RANDELL. You do business with the people who raise sugar in the United States?

Mr. GREGG. Two per cent of it is in the United States and 98 per cent out. Our business is largely with Cuba, Mexico, Porto Rico, and Hawaii.

Mr. RANDELL. But those people in Louisiana in the sugar business have to pay you without any competition whatever in this country; have to buy your product, if they buy it at all, at an advanced price of 45 per cent.

Mr. GREGG. I will say that, as far as Louisiana is concerned, as long as they only purchase 2 per cent of our product it is immaterial.

Mr. RANDELL. Why not just take it off, then?

Mr. GREGG. All right.

Mr. RANDELL. It brings in no revenue, and if this 45 per cent tariff was taken off your goods the people in the United States who buy, or might want to buy, could buy in the markets of the world.

Mr. GREGG. Yes; but as to Porto Rico, gentlemen, even now there are a few Spaniards down there who will buy their goods in Europe and pay more money for them, tariff and everything, in preference to buying from us or from other people in the United States.

Mr. FORDNEY. Yes; because they are Spaniards.

Mr. GREGG. Yes. We have to consider that, and what is the use in turning away eight million and a half of business from our shores and turning it over to the European manufacturers?

The CHAIRMAN. The committee will consider all those facts.

Mr. GREGG. All right, sir. I would be very glad to have another opportunity when you come to that part.

The CHAIRMAN. Another opportunity for what?

Mr. GREGG. If you take up the Philippine bill as a separate item.

The CHAIRMAN. If you have anything more to say on that subject, say it now. You will never have another opportunity.

Mr. GREGG. I will ask you if you expect to frame a separate Philippine bill?

The CHAIRMAN. We may do it. But if you have anything to say, you may go on with it and say it now.

Mr. GREGG. I covered all the ground.

The CHAIRMAN. We can not do things piecemeal, jumping around here from day to day. If you have anything to say, say it now.

Mr. GREGG. I think I have said all I want to.

Mr. RANDELL. I understood you to say that your purpose was to have the tariff around the Philippines so that by having a 25 per cent duty they would be compelled to purchase from you or from the United States.

Mr. GREGG. Not from us; from anybody in the United States.

Mr. RANDELL. You said from us. You meant from the United States?

Mr. GREGG. Yes.

Mr. RANDELL. And they would be compelled to do that.

Mr. GREGG. Yes.

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#### BRIEF SUBMITTED BY W. C. GREGG, NEWBURGH, N. Y., RELATIVE TO THE PHILIPPINE TARIFF.

WASHINGTON, *December 19, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: If 300,000 tons of sugar are made in the Philippines it will require for mill and equipment investment \$33.33 per ton capacity, or total about \$10,000,000, based on their trade with the United States for six years (1901 to 1906). They bought 15 per cent of their imports from the United States. Applying this percentage to this equipment, it would divide as follows: \$1,500,000 bought in United States, \$8,500,000 bought in Europe. Germany and England are the principal European manufacturers of sugar mills and plantation equipment. Up to the present time practically all the plantation

narrow-gauge railroad equipment (our line) has been bought by the Philippines in Germany and England.

Philippines buy their equipment in Europe on an import duty of 5 per cent. (See section 245, present Philippine tariff law, approved March 3, 1905, "Machinery and apparatus \* \* \* for making sugar \* \* \* 5 per cent ad valorem.")

Unless the Philippines are forced to give a little preference to American-made sugar machinery this big business will go to Europe, where they have been in the habit of trading; yes, prefer to trade! We sell quite freely to American planters in tropical countries whether we have protection or not. This is true of Mexico and Cuba. It is exceedingly difficult to do business with the Spanish in Cuba, and impossible so far in Mexico. They naturally lean toward Europe. I believe they can be counted on doing the same thing in Philippines. I believe a 25 per cent duty on imports from Europe to the Philippines on sugar machinery and apparatus, including railroad material, the same to enter free from the United States, would cause the bulk of such business to be deflected to the United States. I believe a 25 per cent duty is sufficient for American manufacturers generally instead of the present rate of 45 per cent. Some exceptions might be found. Our cheerful submission to this reduction would depend on general reductions on the raw material entering into our manufacture, such as steel, pig iron, rails, lumber, etc. How soon will these ten millions be contracted for? Within one year. I base this on the fact that all the equipment which has been (doubling) expanding the Hawaiian sugar product since annexation in 1898 was contracted for within one year. I lived there at the time. I took some of the contracts.

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#### PHILIPPINE DATA.

[Louisiana Planter, June 6, 1908.]

The exact tariff situation in the Philippine Islands is understood by only a small percentage of the manufacturers of the United States, and it is understood by a still smaller percentage of the American people at large. Briefly, the United States tariff is not in force in the Philippine Islands, but Congress has enacted a special tariff for the Philippine Islands, which is levied against the imports from the United States on the same basis as imports from other countries.

This Philippine tariff is enacted for the purpose of raising revenue to run the Philippine government, and is drawn up with little or no regard to any interests, except those in the Philippine Islands. It can be very easily understood that the Filipinos desiring to expand their hemp, sugar, rice, and other agricultural business, and depending entirely upon foreign manufacturers for machinery to develop the same, should be interested in very low import duties on such manufactured appliances. I am very sure I will surprise my hearers by stating that the Filipinos are buying agricultural machinery in Europe, and importing it into their islands under a duty of only 5 per cent ad valorem. The people in the United States, Hawaii, or Porto Rico, who wish to import similar machinery from Europe, have to pay 45 per cent ad valorem duty. Let me quote from the Philippine tariff, the paragraph covering the machinery in question, that I may be thoroughly understood.

"An Act to revise and amend the tariff laws of the Philippine Islands, and for other purposes, approved March 3, 1905, admits the following manufactured goods under a tariff tax of 5 per cent ad valorem. Sec. 245.

Agricultural machinery and apparatus, machinery and apparatus for pile driving, dredging, hoisting, and for making or repairing roads, for refrigerating and ice making, sawmill machinery, machinery and apparatus for extracting vegetable oils, and for converting the same into other products, for making sugar, for preparing rice, hemp, and other vegetable products of the islands for the markets, and detached parts therefor, also traction and portable engines and their boilers, adapted to and imported for and with rice-threshing machines, and steam plows, 5 per cent ad valorem.

Before further discussing this paragraph, I wish to say I do not propose to touch on the great American tariff question at all. The arguments for high and low tariff are entirely foreign to the point I wish to bring before the American people at this time. I am only concerned in the fact that American manufacturers, buying their raw materials under high tariff conditions, and hiring their labor under high tariff conditions, are not fairly dealt with by Congress, when they are compelled to sell to the Filipinos against European competition without any protection.

I would not state that the American manufacturers were not dealt fairly with by Congress if the Filipinos were treated in all respects as any other foreign country, but some of their products are given preferential tariffs when coming into the United States, and it has been the object of many interests to admit free of duty all of the products of the Philippine Islands. I am not taking a position antagonistic to the free admission of Philippine products into the United States, except as such acts, coupled with the present Philippine tariff, would work hardships on the American manufacturers.

Take the sugar industry for example: You will note in paragraph 245, the three words, "for making sugar," and if you will look back in the paragraph, you will see that this refers to "machinery and apparatus." If we should open our sugar markets, and allow Philippine sugar free entry to the United States, there is no reason why it should not cause as big a boom to the sugar business as was caused by similar tariff treatment to Hawaii and Porto Rico. The machinery (for making sugar) bought by Hawaii and Porto Rico made a large amount of business and is still making it, scattered all over the United States from San Francisco to Philadelphia.

There is no reason why this paragraph No. 245 might not be made to cover an entire sugar mill, costing, including structural material, corrugated iron, glass, foundation, building hardware, and all equipment from \$200,000 to \$1,000,000. Now, it is the most natural thing in the world for the sugar industries in the Philippines to be immensely stimulated by free access to the United States market. The first requisite in making sugar is a mill, and mills are made in Germany and England, as well as the United States, and shipped to various tropical countries encircling the globe. They make their machinery based on European costs of raw material and labor. The promoters of Philippine plantations would buy their machinery in the cheap markets of Europe, because they would have to pay a duty of only 5 per cent to enter the same in the Philippine Islands. If I owned a plantation in the Philippines, I would certainly do the same thing under such conditions.

*15-40 per cent.*—The trade reports of the Department of Washington show that for the six years (1901 to 1906) we bought 40 per cent of their products, while they gave us 15 per cent of their trade. It has seemed advisable to the legislators at Washington in the past to protect the American manufacturers of machinery by a general duty of 45 per cent. It is not necessary for me to discuss the question of whether they can compete with European manufacturers in foreign markets or not. I have traveled considerably in tropical sugar producing countries, where American manufacturers of goods coming under paragraph 245 are not well protected, and they do not sell their goods, and if the sugar business is boomed in the Philippines the sugar machinery will be brought from European manufacturers.

You understand in admitting Philippine sugar free of duty we take so much revenue out of the treasury of the United States. It is interesting to think where this money will go.

First. The moment such a bill passes the United States Congress and is approved, the value of all good sugar land in the Philippines will double at once. Much of this land is held by foreigners; I mean by others besides native Filipinos, and they, on account of their business acumen, will be the principal ones to organize and get the money from the United States Treasury.

Second. The Chinese merchants or middlemen, who both in Manila and in China are the ones who buy and handle the Philippine sugar.

Third. The European manufacturers of sugar machinery.

Incidentally, of course, all Philippine business will be somewhat accelerated.

It seems strange to me that such an unfair course to American manufacturers should be persistently advocated by a number of very intelligent Americans. It is because they have become so unselfishly interested in the Philippine Islands, and have become so much imbued with the missionary spirit of giving freely to those whom we wish to help, that they have lost sight of the United States bread-and-butter side of the question, and I think they have quite lost sight of the large proportion of the profits which would go, not to their protégés, the native Filipino, but to the sharp business men of the Orient and Europe, to whom I have just referred.

It has been urged by Secretary Taft and others that the development of the Philippine sugar business would be very slow, and it would be years before it would reach volume enough to affect any interests. Well, let us see. The Hawaiian production of sugar is now almost double what it was at the time of annexation, just ten years ago. As I was in business there at that time, I happened to know that practically all the mills and machinery to produce this increase were contracted during the first twelve months of annexation; by the same process millions of dollars' worth of machinery would be hurried into the Philippines from Europe if they were given "free sugar" into the United States.

There is now pending before Congress a bill to admit sugar and tobacco and all other agricultural products of the Philippines into the United States free of duty, and in return the goods from the United States are to be admitted into the Philippines free of duty, with the Philippine tariff against the rest of the world remaining as it is now. It makes us smile when we consider the gene-

rosity of the proposition, which relieves us from paying 5 per cent duty imposed on our foreign competitors by paragraph 245. I have not time to discuss the unfairness to those who manufacture sugar in the United States, Hawaii, or Porto Rico. It seems to me that they have just as much right to buy their machinery, covered by paragraph 245, in Europe under a 5 per cent duty as the Filipinos would have were they allowed to ship sugar free to the United States. The apparent 5 per cent advantage would be lost to the American manufacturers because of the higher freights from the United States than from Europe.

Perhaps I would not be discussing the Philippine situation with full candor if I did not lay down some plan for its future. Those in power seem dissatisfied with the present condition of things. One of two courses is open: The first is to give them free trade with the United States and extend the United States tariffs to the island, making them in all respects like Hawaii and Porto Rico in their relations to us. The second is to use the ability of the Americans in pointing out to the Filipinos the way by which they can best develop their own resources without regard to the tariff advantages with the United States.

It is conceded by all that they have wonderful natural resources; it is also conceded that they have population sufficient for labor needs. They are located to market their products as advantageously as any country in the Orient. If they are ever to establish independence, if they are ever to prove themselves worthy in the competition of the world, they must push forward in their own development while they have the political protection of the Stars and Stripes. They can never be a credit to themselves until they can stand on their own feet, and they will never learn to stand by being encouraged to look to the United States for support.

The resolution offered by Mr. Gregg was adopted May 19, and reads as follows:

*Resolved*, That the National Association of Manufacturers is opposed to opening the United States markets to free importation of the products of the Philippine Islands as long as the American manufacturers are not given the same tariff protection in the Philippine Islands that they have in the other tropical possessions of the United States.

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## PHILIPPINE TRADE.

HON. D. S. ALEXANDER, M. C., FILES LETTER OF THE CONTRACTORS' PLANT MANUFACTURING CO., BUFFALO, N. Y.

WASHINGTON, D. C., *January 8, 1909.*

Hon. S. E. PAYNE,  
*Chairman Committee on Ways and Means.*

MY DEAR CONGRESSMAN: In the inclosed letter the Contractors' Plant Manufacturing Company of Buffalo favors the admission of American goods to the Philippine Islands duty free. I beg to request that the matter receive such attention as may be proper.

Very truly, yours,

D. S. ALEXANDER.

129 ERIE STREET, 1-13 HENRY STREET,  
Buffalo, N. Y., January 6, 1909.

Hon. D. S. ALEXANDER, M. C.,  
Washington, D. C.

DEAR SIR: We are just in receipt of a letter from our representative in San Francisco, who has sales offices in the Philippines, which relates to duties on shipments of American goods to the Philippine Islands. Our representative and ourselves feel that we do not receive the percentage of business from that country to which we are entitled, and think it is entirely due to the high tariff. The American manufacturer pays the same duties as the European manufacturers, and possesses no trade advantages which are not possessed by the other countries. In fact, the American producer finds himself at a disadvantage on account of lower freight rates and cheaper labor which Europe is able to command.

If free trade with the islands for our products is established, they will have a large preference over those of foreign manufacture, and the volume of trade will be immensely increased. This, we think, we are entitled to, inasmuch as we have done so much good for these islands.

The question of admitting sugar, hemp, and tobacco into the United States free of duty will naturally come up at the same time, particularly in reference to sugar. We would urge that whatever action is taken with respect to these commodities, that American products should enter the Philippines duty free. If this is done, we are sure that we will find not only a development of trade in that market, but an opening for a portion of the tremendous trade of China and other countries of the Orient.

We trust that you will be able to give our views in relation to this matter your hearty support, which would be appreciated by ourselves as well as all American manufacturers.

Yours, very truly,

CONTRACTORS' PLANT MFG. CO.,  
GEO. M. MISNER, *President*.

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## POSTPONEMENT OF TARIFF CHANGES.

THE MANUFACTURING CHEMISTS' ASSOCIATION, BOSTON, MASS.,  
MAKES SUGGESTION RELATIVE TO DEFERRING OPERATION OF  
NEW REVENUE LAW.

BOSTON, November 24, 1908.

Hon. SERENO E. PAYNE, M. C.,  
*Chairman Committee on Ways and Means,*  
*House of Representatives, Washington, D. C.*

DEAR SIR: I inclose herewith copy of the petition to the Committee on Ways and Means from the Manufacturing Chemists' Association of the United States. This petition does not deal with any matter of interest exclusively to the manufacturing chemists, but is a broad proposition which we believe will be of great advantage to all interests in this country if adopted by Congress.

Hoping that we can have your cooperation in this matter, I am,

Yours, respectfully,

HENRY HOWARD,  
*Chairman Executive Committee.*

BOSTON, MASS., *November 24, 1908.*

To the WAYS AND MEANS COMMITTEE:

The Manufacturing Chemists' Association of the United States, which is, as its name indicates, an association of the manufacturing chemists of the country, unanimously passed, at a meeting held in Philadelphia on the 16th of November, 1908, the following resolution:

*Resolved*, That the Manufacturing Chemists' Association of the United States urge that Congress at the earliest possible date shall pass a vote that the revised tariff shall take effect one year after the passage of the act, or, at the earliest, January 1, 1910, and that the executive committee be authorized to communicate this vote to the Ways and Means Committee, together with an argument in favor of the proposition, and that all members of the association be provided with copies, with the request that they give them to their respective Representatives.

A list of the members of the association is annexed to this letter.

The object of the Manufacturing Chemists' Association in advocating the course stated in the resolution set out above is to do away, so far as possible, with the business disturbance which has in the past been an incident of much of our tariff legislation.

The Manufacturing Chemists' Association know how tariff legislation or proposed tariff legislation affects their business. They believe that the causes which affect their business are general and affect all other business, and they believe that the disturbance can be and will be to a large extent eliminated by the adoption of the course they advocate. They also want it distinctly understood that they take this position entirely irrespective of the question of what is to be done to the tariff.

The chief disturbing factor in all tariff legislation is the uncertainty which every man feels as to what is going to be done. There is much discussion. There are meetings of committees of Congress. People study the questions which concern their particular industry, and no man knows until the bill is finally passed how he is to be affected. One man believes that the tariff on the particular commodity in which he is interested is going to be increased. He is tempted to buy largely. If he does so and the duty is lowered instead of raised, he loses. Another man believes that the duty on his commodity is going to be lowered. He naturally abstains from buying as far as he possibly can. In other words, the uncertainty as to what is going to happen disorganizes business. This has been the experience in the past, and, as the reasons are clear, it is safe to predict the result will be the same in the future.

To avoid this disturbance is the desire of every one really interested in the welfare of the country.

There seem to be only two possible ways:

One is to adopt the plan which has been adopted in certain countries in the case of increases of duties, and have the duties as proposed take effect from the date of the introduction of the proposed legislation, adjustment being made later in accordance with the actual enactment.

The other is to fix a time at which the changes are to go into effect as far ahead as practicable.

There is much to be said in favor of the first method in the case of a simple act imposing a new or increased duty upon a limited number of commodities where, from the beginning, the articles to be affected



are known. But in the case of a revision of our tariff this method would not do away with the uncertainty, because, until the actual passage of the act, it would be impossible to tell what commodities were to be affected or to what extent, and the bill as introduced might have no relation to the act as finally passed. The uncertainty, which is perhaps the greatest evil, would therefore still be present, and the work of adjusting rates after the final passage of the act would be so complicated as to be prohibitory.

In the case of a reduction of duty there is much less to be said for the first method, for it would not only not do away with the uncertainty but it would actually create hardship in that every man with goods on hand would have no chance to work off his stock.

The other method—that is to say, the method advocated by the Manufacturing Chemists' Association—would, in the case of all reductions of duty, not only do away with uncertainty but also give the man with goods on hand an opportunity to dispose of his stock. That this is true has been recognized by Congress time and again. If Congress comes forward at once and says to the business men of this country, "No matter what we may do in the way of tariff legislation, nothing shall be changed until one year after the final passage of the act," uncertainty is done away with. Every business man can make his contracts for a year ahead. Of course, he may overbuy or underbuy slightly, but that is no more than the ordinary uncertainty as to demand. It is true that in the case of an increase of duty there will be an opportunity for speculative buying, but buying upon a certainty as to what is to be the duty is not so speculative as the buying which will take place if no one knows what is going to happen, and with a year in which to adjust itself business will pretty well discount all speculative elements to about the normal. In the case of a decrease of duty, which is understood to be the present plan, the uncertainty is done away with and normal conditions given as nearly free swing as possible.

The Manufacturing Chemists' Association of the United States know that the position they take is sound as to their own business; they believe it is sound as to all business; and they urge, as emphatically as in their power lies, that the course outlined in the resolution quoted at the beginning of this letter be adopted by Congress. And the Manufacturing Chemists' Association urge that the weight due to the importance of the industry they represent be given to their request.

Yours, respectfully,

HENRY HOWARD,  
*Chairman Executive Committee*  
*Manufacturing Chemists' Association of the United States.*

LIST OF MEMBERS OF THE ASSOCIATION.

Avery Chemical Company, 178 Devonshire street, Boston, Mass.  
Barrett Manufacturing Company, 17 Battery place, New York, N. Y.  
Baugh & Sons Company, 20 South Delaware avenue, Philadelphia.  
Binns Chemical Company, Naugatuck, Conn.  
Henry Bower Chemical Manufacturing Company, 2815 Gray's Ferry road, Philadelphia.  
E. P. Clapp Ammonia Company, 257 Broadway, New York, N. Y.  
Charles Cooper & Co., 194 Worth street, New York, N. Y.  
Cochrane Chemical Company, 55 Kilby street, Boston, Mass.  
Columbia Miscal Company, 1618 Frick Building, Pittsburg, Pa.

Columbia Chemical Works, 43 Sedgwick street, Brooklyn, N. Y.  
 Consolidated Color and Chemical Company, 122 Hudson street, New York, N. Y.  
 Contact Process Company, Buffalo, N. Y.  
 Davison Chemical Company, 606 Fidelity Building, Baltimore, Md.  
 Detroit Chemical Company, 190 Junction avenue, Detroit, Mich.  
 General Chemical Company, 25 Broad street, New York, N. Y.  
 Grasselli Chemical Company, Cleveland, Ohio.  
 Harrison Bros. & Co. (Incorporated), Thirty-fifth street and Gray's Ferry road, Philadelphia.  
 Heller & Merz Company, Newark, N. J.  
 Hudson River Aniline Color Works, Albany, N. Y.  
 Martin Kalbfleisch Chemical Company, 25 Broad street, New York, N. Y.  
 Charles Lennig & Co. (Incorporated), 112 South Front street, Philadelphia.  
 James L. Morgan & Co., 25 Broad street, New York, N. Y.  
 Mallinckrodt Chemical Works, 3600 North Second street, St. Louis, Mo.  
 Wm. J. Matheson & Co. (Limited), 206 Water street, New York, N. Y.  
 Merrimac Chemical Company, Boston, Mass.  
 Mutual Chemical Company of Jersey City, West Side and Fulton avenues, Jersey City.  
 National Ammonia Company, St. Louis, Mo.  
 Naugatuck Chemical Company, 164 Front street, New York, N. Y.  
 New England Gas and Coke Company, Boston, Mass.  
 New York Quinine and Chemical Company, 114 William street, New York, N. Y.  
 Nichols Copper Company, 25 Broad street, New York, N. Y.  
 Pennsylvania Salt Manufacturing Company, 115 Chestnut street, Philadelphia.  
 Charles Pfizer & Co. (Limited), 81 Maiden lane, New York, N. Y.  
 Powers-Weightman-Rosengarten Company, Seventeenth and Fitzwater streets, Philadelphia.  
 Roessler & Hasslacher Chemical Company, 100 William street, New York, N. Y.  
 Rumford Chemical Works, Providence, R. I.  
 Schoellkopf, Hartford & Hanna Company, Buffalo, N. Y.  
 Solvay Process Company, Syracuse, N. Y.  
 T. P. Shepard & Co., Providence, R. I.  
 Tartar Chemical Company, 92 William street, New York, N. Y.  
 United Zinc and Chemical Company, 318 Dwight Building, Kansas City, Mo.

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**EDWIN D. METCALF, AUBURN, N. Y., FAVORS POSTPONEMENT OF OPERATION OF PROPOSED REVISION OF TARIFF.**

AUGUSTA, GA., *December 21, 1908.*

HON. SERENO E. PAYNE,  
*House of Representatives,*  
*Washington, D. C.*

MY DEAR MR. PAYNE: I inclose herewith a letter received from Mr. Edwin D. Metcalf, of New York, on the subject of the time when the tariff ought to go into effect. I really have not thought the matter over, and have no opinion to express, but merely transmit this for your information.

Very sincerely, yours,

WM. H. TAFT.

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NEW YORK, N. Y., *December 10, 1908.*

HON. WILLIAM H. TAFT,  
*Washington, D. C.*

MY DEAR MR. TAFT: While you, Mr. H. E. Miles, and I started out with the same ideas of reciprocity and a tariff revision, Mr. Miles got so radical and so far in advance that I had to let him go ahead without me, as a conservative course, which I believe you entertain, will accomplish much more for the country.

Manufacturers, importers, and merchants are now fearing the effect of a long drawn out discussion on the tariff, and business is affected in consequence, but if the Republican members of the Committee on Ways and Means would announce that any new tariff bill will not be operative until January, 1910, thus giving them at least six months to prepare themselves for a change of conditions under a probable lower tariff, they would go ahead and buy material and manufacture with some confidence, so that the wheels of industry would not be stopped pending the result of a tariff discussion.

Think this matter over and see if there are any objections to it, and if you see none I believe it will be productive of the greatest possible good feelings between the manufacturers, importers, and merchants and yourself, and decidedly the best for the country as a whole.

You are now considered somewhat radical, but a movement of this kind will command the respect, confidence, and admiration of all, in my opinion.

With kind regards, I am, yours, truly,

EDWIN D. METCALF,  
Auburn, N. Y.

## PROTECTION CRITICISED.

**GEORGE S. BROWN, BIRMINGHAM, ALA., STIGMATIZES THE PROTECTIVE PRINCIPLE AS UNSCIENTIFIC AND RUINOUS.**

BIRMINGHAM, ALA., *December 14, 1908.*

HON. OSCAR UNDERWOOD, M. C.,  
*Washington, D. C.*

DEAR SIR: You say we tariff reformers should speak up in answer to the poor petitioners who are besieging your committee.

As I have never troubled you for garden seed, perhaps, for "auld lang syne," you will allow me to bore you again with my views on this question of always growing importance.

I am firm in the belief that the protective principle, a vicious error, unscientific, ruinous, pronounced so by the educated political economists of all ages, proven so in three notable historical instances, viz, in the times of Augustus, Leo the Tenth, and Louis the Fourteenth, will again be so demonstrated in this our age by the ignorance and selfishness of lawmakers and manufacturers.

Unscientific in every phase, from the elementary fact that all help to all infants (infant industries included) is harmful, up to the present attitude of the standpatter, that the prosperity of this most resourceful of all countries and these most energetic of all peoples depends upon this absurd and selfish tax; ruinous because the protected in all forms of life and in every line of human endeavor must ever become more dependent and more and more in need of help, while they who are taxed to supply this help must become year by year less able to support it.

The passing of these protective laws created no wealth, therefore in bringing riches to some it had to take it away from others. The good coming to the beneficiaries of such a tax is very apparent, as

may be seen in the activity and prosperity of a manufacturing town, for instance, while the tax that pays for it, thinly spread out over the whole country, is indirect, insidious, and not apparent.

Without this artificial help an industry has but one source of profit, that which flows from the natural resources and advantages it may possess developed by the wisdom and energy of the managing mind. Under such circumstances all energy will be applied toward improving machinery that will tend to save waste, lessen expenses, and improve the quality of the goods produced, to the end of legitimately meeting and overcoming competition. Such conditions, it should be necessary to explain to school children only, tend to develop independence and initiative, and constitute the only basis upon which any man, industry, or country may hope to survive indefinitely. Under the protective principle there are two profits accruing—one, the natural or legitimate, as above described, and a second, artificial, which as a rule is far larger and more important. The second profit depending on the favor of the lawmakers and hence unstable, is likely to absorb energies, in being looked after, that should rightly go to the legitimate upbuilding of business.

A third condition, illustrative of which the tin industry may perhaps be an example, is a condition where the profit is all artificial, an industry that is carried on at a constant loss to the whole people. Such a product, that can be bought cheaper outright than it can be made, should be bought where it can be bought cheapest, and the taxes remitted to the ten million kitchens of the land that have been paying this margin of loss and enough over to make millionaires of the gentlemen who fathered this infant.

Politicians and many business men believe that when a thing is wrong scientifically (theoretically) it is almost sure to be right practically. There is no greater fallacy, and the protective principle will again, as surely as fate, for the fourth time in history, prove itself rotten to the core by the widespread ruin which must inevitably follow this wholesale robbing of the many for the benefit of the few. The many, in this richest of all countries, could stand almost any definite amount of robbery, but it must be definite, a period must be put to it when it will cease. Under the present system temporary favors granted the few forty years ago, intended to assist infant industries until they could get on their feet, instead of being stopped when there was no longer any need for them, have steadily increased. Where it was contemplated to help a few hundred small manufactories for a short time with a small tax, we are now giving huge benefits to thousands of begging millionaires for still an indefinite period.

These lawmakers have been consistent; it was intended to remove this tax as soon as these infant industries could do without it; it has not been removed, because they can not yet do without it; but the trouble is that time will never come, because, as visionary scientists know, the protective principle works the other way, and instead of helping infant industries get on their feet, it always, without exception in the history of the world, weakens them to the extent of making them forever dependent on charity.

In the words of Buckle, the historian, "That vicious system which weakens whatever it touches," fastened upon this country forty years ago under the plausible but specious argument that the manufacturing interests must be built up so that they could give work to those

who were taxed to do this building up, is a survival of the paternal spirit that was first exercised by the church. Toward the end of the so-called "dark ages" the growing intellect of the world broke away from the hold of the church, and this headship of paternalism and protection was continued by the feudal system. Buckle, writing of the effort of Louis XIV to build up the literary and scientific output of France by a system of rewards and pensions, says: "Kings (United States Government) are not omniscient, and in the bestowal of rewards must be guided either by personal caprice or by the testimony of competent judges and, since no one is competent to judge of literature or science (or manufacture) unless he is himself literary or scientific, we are driven to the monstrous alternative that the rewards must be conferred injudiciously or else that they must be given according to the verdict of the very class by which they are received." (Your hearings committee is much like this, is it not?)

Again, "if a fund were set aside by the state for rewarding butchers and tailors, it is certain that the numbers of these useful men would be needlessly augmented" (tin mines?). If another fund is appropriated for rewarding literary men, it is certain that men of letters will increase more rapidly than the exigencies of the country require—"in both cases the artificial stimulus will produce an unhealthy reaction, and when we give to one class we take from another," etc. A still worse effect, he says in another place, is that "it teaches the people to look up to a protector and fountain head of prosperity and kills their independence and initiative," etc. Members of the Republican party even now show these signs of looking up to their party for everything; it is difficult to get one of them to discuss issues; they seem to fear they will hear argument they can not answer and yet know weakly they must vote against; the result of a generation of teaching that they can not make a living in this most prosperous of all countries without artificial help.

It took years of political and civic turbulence, riot, and the fighting bulldog tenacity of several remarkably honest and fearless leaders to effect the abolition of the tax on bread in England. This result was bound to be achieved in time, but it was hastened by two advantages which they were fortunate indeed in possessing—first, unselfish, devoted leaders, and, second, their most effective slogan, "Down with the tax on bread." If the fight was long under such a banner as "Down with the tax on bread," which appealed to every one at his most sensitive point, how much slower must the campaign of education be under our banners, "Hurrah for tariff reform" and "Down with the tax on hides, glycerin, lumber, and railroad iron."

Particularly difficult is it to impress the average voter with our arguments about which he must think in order to understand them, when he sees us met by an army from the opposing camp with banners that appeal to the eye, but stir not the mind from its comfortable lethargy. That army, the Republican party, the most fertile inventors of misleading and vote-getting war cries the world of politics has ever known.

The civilization and education of the world is still so far behind that far more votes are cast in response to a resounding slogan than are influenced by the wisest argument. The Republican party have for thirty years depended upon little else beside, and the historical literature of their campaigns during this period differs not at all in

style and value from the vapid and demagogic ranting with which Bryan rallied his Populistic hosts around his cross of gold and crown of free silver. A shade of difference in bearing only may be imagined in passing—Bryan making the nervous noise of the misused loser; the Republican oratory, redolent of victory past and to come, is quieter and has an air of charitable toleration toward those who yet do not quite grasp the wonderful scientific basis of the protective principle—and then the torrent of words, words, words, empty of meaning and unworthy of anyone's attention; no reference to what has been done, said, or written on like subjects in the histories of other countries nor even of our own past; no opinions of political economists who have spent their lives studying, sifting, and comparing to work out the underlying truths of government in its varied relations to trade and the other pursuits of the people; nothing but unworthy, dishonest harping on meaningless catch words designed to delude the voter in his quest for truth and her abiding place. "Protection to infant industries;" "Home market;" "Pauper labor of Europe;" "A cheap coat makes a cheap man;" "Prosperity," and "I am its prophet and advance agent, William McDingley;" "The full dinner pail;" and now, when the sleeve is empty, every trick played, the country can no longer be fooled, they come out with the impudent defiance, "Stand pat"—all shallow sophistries to support the great error of protection. The great error fostered by self-interest has now fixed upon our country a tax greater than the French people were paying when the revolution came on, and it must now occupy our minds for many years and cause much trouble and suffering before we can throw it off.

We have now bred up a generation that believes we must look up to and depend upon a fountain head for our prosperity; our artificial profits are causing us more and more to watch the doings of Congress just as the beneficiaries of Louis XIV's bounties hung around his court, bootlicking for their rewards to the neglect of their work in laboratory and study. This state of things lessens our initiative and weakens our independence, and continued long enough would utterly destroy us. No matter how slight a tendency is, if it is given time enough it will work changes that the unimaginative (i. e., the practical and opposed to all things theoretical and scientific) can not believe possible. This tendency in time would utterly kill that spirit that has made this country look different under our rule from that of the red Indian. There are two other tendencies which we must also reckon with. One is that these infant industries will in time reach the point where the increasing help that we are called upon to favor them with will not suffice, because their existence becomes more and more artificial all the time. The other is that the consumer is getting less able and less willing to pay. When the point is reached when the consumer can no longer pay and the mushroom industries that have been encouraged to go into business can no longer live without help, what will happen?

All protected industries will very naturally combine against any reduction, and their wealth is so great and those profits they stand to lose are so large it will be no mean fight they put up. Mr. Carnegie in this morning's paper says many of these huge industries no longer need this help, but that is no sign that they will give them up. I said several years ago that I would take more stock in his libraries

if he would turn into the United States Treasury all the unnecessary millions the people have been forced to pay to him during the last forty years, or for whatever time they have been unnecessary. The big fellows who no longer need protection will fight harder than will the little mushrooms, to whom a reduction means annihilation, because they have more money to fight with. Andy has formed something of a giving habit—if building monuments to himself with a small part of the money he has taken from the people can by a good-natured stretch of the imagination be called giving—but it has not spread much in the shape of an epidemic.

The free trade in labor that the manufacturer has always enjoyed has been a good thing for him, and the free trade in everything the farmer raises has been a good thing for him and for the people, because if farm products had been protected one or two men would now be in control of all the products, if not all the farms, and the farmers would be only hirelings of a trust. Although the farmer has been taxed unmercifully in the things he has to buy every fall for his family, and now pays about 40 per cent over the price of imported goods (though he never sees any imported goods) for everything he has to have, there is a great deal in that expression you may hear on the street any day; that is, that the farmer is our most independent citizen. Free trade in his own products, and persecution in being forced to pay outrageous taxes for the benefit of others, has made him that. Persecution has made the Jews the best financiers of the world. It would seem to be too elementary to sit down, waste paper and ink, and bore one's best friend with the argument that adversity stimulates initiative and independence, and that protection is exactly the opposite of all that makes a man, but the greed and idiocy of those who believe in protection make it necessary for us to go back to the very A, B, C of political economy and argue from that up, and even then self-interest will probably block all progress, hope we for ever so little.

Although the average farmer probably pays a tax of 20 per cent of his gross earnings on the things he has to buy, and although he pays the imported price and much over, yet never sees a piece of imported goods, the beneficiaries of the injustice put upon him are still so ignorant that after forty years of help from the pockets of the consumers, he is not ashamed to confess that the imported article is, as a rule, far superior in quality to the home product.

There should be no compromise about this fight. We should not even admit that protection has even been of the slightest benefit to the country as a whole. It is absolutely impossible that it could have been, and all this talk that protection has made this country great, but that it is a dear old worn-out coat that we now no longer need, is the most sickening, harmful, and costly rot. Protection has never done anything but harm in all the history of the world, from raising babies, up. We have prospered in spite of it, but would have been many moral and commercial leagues ahead of where we are now if we had never had it to carry all these forty years.

This and these tendencies are of the gravest interest, but unlike "Old Doctor Bryan and his remedies" I have no cure-all to offer for their eradication. When the well-fed and well-protected Pittsburger comes to-day to ask you to put another layer of fat on his ribs or to ask it for a neighbor who is too busy making money to

come and get it for himself, understanding, very properly, that your committee is really a sort of a pay car, etc., if you should be even so irreverent as to joke him about cutting down his schedule, he would tell you that he could not possibly live without it, and nine times out of ten he would be right about it.

Now, if we were four years hence and had a very honest and determined tariff reformer (like, say, Yon Yonson) in the White House, as I hope to see, and a very wise, honest, and equally determined chairman of the Ways and Means, a pair that would want to stop the taxing of the 30,000,000 unprotected farmers for the benefit of the 6,000,000 who are engaged in the protected industries, your task would still be a huge one. Two bad crop years about that time might put these farmers in a bad way of meeting the wants of these pudgy infants. It is no joke that if the nourishment of these infants were cut off many of them would lie down and die. Now, before men will die they will make a struggle, and your committee's effort to frame a tariff bill that would give relief would be met by resistance from a few friends in your legislative halls that would leave it looking like the Wilson bill.

I feel as sure of it as I ever could of anything in the future that the protected interests will continue to feed on the unprotected until the latter can pay no longer. No matter how emphatic an election majority might make it that Congress must give relief, I believe the "interests" would never have to look far to find one or two Senators who would sell out and block the game. In any case, I believe our fight from now on should take a high plane, and we should fight always on the ground that the whole principle of protection is wrong from the ground up; that not one word can be said in its favor; that it has cost this country billions of dollars, and has actually hindered progress in every line. It has caused the abandonment of thousands of farms in the East, and but for it the seas of all the world would be traveled by American-made ships; that we would not still be confessing that nearly everything we buy is better if it is imported. If we had had free trade as near as possible, our "home market" would now be staying at home from preference not from force. Why do I make all these wild statements? Because they must be so if it is true that ours is the most richly endowed in natural resources of all the countries of the world.

If that is so, and that our people are the most energetic, from which there is no dissenting voice, how could it be otherwise?

These tariff laws cost us so much, in so many thousand ways that none know about except they who are concerned, that there is no way of estimating it. For one instance, 250,000 farmers last year moved from the great Northwest into Canada. Why? Because the land is the same and the price of their corn and wheat are the same, but the cost of clothing and many other necessaries are about one-half. We invite the uneducated and speechless foreigner to come to us; we educate his children, and when they grow up and are first-class citizens they move to Canada because we tax them out of the country.

I didn't intend to write a book, and I haven't said anything new. I intended only to emphasize the fact that I believe the fight should be on high ground, and that we are sure to have a revolution before we get relief. They won't let go; they can always stop any movement against them, and how long can the farmers stand the racket?



Ten years, twenty? Well, it is bound to come, and you may live to see it.

I may be a calamity howler, but the French would have been better off about a hundred and twenty years ago if they had had a few; not that they could have stopped the trouble, but it would have given a few of them valuable warning. I wish you would read Buckle's History of Civilization in England, Volume I, along about page 490.

It is the old proposition of what will happen when an irresistible force meets an immovable body. One must admit that no people can stand an ever-increasing tax nor can they even stand an excessive tax indefinitely, and no one will contend that the protected industries will ever give up this graft willingly. The resistance will not be merely a matter of an election or two, neither. It will be a struggle for life with them. No matter how foolish and unjust it was in the beginning, this artificial support we have given them so long has become vitally necessary to them.

It is not a matter entirely between the two great political parties, either; the Republican farmers of the great West and all over the country must in the end fight for free trade, and the manufacturing interests of the South and elsewhere will oppose it with all their might.

This abuse has grown because not many can realize what a very rich country we have, and it is natural that all have been infected with the bug that protection has been the cause of our prosperity up to this point. We should stop and think how many other useless taxes the great wealth of this country enables us to support with so little apparent harm. We thought the bicycle habit was a frightful expense. We had got used to the hundred and fifty millions a year spent on patent medicines, not to mention the billion or so spent on other useless medicines, doctors, and lawyers; we did not remember the hundreds of thousands who live by their wits in a thousand ways whom the honest toiler has to support. The millions spent on automobiles is mere pin money.

There is a wide difference between the sparrow and the turkey cock, but an infinitesimal variation and a tendency operated upon by plenty of time has caused it all. The gay boys who owned France during the time of Louis XIV never had any such bad dreams that would reveal to them how their good times would culminate in 1793.

Nothing but hunger will cause a revolution in a civilized country, but hunger will do it, and do it every time, and in spite of every way I can look at it we are on the way. If we are on the way anywhere we are sure to arrive unless something arises to stop us, and nothing of that kind is in sight now.

Protection is either right or it is wrong in principle, and whichever it is it has been that all the time. Those of us who believe it is wrong ought to come out and say so. When we crowd a protectionist into a corner he will always say, "Well, we must have a revenue." When he says that he ought to be followed up and made to see that he has given up the fight, because we can have a tariff for revenue without one grain of protection in it.

The leader—I hope it is Yon Yonson—who is destined to come out and fight protection to its extermination, as the Abolitionists did slavery, will immortalize himself; but there will be a lot of trouble before the end is accomplished.

Yours,

GEORGE S. BROWN.

## PROTECTION NEEDED.

**GEORGE W. RUSSELL, ATKINSON, N. H., ASKS CONTINUED PROTECTION FOR THE PRODUCTS OF AMERICAN LABOR.**

ATKINSON, N. H., *December 11, 1908.*

CHAIRMAN AND GENTLEMEN OF THE COMMITTEE,  
*Washington, D. C.*

GENTLEMEN: You desire facts. I shall try to give them from the view of a wage-earner.

In 1898, the first year of the Dingley tariff, our production of wool was 266,720,684 pounds. In 1907 our production of wool was 316,032,099. There is talk among people inclined to freer trade about a tariff in the interest of the consumer as well as in the interest of the producer. An adequately protective tariff is always in the interest of the consumer and also in the interest of the producer. In 1892, under the McKinley tariff, with the people generally at work at good wages, our annual consumption of wheat per capita was 5.91 bushels; of corn, 30.33 bushels; of cotton, 24.3 pounds. In 1894, under the threat and fact of the Wilson tariff, our annual consumption of wheat per capita was 3.41 bushels, a loss to the farmers' market of 42 per cent; of corn, 22.76 bushels, a loss to the farmers' market of 25 per cent; of cotton, 15.91 pounds, a loss to the farmers' market of 33 per cent. Dun's Review of February 22, 1896, said: "Prices of commodities are now at the lowest average ever known." Breadstuffs have declined 25 per cent since February, 1893; meats, 28 per cent; and dairy and garden products, 45 per cent.

The above figures show that the producers were hurt by lower prices and smaller consumption. Neither were consumers benefited by lower prices. Exports of farm products also largely decreased. We are all in the same country and our interests can not be divided. To be prosperous every person must be adequately protected, whether he produces hides, coal, shoes, wool, wheat, or any other product. Labor and capital must be alike defended. It is not an exaggeration to say that we, as a people, are on an average twice as well fed, clothed, and housed as any other like number of people on the globe. This means that what we want to consume costs, relatively, one-half as much as it costs any other like number of people. The average year's work will buy twice as much of what we want to consume as the year's work of any other people. These conditions can only be maintained by adequate defense. We must keep our people employed or support an army of unemployed. Wages can never be kept up to the standard of the first half of 1907 without all are employed. Our free traders tell us about competing with the world. We can compete with the world, but to do it we must accept the world's conditions. This is inevitable.

Our imports of competing products are constantly increasing under present duties, which shows that lower duties or free competition are impossible. Asia is beginning to manufacture competing products, with American and European machinery, run on a wage scale possibly one-twelfth of ours. German competition under the Roosevelt amendments of the Dingley tariff is driving

our producers and working people out of our home market, and we have no redress but to reduce wages and dividends. The Boston Advertiser of August 11, 1908, said:

Christmas from a child's point of view was vividly recalled, where the German steamship *Belgravia*, from Hamburg, docked yesterday and began discharging her immense cargo, consisting chiefly of toys. This shipment of the product of Teutonic skill is only the forerunner of similar shipments which will arrive from Germany from now on to meet the Christmas holiday demand.

A knit-goods manufacturer writes the President that only one-fourth of his machinery is running and that unless he has relief soon it will all be idle. There is a demand for lower duties on iron and its products by people who want to deprive us working people of doing our own work. Under present duties our imports of iron and its products have increased from \$19,549,848 in 1904 to \$33,633,075 in 1907. These figures show conclusively that present duties need to be increased and not decreased.

The average price of steel rails in Great Britain from 1895 to 1905, inclusive, was \$26.05 per ton. The average price in the United States for the same years was \$26.22 per ton—British prices given by the secretary of British Iron Trade Association; American prices by American Iron and Steel Association. Under protective duties of \$35 per ton on iron and its products if imported in foreign ships, and \$30 per ton if imported in British ships, Great Britain produced nearly all of the world's consumption of iron and its products. Under free trade she stands third in the production of iron and its products. Under the Dingley tariff in 1905 the United States produced 22,992,380 gross tons of iron. The same year the world outside of the United States produced 31,005,585 gross tons. An adequately defensive tariff is in no one's way except that of the foreign exporter or the American importer. Neither does it add to the cost of home production, but generally decreases such cost. There is not an important schedule in the Dingley tariff that can be lowered without increasing imports, and imports are now far too large and are fast increasing. Germany has increased her duties on imports to increase her home market. France is about to do so.

Shall we reduce our tariff, which is now so low that competing imports are constantly increasing and last year caused an emigration of thousands of skilled working people and an army of unemployed estimated at 2,000,000? We must do our own work or pay other countries for doing it at the expense of our own working people.

Now, Mr. Chairman and gentlemen, again we entreat you to stand by the American working people. Do not intrust your work to the other House to be amended. If you reduce present duties, we shall be worse off than we now are.

Very respectfully,

GEORGE W. RUSSELL.

## RECIPROCITY WITH CANADA.

### HON. J. C. NEEDHAM, M. C., FILES VARIOUS TELEGRAMS URGING RECIPROCAL AGREEMENTS WITH CANADA.

STOCKTON, CAL., *November 28, 1908.*

Hon. J. C. NEEDHAM, M. C.,  
*Washington, D. C.:*

We urge tariff measure authorizing President to make trade agreements with Canada mutually modifying tariffs on lumber and fruits. Submit this to committee.

SOUTH SAN JOAQUIN CHAMBER OF COMMERCE,  
By GEO. W. TATTERSON,  
L. M. LARSON,  
J. R. KOCH,  
*Federal Committee.*

STOCKTON, CAL., *November 28, 1908.*

Hon. J. C. NEEDHAM, M. C.,  
*Washington, D. C.:*

Insist on tariff measure authorizing President to make trade agreements with Canada mutually modifying tariffs on lumber and fruits. Submit this to committee.

R. G. WILLIAMS,  
E. G. YOUNG,  
E. H. WAKEFIELD,  
HENRY M. COOK,  
E. B. WILLIAMS,  
*Committee of Growers.*

STOCKTON, CAL., *December 1, 1908.*

Hon. J. C. NEEDHAM, M. C.,  
*House of Representatives, Washington, D. C.:*

This chamber and our people favor any arrangement, reciprocal or otherwise, to secure the free entry of grapes and other California fruits into Canada.

JOHN M. PERRY, *President.*  
J. M. EDDY, *Secretary.*

### THE CHAMBER OF COMMERCE OF THE STATE OF NEW YORK UNANIMOUSLY ADOPTS REPORT DECLARING IN FAVOR OF CANADIAN RECIPROCITY.

NEW YORK CITY, *December 30, 1908.*

*To the Chamber of Commerce:*

This chamber has repeatedly recorded its opinion in favor of closer trade relations with the Dominion of Canada since the year 1852, when it first memorialized Congress in favor of a reciprocity treaty with our northern neighbors. The reciprocity treaty negotiated in

1854 remained in force until 1866, when it was denounced by the United States and has not been renewed. The growth of Canada in wealth and commerce will be realized when the progress made in that country during the last forty years is contemplated. At the last annual banquet of the chamber the Hon. Clifford Sifton, P. C., of Ottawa, formerly minister of the interior, illustrated this progress by the following figures:

In 1868 the foreign trade of Canada was.....	\$131, 027, 532
In 1908 the foreign trade of Canada was.....	650, 793, 131
In 1868 exports of home produce were.....	48, 504, 899
In 1908 exports of home produce were.....	246, 960, 968
In 1868 exports of manufactures were.....	2, 100, 411
In 1908 exports of manufactures were.....	28, 507, 124
In 1868 bank deposits were.....	37, 678, 571
In 1908 bank deposits were.....	650, 126, 232

The United States has contributed a large share toward Canada's rapidly growing foreign trade. Our exports to Canada in the fiscal year ending June 30, 1906, were more than double our exports to the whole of South America, and Canada as our customer now occupies the third rank in importance, Great Britain appearing first and Germany second. It is clearly to our advantage, under these circumstances, to cultivate trade relations with our neighbor; but the question is frequently asked: Why should we grant tariff concessions to a country whose purchases from us have continually increased with every year? Mr. B. E. Walker, president of the Canadian Bank of Commerce, Toronto, has given us the answer. In his interesting address at the last annual banquet of the chamber Mr. Walker spoke as follows:

You sell us 60 per cent of our imports, but buy only 35 per cent of our exports and rarely buy our securities. It is true that we are improving our purchases from England, and that you are improving your purchases from us and even occasionally taking an interest in our securities, but I invite your deepest, most broad minded and wisest consideration of these most striking figures, and I ask you whether you think it is likely that trading relations so one sided can continue forever. Beyond a peradventure if you do not open your doors a little more liberally to us, so that we can more nearly pay you in goods instead of always drawing on London for the purchase price of what she has bought from us in order to pay you, you will leave us no alternative but to keep up our tariff walls until we can create at home almost every manufactured thing you sell us on the one hand, while on the other we seek trade preferably with any nation which takes pay in goods so as to lessen our payment of actual money to you. \* \* \*

We are not asked to make any one-sided arrangement for the sole benefit of Canada. In fact, there is no urging on the part of the Canadians. The Hon. John Charlton, member of the Canadian parliament, in an address before this chamber on November 7, 1901, said:

At the expiration of the reciprocity treaty, Canada felt herself largely dependent upon the American market for the sale of farm products. Unfavorable tariff regulations then adopted have since largely excluded her from that market, and she has been obliged to seek other outlets. The result of her efforts has been to attain success above her most sanguine expectation, and the Canadian producer can not now be made to realize that the American market is a matter of very great importance to him. The removal of trade barriers would develop a largely increased trade between the two countries, but neither the Canadian nor the American has had object lessons in the last thirty years to give demonstration of this fact; and so far as the Canadian is concerned, while freer trade relations would be welcomed, the anxiety to attain them which characterized public sentiment thirty years ago has ceased to manifest itself. Under the operations of the old reciprocity treaty, commercial, social, and busi-

ness relations between the two countries tended to grow more and more intimate year by year. Since the abrogation of that treaty and the adjustment of the present tariff policy of the United States, repellent influences have driven the two people further and further asunder in sympathy and sentiment. \* \* \*

Mr Sifton, in his recent able address, has told us :

You are perfectly able to get along without making trade arrangements with Canada, and Canada has shown itself perfectly able to get along without making trade arrangements with the United States. We sought reciprocity with you for many years. We are not seeking it now. Like you, in your large way, we, in our smaller way, are doing well. We are perfectly satisfied with matters as they stand. If, and when, it becomes in your judgment to your interest to make any changes which will be beneficial to Canada, and to make any proposals for similar changes on our part, there is no reason why these proposals should not be debated with perfect calmness and with the clear understanding that no proposals will be accepted upon either side which are not considered to be of advantage to the country which is asked to adopt them. \* \* \*

The Canadians are perfectly able to take care of themselves; and that they have done so and propose hereafter to trade with those nations that express a desire to trade with them is proven by their new tariff policy. In 1907 the Canadian parliament adopted a triple tariff which consists of a "general" tariff containing the highest rates of duty; a "preferential" tariff which applies to Great Britain and British colonies and contains the lowest rates, and an "intermediate" tariff with rates between those of the general and the preferential tariff, the intermediate tariff to be applied to countries entering into reciprocal trade relations with Canada. So far only one reciprocity treaty has been concluded on the basis of the "intermediate" tariff, namely, with the Republic of France. This reciprocity treaty has been ratified by the Canadian parliament and by the Chamber of Deputies of the French Parliament, but is still pending in the French Senate where it is expected that it will shortly be ratified.

Canada was obliged, in negotiating this treaty with France, in a number of instances to exceed the concessions authorized in the "intermediate" tariff and to make rates of duty as low as, and even lower than, those provided in the British preferential tariff. Where such concessions beyond the preferential tariff have been made, they will, of course, apply equally to British products.

The United States with all other countries not governed by reciprocal treaty provisions pays, and will continue to pay, the highest rates of duty provided in the "general" tariff, and will therefore be at a disadvantage.

We have thus far not felt the results of Canada's new tariff system, as no country has so far received the benefit of Canada's intermediate tariff; but upon the adoption by Canada of treaties with other important countries, to which the lower rates of duty of the intermediate tariff will be conceded, we are bound to be the losers, and we shall then realize the folly of our present illiberal policy.

On the subject of the objections that may be brought against reciprocal trade relations with Canada, Mr. James J. Hill, of the Great Northern Railway Company, at the last annual banquet of the chamber, expressed himself as follows :

Has the United States anything to fear from competition on the north? Let me reenforce my opinion with that of men who would be first to sound the alarm if it were true. There is, perhaps, no man in this country better informed on this phase of the industrial situation than Mr. D. M. Parry, lately president of the National Association of Manufacturers. This is what Mr. Parry said :

"The Canadian trade is more important than all the commerce anticipated for the Panama Canal, and yet our tariff policy in respect to Canada could hardly be worse had it been dictated by a foreign enemy. As for the tariff on raw materials, why should this country be so anxious to exhaust its mineral wealth and denude its forests that it should bar these products from other countries." Only last year a big lumber manufacturer of Saginaw, Mich., representative of an industry once hostile to reciprocity but so no longer, wrote these words in the *Annals of the American Academy for the Advancement of Political and Social Science*: "As a manufacturer, as an employer of labor, and as one who has been in the lumber business all his life, and is now engaged in it, as an owner of forests and timber lands and sawmills, I can not see wherein the Government of the United States is not making a great mistake in maintaining this tariff upon rough lumber, taxing our home industries for their raw material and offering premium for the destruction of our present forest area."

In this country the policy of reciprocity between the United States and Canada has broken down popular opposition. New England favors it, the great tier of States facing the Canadian boundary and the Great Lakes favors it, the Middle West believes in and asks for it. We have too long considered it only as a boon for us to grant and Canada to ask. That may have been true thirty years ago; it is not true to-day. Not as a suppliant but as an equal she must be dealt with. Her interest is no greater and no less than ours, her position as independent.

In view of the approaching revision of our customs tariff this appears to your committee to be a fitting opportunity again to voice the opinion of the chamber on the question of reciprocity with Canada—one of the first steps in the direction of the improvement of international trade relations that should, in the opinion of your committee, be taken by our country: Your committee, therefore, beg leave to offer the following preamble and resolutions and to urge their adoption:

Whereas it is reported that the Congress of the United States will be summoned by the new administration taking office on March 4 next at an early date to consider the revision of the United States customs tariff; and

Whereas the adoption of reciprocal trade relations with the Dominion of Canada appears to be of great importance to the best development of the trade interests of both the United States and Canada; now, therefore, be it

*Resolved*, That the Chamber of Commerce of the State of New York urge that in the proposed revision of the customs tariff of the United States the President of the United States be empowered by the Congress to enter into and consummate negotiations with the Government of the Dominion of Canada for the purpose of securing the adoption of a reciprocity treaty advantageous to the trade of both countries; and be it further

*Resolved*, That the committee on foreign commerce and the revenue laws be instructed to enter into communication with other commercial bodies in the United States for the purpose of securing their cooperation, and that the aforesaid committee be also authorized to take such further steps in the premises as may seem to them advisable.

All of which is respectfully submitted.

GUSTAV H. SCHWAB,  
CHAS. A. MOORE,  
GEORGE GRAY WARD,  
CHARLES D. BARRY,  
E. H. OUTERBRIDGE,

*Of Committee on Foreign Commerce and the Revenue Laws.*

Unanimously adopted by the chamber January 7, 1909.

**BARRETT & ZIMMERMAN, ST. PAUL, MINN., ASK FOR RECIPROCAL ARRANGEMENT RELATIVE TO HORSES.**

ST. PAUL, MINN., *December 1, 1908.*

WAYS AND MEANS COMMITTEE,  
*Washington, D. C.*

GENTLEMEN: We respectfully call your attention to the present tariff on horses between the United States and Canada, and ask in behalf of the horse breeders of the Northwest that you make a thorough investigation of the present tariff relating to the exportation of horses into Canada.

The present tariff of \$30 per head on each horse under the value of \$150 and 25 per cent ad valorem on any horse above that value is excessive, prohibitive, and of no benefit to either Canada or us.

The Canadian Northwest uses and needs large numbers of horses in developing the country, and as their chief pursuit is wheat growing, they raise few, if any, horses; moreover, the large lumbering and mining interests of British Canada require large numbers of horses. The only place where the required horses can be bought is in our own States of Minnesota, Iowa, Wisconsin, Montana, and the Dakotas.

Before this duty was imposed the horse raisers sold thousands upon thousands of horses for shipment to Canada. The present duty is not only a detriment to the horse raising and breeding interests of our States, but also to the development of western Canada.

Since Canada needs our horses and we have them to sell, it seems that some reciprocal arrangement could be arrived at whereby the tariff could be done away with.

We are inclosing a clipping from the Pioneer Press, of St. Paul, which will show the sentiment regarding this matter. Moved by the urgent demand, every daily and farm paper in the West and Middle West is agitating the removal of this horse tariff. You will undoubtedly hear from the horse raisers through their congressional representatives, who will present the facts more forcibly than we are able to. If you will see fit to recommend the removal of this tariff to Congress, every citizen in any way interested in the horse industry will appreciate it. Thanking you for your kind consideration of this matter, we are,

Very respectfully,

BARRETT & ZIMMERMAN.

**THE HOME PATTERN COMPANY, NEW YORK CITY, WISHES TO GET ITS PRODUCTS INTO CANADA VIA RECIPROCITY.**

NEW YORK, *December 3, 1908.*

CHAIRMAN WAYS AND MEANS COMMITTEE,  
*Washington, D. C.*

DEAR SIR: In framing the new tariff bill may I suggest that you will serve important interests in this country if you will devise some reciprocity arrangement which will lead to a reduction of the tariff on tissue-paper dress patterns, fashion books, catalogues, and other printed matter shipped into Canada?

The duties now exacted by the Dominion government are a serious handicap on the big pattern houses in New York in extending their business into that country.

Very truly, yours,

Theron McCampbell,  
*President The Home Pattern Company.*



**LEE J. VANCE, SECRETARY OF AMERICAN WINE GROWERS' ASSOCIATION, WISHES RECIPROCAL FREE WINES AND CHAMPAGNES WITH CANADA.**

245 BROADWAY,  
New York, December 26, 1908.

HON. SERENO PAYNE,

*House of Representatives, Washington, D. C.*

DEAR SIR: I write briefly to ask you to use your influence in trying to obtain some changes in the proposed new tariff bill, whereby American wines and champagnes may be allowed to enter the Dominion of Canada at the same rate of duty as the French wines and champagnes. It seems to our American wine growers that, if Great Britain and Canada seek to have certain tariff concessions from the United States in their favor, it is only proper and just that those countries should give American wines and champagnes the same rate of duty as obtain on similar products from other countries.

Hoping that you will be able to do something in this matter, I remain,

Yours, very truly,

LEE J. VANCE,  
*Secretary American Wine Growers' Association.*

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### REVENUE TARIFF.

**CHARLES GAY, NEW HAVEN, CONN., SUGGESTS A TARIFF FOR REVENUE, WITH ELEMENTS OF PROTECTION.**

NEW HAVEN, CONN., December 21, 1908.

WAYS AND MEANS COMMITTEE,

*House of Representatives, Washington, D. C.*

GENTLEMEN: Responding to your general invitation for suggestions on the revision of the tariff, I wish, as a heretofore lifelong protectionist, to make the following suggestions for your consideration. My plan involves the practical elimination of the tariff question from political campaigns, which tends to upset the business of the country by periodical tariff agitations and the frequent changing of schedules by acts of Congress, thus giving other questions of a timely character that are pressing for solution an opportunity. My plan embodies elements of protection, free trade, and a tariff for revenue.

My suggestion is that you divide the list into three classes, as follows, in order to secure the advantages of each of these systems to a practical extent, and to put the tariff schedules on a fair and honest basis:

First. The free list.

Second. A uniform tax on all articles of necessity, such as should bear a revenue tax with incidental protection.

Third. A uniform tax on all articles generally conceded to be luxuries, such as only those who have ample means indulge in.

In regard to the "free list," I suggest that you provide for a reduction of tariff to take effect gradually, until it reaches a free basis on

all such articles as lumber, pig iron, coal, hides, oil, paper pulp, and other so-called "raw materials" that enter so largely into our more finished manufactures, together with articles of necessity that do not compete with our home products, including tea, coffee, etc.

I would further suggest that you add any manufactured article to the "free list" that may no longer need a tariff or but little to protect it, and that is now in the control of any "trust" or combination, thus tending to reduce prices and prevent monopoly. In this I refer only to such things as naturally need little or no protection at the present stage of industrial development.

In suggesting this, I of course realize that some lines of industry would suffer a loss of profit by its adoption, but the offsetting advantage to our country, as a whole, would be a thousandfold greater than the loss, from the fact that it would benefit the people generally and the innumerable industries that use these basic articles in their manufactures. Besides, it would conserve our forests and the stock of minerals in our mines, and would tend to break up monopolistic combinations, particularly in such great necessities as lumber, coal, and oil.

The list of "necessities" should very gradually approach a uniform horizontal rate. This is practically a revenue tariff, which, however, necessarily involves an incidental and beneficial protection which in a measure will offset the difference between cost of production in other countries and here.

Such a tariff may more truly be termed a "tariff for revenue only" with more honesty of expression than any "tariff for revenue only" urged in recent years by "tariff reformers." This uniform rate should be measured mostly by the needs of the Government, and of course should be raised or lowered slightly but uniformly on all articles; from time to time, without disturbance or agitation, just the same as a municipal tax on property is, according to the appropriations needed to carry on the Government. This uniform schedule could, however, if upon a full investigation it is found necessary for the protection of American industry, be fixed at a relatively high rate by increasing the free lists by adding to it articles that are not to any extent produced in this country, thereby making a high tax necessary on the articles that would compete with our products.

The tax on the articles placed in the list covering "luxuries" should be placed very much higher than on those in the list covering "necessities," and should be designed as a tax on the consumption of the well-to-do, just the same as an inheritance or income tax is, but should be at a uniform rate on all articles in the list, uniformity to be reached by a very gradual process. This, too, might be fixed with some regard to the necessities of a protective tariff.

To sum up: This would lift the tariff question out of politics and do away with much of the attempt of special interests to unduly influence legislation by increasing one schedule and lowering another for private gain and selfish interest. The country would not be disturbed every few years by tariff agitation and tariff legislation. There would be a reasonable measure of protection under classified uniform rates and all the measure of protection that our Government, under present conditions, can honestly or safely undertake without giving color to the charge of undue influence by special interests.

The things controlled by trusts could be put on the free list, from time to time, if they undertook to fix prices. This would tend to check combinations. Such a tariff would be a fair-for-all deal and a square deal all around. The time has gone by when varying schedules are consistent with a square deal. Of course under this plan some interests would suffer a loss of profit and some would make a gain, but the Government can not undertake longer to discriminate fine enough to give an exact amount of protection in detail to each and all. Therefore it should hereafter approximate on general lines by uniform rates on a few simple classifications.

In regard to reciprocity, give the President power to discriminate within limits where nations discriminate against us.

If your committee adopts these suggestions you will hear no more of "free trade," "protection," "tariff barons," "tariff reform," or "tariff for revenue only." They will be relegated to oblivion and an up-to-date tariff tax, carrying reasonable protection, will take its place, one of uniformity and honesty.

Very respectfully submitted.

CHARLES GAY.

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## SHIPBUILDING MATERIALS.

### THE COMMISSIONER OF NAVIGATION MAKES CERTAIN SUGGESTIONS RELATIVE TO SHIPPING INTERESTS.

WASHINGTON, *December 28, 1908.*

Hon. SERENO E. PAYNE,

*Chairman Committee on Ways and Means,  
House of Representatives, Washington, D. C.*

DEAR MR. PAYNE: Is it too late to submit for your consideration the following matter?

Sections 12 and 13 of the Dingley tariff, approved July 24, 1897, provides:

Sec. 12. That all materials of foreign production which may be necessary for the construction of vessels built in the United States for foreign account and ownership, or for the purpose of being employed in the foreign trade, including the trade between the Atlantic and Pacific ports of the United States, and all such materials necessary for the building of their machinery, and all articles necessary for their outfit and equipment, may be imported in bond under such regulations as the Secretary of the Treasury may prescribe; and upon proof that such materials have been used for such purposes no duties shall be paid thereon. But vessels receiving the benefit of this section shall not be allowed to engage in the coastwise trade of the United States more than two months in any one year except upon the payment to the United States of the duties of which a rebate is herein allowed: *Provided*, That vessels built in the United States for foreign account and ownership shall not be allowed to engage in the coastwise trade of the United States.

Sec. 13. That all articles of foreign production needed for the repair of American vessels engaged in foreign trade, including the trade between the Atlantic and Pacific ports of the United States, may be withdrawn from bonded warehouses free of duty, under such regulations as the Secretary of the Treasury may prescribe.

For many years the propriety of exempting shipbuilding materials from tariff duties has been recognized by progressive steps in our tariff acts. Thus:

(a) By the act of June 6, 1872, all lumber, timber, hemp, manila, iron and steel rods, bars, spikes, nails, bolts, copper, and composition

metal necessary for the construction and equipment of vessels built in the United States were admitted in bond free of duty. This privilege, however, was restricted to vessels built for the foreign trade or trade between the Atlantic and Pacific coasts of the United States, and vessels on the materials of which duties were remitted were not allowed to engage in the coasting trade for more than two months in any year, except on payment of the full duties.

(b) Under the same restrictions by section 8 of the tariff act of October 1, 1890, the list of materials which could be imported free of duty was enlarged by the addition of wire rope, plates, tees, angles, and beams—the chief materials of iron and steel vessels. The scope of the privilege was also extended by a proviso that these materials could be imported free for vessels built for foreign account and ownership.

(c) Under the same restrictions by section 7 of the tariff act of August 28, 1894, the list of materials which may be imported free of duty for shipbuilding was made comprehensive by including "all materials of foreign production which may be necessary for the construction of vessels," and "all such materials necessary for the building of their machinery, and all articles necessary for their outfit and equipment."

(d) Section 12 of the Dingley tariff of July 24, 1897, as you will notice above, reproduces the provision of section 7 of the tariff act of August 28, 1894.

The privilege, however, remains restricted to vessels built for foreigners, or for vessels in the foreign trade, including the trade between the Atlantic and Pacific coasts of the United States. The full amount of the duties must be paid if the vessel engage for more than two months in the coasting trade.

The Merchant Marine Commission in its report of January 4, 1905, (58th Cong., 3d sess., S. Rept. No. 2755, vol. 1, p. x), made the following recommendation:

In view of these circumstances, the commission recommends that the law be so changed that the period during which ships built of free materials are allowed to run in the coast trade be extended from two months to six months [and also that the privilege of all-the-year-round service now granted in the Atlantic-Pacific trade be extended to the trade with the Philippines, which, on July 1, 1906, comes under the coastwise laws and regulations]. This especial treatment of ship material can, we believe, be justified by the peculiar importance of ocean shipping in the promotion of our commerce and the national defense, and also by the fact that this ocean shipping has remained so long an almost forgotten and unprotected industry.

The words in brackets concerning the Philippine trade are no longer applicable, as the Philippine trade is not to be reserved to American ships. Congress settled this matter at the last session.

I wish to call your attention particularly to the provision of section 12 of the Dingley tariff, restricting to only two months in the coastwise trade vessels in the construction of which free foreign materials have entered, and to the suggestion of the Merchant Marine Commission, that this period be extended from two months to six months. The commission making this recommendation, as you will recall, comprised Senators Gallinger of New Hampshire, Lodge of Massachusetts, Penrose of Pennsylvania, Martin of Virginia, and Mallory of Florida, and Representatives Grosvenor of Ohio, Minor of Wisconsin, Humphrey of Washington, Spight of Mississippi, and McDermott of New Jersey.

Certain types of very large steel steamers are adapted only for foreign trade; certain other types of small vessels are adapted only for the coasting trade. We have—or rather ought to have—a considerable number of vessels adapted for both the foreign and coasting trade, vessels which can change from one or the other as the condition of ocean freights suggests. In so far as “free materials” may promote domestic shipbuilding, vessels of the third class I have mentioned get no benefit from the present law. It is of value to our few ships adapted only to foreign trade.

Your committee doubtless would not care to go so far as to exempt from duty materials entering into ships employed solely in the coastwise trade. The proposition to exempt such materials entering into ships employed half the year in one trade and half in the other seems moderate, yet progressive along the lines of former tariff legislation.

Respectfully,

E. T. CHAMBERLAIN,  
*Commissioner Bureau of Navigation,  
Department of Commerce and Labor.*

P. S.—Should this proposition commend itself to your judgment, you might care to take up also section 13 of the act of July 24, 1897, which in its present form allows foreign articles required for repair of American vessels to be imported free of duty only when such American vessels are engaged exclusively in the foreign trade. The law on the Great Lakes is somewhat different and is to be found in section 3114 of the Revised Statutes relating specifically only to the Great Lakes:

The equipments, or any part thereof, including boats, purchased for or the expenses of repairs made in a foreign country upon a vessel enrolled and licensed under the laws of the United States to engage in the foreign and coasting trade on the northern, northeastern, and northwestern frontiers of the United States, or a vessel intended to be employed in such trade, shall, on the first arrival of such vessel in any port of the United States, be liable to entry and the payment of an ad valorem duty of fifty per centum on the cost thereof in such foreign country; and if the owner or master of such vessel shall wilfully and knowingly neglect or fail to report, make entry, and pay duties, as herein required, such vessel, with her tackle, apparel, and furniture, shall be seized and forfeited.

E. T. C.

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### STAMP TAX.

**HON. EDWIN DENBY, M. C., FILES LETTER OF FREDERICK STEARNS & CO., DETROIT, MICH., OPPOSING TAX ON PROPRIETARY MEDICINES.**

DETROIT, MICH., *February 9, 1909.*

HON. EDWIN DENBY, M. C.,  
*Washington, D. C.*

DEAR SIR: Having seen it stated in newspapers that the Ways and Means Committee is seriously considering the reenactment of the old war-revenue law of 1898, particularly as applied to proprietary medicines, we wish to acquaint you with the situation from the standpoint of the drug trade, which is solidly opposed to any stamp tax on medicines.

It was probably assumed by Congress in framing the law of 1898 that the tax would ultimately be paid by the consumers of these articles. Certainly it would seem that Congress would not single out one line of business for a special tax, particularly the drug business, which, however contrary the general impression may be, is

neither a large nor a profitable branch of trade, in comparison with others, such as the dry goods, hardware, grocery, or automobile business.

The conditions under which medicinal merchandise (covered by the stamp tax) was sold made it impossible for the druggist to add the cost of the tax to the selling price of the goods. In practically every case, however—with a few exceptions, including ourselves—the manufacturers advanced their prices enough to cover the actual cost of the stamps and generally more. The result was that the druggist footed the bills. We believe it no exaggeration to say that 90 per cent of the revenue obtained from the stamp tax on medicines came out of the pockets of the retail druggists of this country—an altogether inequitable and burdensome tax on a class of small merchants. Please remember that in addition to this they were also called upon to bear the other stamp taxes, on checks, contracts, various sorts of legal documents, telegrams, express and freight receipts, etc.

In other words, the retail drug trade paid not only its just proportion of the tax, the same as other merchants, but also paid a special tax in addition to that, consisting of the tax on medicines. This was  $2\frac{1}{2}$  per cent of the selling price, but as these prices were and are badly cut it amounted to over 3 per cent of the price obtained. While Congress has no jurisdiction over the manufacturers who seized upon the occasion for an excuse to raise their prices two or three times the amount of the tax on their goods, it nevertheless added to the burden that would have been avoided if there had been no stamp tax on medicines.

Just a few words about the profit actually made by the trade on this class of goods: The prevailing wholesale price for dollar medicines is \$8 a dozen, or  $66\frac{2}{3}$  cents a package; under the cut prices generally prevailing the druggist gets only 75 or 80 cents, sometimes even less than the lower figure. His gross profit is, therefore, only 10 to 15 per cent—often less than his running expense amounts to, so that goods of this character really yield no profit or practically none. Then, when the stamp tax is levied on such merchandise, it is an additional loss to the druggist, who can not raise his price accordingly.

You may wonder why it is impossible for the drug trade to pass this tax along to the consumer for payment, as should be done. The answer is simply that unrestricted competition absolutely prevents it. The druggist would be very willing, indeed, to do so were it possible. Just now they are entirely helpless, for they can not take any organized action to that end, in case Congress reimposes a stamp tax on medicines, without violating the Sherman antitrust law.

Would it not be far more equitable to distribute the special tax, which is contemplated by the Ways and Means Committee, over the larger part of commerce by levying a tax on the annual sales of business houses, amounting to, say, one-tenth of 1 per cent or less, of their receipts in excess of \$10,000 a year? This would let out the small merchants, who generally have about all they can do to make ends meet anyway, and would not prove burdensome to anyone else.

We hope that you will make a careful study of this matter, feeling confident if you do, that you will see the injustice of a special tax on medicines under the trade conditions actually existing to-day and for the past twenty years. Any stamp tax is objectionable, for that matter, not so much on account of the expense as the trouble involved

in complying with it. We will cheerfully meet our share of such taxation as may be needed to supply additional revenues for the Government, but we should like to see the burden equitable and fairly distributed over commerce, and the tax collected in a more modern and economical way than through the sale of stamps.

Very truly, yours,

F. STEARNS & Co.

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## TARIFF COMMISSION.

**THE YALE & TOWNE MANUFACTURING COMPANY, STAMFORD, CONN., RECOMMENDS A TARIFF COMMISSION, AND A GENERAL REDUCTION OF THE TARIFF.**

NEW YORK, *November 23, 1908.*

Hon. E. J. HILL,

*Committee on Ways and Means,  
House of Representatives, Washington, D. C.*

DEAR SIR: On behalf of this company, whose business is located in your district, at Stamford, Conn., I write to inform you of our attitude on the pending question of the revision of the tariff.

The business in which we are engaged is a branch of the metal-working trades. Its product is an indispensable factor in the building trade, and is exceptionally typical of American ingenuity and American methods. While the principal outlet for our product has been, and always will be, the home market, a considerable and increasing outlet for it is found in foreign countries. In various markets our product must compete with that of foreign manufacturers, and anything tending to diminish the existing difference in cost between our product and theirs will proportionately conduce to the larger export of the American product.

In the belief that the present tariff is not well adjusted to present conditions, that it embodies many inconsistencies and inequalities, and that its careful and intelligent revision will affect favorably all of our industries, and especially our foreign commerce, we favor the creation of a permanent tariff commission for the purpose of collecting data at home and abroad, of digesting and collating such data, and of thus providing a firm foundation of knowledge of industrial and commercial facts on which Congress can safely base all legislation relating to the tariff. The conditions which affect industry here and abroad are normally, if not always, in a state of flux; that is, of constant, even if slow, change and evolution. The changes thus occurring have an intimate relationship to the tariff and make it desirable that, at reasonable intervals, the latter should be reviewed and, if necessary, modified to conform to such changes. These facts imply in turn the desirability of a permanent commission, charged with the duty of following and noting these changes as they occur, and of furnishing such reports concerning them to Congress as will assist our legislators in determining when and to what extent modifications in our tariff law may be desirable.

As to the present situation, we are in favor of an immediate revision of the tariff and of a substantial reduction in many if not most of its schedules, but we recognize that the subject is infinitely complex, and that our national industries are interrelated in endless ways. The

finished product of one industry is the raw material of another. We would favor a reduction of the tariff on our product if simultaneously a corresponding reduction were made in the raw materials of our industry. This does not imply, however, willingness on our part to be singled out for a reduction which does not extend to and include the related industries, and among these we include those which affect the cost of food, clothing, and other necessities of life, and thereby influence or determine the rate of wages. To the wage-earner the value of wages is their purchasing power; to the wage-payer the controlling consideration is the value of the work which the wages represent. The American manufacturer pays higher wages than any other because of the higher efficiency of American labor, and will continue to do this so long as this efficiency is maintained. In other words, we favor a general reduction of the tariff on such conservative and carefully studied lines as will best conduce to the broadening of our foreign markets while avoiding any permanent interference with the control of the domestic market by American manufacturers.

Holding these views, and having submitted them in this manner, we deem it unnecessary to encroach upon the time of your committee by appearing before it at the hearing assigned for the 25th instant, at which we understand the committee proposes to review the entire and intricate subject of the tariff as affecting metals and all the vast range of metallic products.

The products of this company include the Yale locks, builders' hardware, padlocks, cabinet locks, trunk locks, bank locks, chain blocks, and electric hoists.

Very respectfully, yours,

THE YALE & TOWNE MANUFACTURING COMPANY,  
By HENRY R. TOWNE, *President*.

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**THE MERCHANTS' ASSOCIATION OF NEW YORK CITY FAVORS  
A TARIFF COMMISSION AND THE ADOPTION OF A MAXIMUM  
AND MINIMUM TARIFF.**

NEW YORK CITY, *December 4, 1908.*

COMMITTEE ON WAYS AND MEANS,  
*Washington, D. C.*

GENTLEMEN: Our board of directors, at the special meeting held on the 25th ultimo, by a unanimous vote adopted the following preamble and resolutions affirming our position relative to tariff revision:

Whereas there is a growing public demand for the revision of the tariff, strongly supported by national and local organizations of agricultural, manufacturing, and commercial interests, recognized and approved in the platforms of the Republican and Democratic parties during the recent electoral campaign and emphatically endorsed by the President-elect in his public utterances preceding his election; and

Whereas this vitally important national question, directly-affecting all industrial and commercial interests, undoubtedly will be the subject of active discussion, and probably of legislative action, during the coming session of Congress; and

Whereas it is desirable that the officers and committees of the association should be prepared to participate effectively in the dis-



cussion of these matters within such limits as may be approved by the board of directors: Now, therefore

*Resolved*, That the Merchants' Association of New York, represented by its board of directors, favors the following propositions, viz:

1. An early, comprehensive, and thorough revision of the tariff on lines which recognize and will conserve all interests, including those of labor, agriculture, manufactures, and commerce, which will give due protection, on the one hand, to American labor and American products, and which, on the other hand, will tend to increase the sale of those products in foreign markets, thereby giving increased employment to American labor and American capital.

2. The creation of a permanent tariff commission for the purpose of collecting, collating, and studying industrial and commercial facts in this and other countries pertinent to the tariff question, for the information and use of Congress in framing tariff legislation, and for the purpose of keeping Congress informed concerning changes in industrial and commercial conditions which may justify or necessitate corresponding changes from time to time in the tariff.

3. Provision in the law for the negotiation of commercial agreements with foreign nations on the basis of a maximum and minimum tariff, and of the concession of minimum rates to the products of foreign countries who reciprocate by giving corresponding concessions in the rates of duty on American products when imported by such foreign countries.

*Resolved further*, That the officers and committees of the association are hereby authorized to take such action from time to time as in their judgment may be desirable or proper to give effect to the views embodied in these resolutions.

Yours, very truly,

THE MERCHANTS' ASSOCIATION OF NEW YORK,  
By S. C. MEAD, *Secretary*.

## TARIFF REVISION.

### STATEMENT OF H. E. MILES, OF RACINE, WIS., CRITICISING VARIOUS FEATURES OF THE ACT OF 1897.

SATURDAY, *December 5, 1908.*

Mr. MILES. Mr. Chairman and gentlemen of the committee, I come before you with a great deal of diffidence to-day, and in my personal capacity only, and upon your very kind invitation. I have had just enough to do with the tariff on behalf of those whose particular interests were decidedly opposed and at variance one with another to make it somewhat embarrassing to appear and speak frankly of whatever I do know or think I know upon the tariff. I was exceedingly impressed a couple of days ago with the very remarkable kindness and patience and the judgment with which you received some manufacturers who were unwilling to tell you what they knew, and yet you asked them to come only that you might serve their interest and the interest of the public. Some members of the trade who did not address you were so angry that the truth you received was only a part of the truth that might have been given you that they said that if they should sit before you for another week they would be rank free traders, although the men who spoke must, in my judgment, have from 50 to 75 degrees protection or go out of business.

Now I am going to speak with some error of judgment, and my mistake, if any, will be that I speak with too great frankness, that I may say something that is not quite sufficiently vouchered.

The CHAIRMAN. Will you not speak louder, so we can hear what you say?

Mr. COCHRAN. Will you not repeat that last statement?

Mr. MILES. I say if I make a mistake, as I doubtless will, for we all make mistakes, it will be from overfrankness, from a desire to give so much of my information that I give maybe more than I would if I had in addition to my own information the rest of the information.

The CHAIRMAN. We can not hear you. You will have to speak louder.

Mr. MILES. I will do so. I wish to address you first as a consumer, one of eighty millions, with evidence in hand as I believe that the consumers of the United States are being infinitely wronged by the Dingley law and will be so wronged by any new bill similar in character; secondly, as an intermediate consumer, one of about 150,000 manufacturers who are greatly injured by the present tariff and will be by any other as carelessly made as this; thirdly, I wish to say a word for a part of the laboring population, to which, in a way, the Dingley law is very hurtful.

As an employer paying a half million dollars annually in wages, I wish to speak especially for many of the men who labor with their hands in factories, and who by a substantial reduction of the present tariff would be given three chances for an increase in wages, with no chance for a reduction.

Fourth. I wish to speak for the independent, "nontrusted" manufacturer, who works under the old-fashioned principle of competition and in accordance with the Constitution and laws as concerns competition, and against their destruction or absorption by trusts under the Dingley law or any other similar bill—absorption, as it were, by act of Congress.

Fifth. I can speak for no organization except as definitely hereinafter stated. I am associated officially and semiofficially with two or three hundred organizations representing all phases of industrial life. The reason I can represent at this hearing no one of them is that I must speak frankly concerning each as may be, and would not under any circumstances seem to represent an industry or association in any remarks which might be interpreted by any member or association as at variance with their personal views or interests. It will, however, be the only possible source of gratification which this hearing can afford me if, in closing, I may say to the committee what is the particular desire of, and, as we believe, necessary to the welfare of, 90 per cent of the manufacturers of the United States in certain respects in which all agree, however much they differ as to particular rates.

Sixth. I wish to say a word for the farmers of the United States, who, in my judgment, have been given a stone labeled "Bread."

Seventh. I wish to speak of undervaluation, believing it is time that this question should be now and forever settled to the entire satisfaction of all the manufacturers and importers of the United States and the equal satisfaction of those good people in various countries who seek to do business with us.

Eighth. As to dumping, a subterfuge argument of those who wish to uphold excessive rates in their own interests.

Ninth. As to foreign trade, it should be enormously increased. We want our share of the world's trade. As McKinley said in 1901, "The Dingley rates are excessive, and the excess should be traded off in the enlargement of our foreign trade."

The CHAIRMAN. He said if any of them were excessive. Why do you not quote that as it was? He said if any of them were excessive they should be lopped off. That is my recollection of it.

Mr. DALZELL. Certainly Mr. McKinley never said what the witness has quoted as being said by him.

Mr. MILES. I have data for everything I say, and I feel obliged to give you such data as I have.

Mr. RANDELL. I think it has been repeatedly stated that the schedules in the Dingley bill were made higher for the purpose of being reduced by agreements.

Mr. DALZELL. It has been repeatedly stated, but it is not true.

Mr. RANDELL. It has been stated by a Senator of the United States.

Mr. DALZELL. That is not what we are talking about. We are talking about what Mr. McKinley said.

Mr. MILES. I feel that it is true.

The CHAIRMAN. Mr. McKinley's speech is accessible to the members of the committee, and you need not trouble about that.

Mr. MILES. No. If you will not interrupt me until I get through with my general statement, you will save from half an hour to an hour, because I am going to say several things that will call for twenty questions in a minute.

The CHAIRMAN. Go ahead.

Mr. MILES. Next, tenth, maximum and minimum schedules; maximums only that we may have minimums.

Eleventh, tariff immorality, in the fewest words possible. The square deal wins.

Twelfth, the way out.

As to the consumer, the ultimate consumer, as Mr. Boutell expresses it, I am delighted at the chairman's mention of the Republican platform, and for just one moment I wish to state my premises. In the first place, the money that is in the pockets of the consumers of the United States belongs to them, and it can not be legislated out of their pockets justly except for value received. Secondly, they get value received in any bill which gives to the manufacturer the difference in cost of production here and abroad, liberally figured. I am a Republican and a protectionist, and I believe in giving to the American manufacturer 125 per cent of what he could justify in my judgment, if we sought to be close and extremely accurate. On that basis of the difference in cost as alone justifying any protective rate whatsoever—that difference to be liberally figured, figured with that enlightened selfishness which nations as well as individuals are expected to exercise—I started in to find the difference in cost. I have not had time to write a brief, and wishing to get at the large schedule first, I took from one of the bookstores here John Moody's book entitled "The Truth about the Trusts," and I find that when the Dingley bill became a law the Congress of the United States went into the trust-making business up to its eyes, and this new rule, for new it must be, would have permitted of no such rates as were made in the Dingley bill.

Table showing the relation of the Dingley law to American trusts—Per cent of duty, of wages, and imports and exports of the several trust-controlled commodities.

Company.	Duty under Dingley Act.	Ad valorem equivalent, Report of Bureau of Statistics on Commerce and Navigation, fiscal year 1907.	Wages, per cent of cost, census of 1905.	Imports fiscal year 1907. Report of Bureau of Statistics on Commerce and Navigation, fiscal year 1907.	Value of products 1905, census of 1906.	Exports Bureau of Statistics, 1907, Commerce and Navigation.
Standard Oil, complete control:						
Crude.....	Countervailing.....	99 per cent.....	6 per cent.....	\$2,134.....	\$175,005,320.....	\$78,228,819.....
Refined.....	do.....	7 per cent.....		159,721.....		
Steel trust (Morgan and Rockefeller domination), complete control:						
Ore.....	40 cents a ton.....	17 per cent.....		1,212,607.....	5100,000,000.....	674,184.....
Pig.....	\$4 a ton.....	40 per cent.....		15,399,467.....		1,634,923.....
Bar.....	\$12 a ton.....	28 per cent.....		1,677,424.....		1,899,348.....
Rails.....	\$7.84 a ton.....	29 per cent.....	15 per cent.....	1,077,308.....	8905,787,793.....	8,384,241.....
Steel iron.....	3-4 1/2 cents a pound.....	14 to 35 per cent.....		3,049,349.....		2,628,555.....
Sheet iron.....	3-4 1/2 cents a pound.....	8 to 66 per cent.....		1,283,700.....		2,060,427.....
Thin plate.....	1 1/2 to 5 1/2 cents a pound.....	46 per cent.....	7 per cent.....	4,648,705.....		776,564.....
Wire.....	1 1/2 to 2 cents per pound.....	38 to 55 per cent.....	8 per cent.....	985,706.....		8,482,074.....
Nails.....	1/2 to 2 1/2 cents per pound.....	3 to 48 per cent.....	19 per cent.....	6,043.....		3,082,689.....
Bress goods trust (American Brass Co.), per cent of control unknown:						
Bars and pig (raw material).....	Free.....	Free.....		1,849,625.....		4,580,455.....
Goods.....	15, 25, 35, and 45 per cent.....	45 per cent.....	17 per cent.....	95,189.....		+9,000,000.....
Car builders' trust (American Car and Foundry Co.), 65 per cent control.	Mostly 45 per cent.....	45 per cent.....	19 per cent.....	None.....	122,019,506.....	
Locomotive trust (American Locomotive Co.), control 70 per cent.	45 per cent.....	45 per cent.....		None.....	Not separately classified; sell freely abroad.....	
Farming tool trust (American Fork and Hoe Co.), control 80 per cent.	45 per cent.....	45 per cent.....		None.....		
American Linseed Co. (Linseed Oil Trust), linseed oil.....	20 cents per gallon of 7 1/2 pounds.....	50 per cent.....	3 per cent.....	5,712.....	27,577,162.....	203,712.....
United Lead Co. (Lead Trust), control 85 to 95 per cent:						
Ore.....	1 1/2 cents per pound.....	79 per cent.....		566,057.....		
Bar, pigs.....	5 1/2 cents per pound.....	50 per cent.....		1,043,166.....		
Sheet, pipe, etc.....	3 1/2 cents per pound.....	49 per cent.....	4 per cent.....	18,430.....	9,277,462.....	
American Sugar Refining Co. (Sugar Trust), control 70 to 90 per cent:						
Not above No. 16 Dutch standard (raw).....	0.95 cent to 1.75 cents per pound.....	25 to 120 per cent.....		91,494,972.....		
Above No. 16 (refined).....	\$1.95 per pound.....	72 per cent.....	3 per cent.....	116,060.....	277,285,449.....	

Tobacco trust, control 90 per cent of American business, 40 to 60 per cent for eign.			19 per cent	4,195,988	881,117,681	
Cigars and cigarettes.....	\$4.50 per pound plus 25 per cent.	147 to 153 per cent; 274 per cent on Philippine cigars.				
Tobacco, snuff, etc.....	55 cents per pound	78 to 151 per cent				
Steam radiator trust, control 80 per cent.....	35 per cent	35 per cent				Not separately classified.
Thread trust (American Thread Co.), control 50 per cent.	3 to 81 cents per pound.	10 to 78 per cent				Not separately classified.
Woolen trust (American Woolen Co.), control 60 per cent.						
Cloth.....		55 to 135 per cent.		5,586,101		
Dress goods.....		70 to 118 per cent.		9,526,573		
Knit fabrics.....		96 to 141 per cent.		10,216		
Flannels.....		86 to 144 per cent.	18 per cent.	60,548		
Felts.....		96 per cent.		111,405		
Glucose trust (Corn Products Co.), large control:						
Starch.....	1½ cents per pound	46 to 69 per cent	11 per cent.	156,614	8,082,904	1,126,465
Glucose.....	1½ cents per pound	35 per cent	7 per cent.	4,465	24,566,982	3,017,527
Match trust (Diamond Match Co.), control 85 per cent.	8 cents per gross boxes or 1 cent per 1,000 matches.	15 to 32 per cent.	20 per cent.	207,999	5,646,741	71,085
Chemical trust company (General Chemical Co.), control 70 per cent:						
Borax.....	5 cents a pound	151 per cent		46,118	2,122,808	
Tannin.....	50 cents a pound	114 per cent		2,797	7,200,136	
Sulphuric ether.....	40 cents a pound	242 per cent		872		
Vanillin.....	80 cents an ounce	320 per cent		25	165,044	
Meat trust:						
Bacon and ham.....	5 cents a pound	23 per cent		102,101		50,169,179
Beef.....	2 cents a pound	18 per cent		41,610		31,831,268
Lard.....	2 cents a pound	20 per cent		395	801,787,137	57,497,980
Mutton.....	2 cents a pound	23 per cent		31,338		83,874
Pork.....	2 cents a pound	14 per cent		28,857		26,598,404
				(g)		(h)
Cracker trust (National Biscuit Co.), control 70 per cent.	20 per cent.	20 per cent.		4252,015		636,025
Stamped ware trust (National Enameling and Stamping Co.), control about 55 per cent stamped, galvanized, or japanned tin and copper wares.	45 per cent.	45 per cent.		26,635		
Rubber goods trust (Rubber Goods Manufacturing Co.), control 40 to 60 per cent.	20, 30, and 35 per cent	20, 30, and 35 per cent	15 per cent.	2,265,261	62,995,909	4,983,012

<sup>a</sup> Total export of meat products, \$195,759,282.

<sup>b</sup> Bread and biscuits.

<sup>c</sup> Tannic acid.

<sup>d</sup> Toware.

<sup>e</sup> Copper ware.

<sup>a</sup> Estimated.

<sup>b</sup> Products of blast furnaces, steel works, and rolling mills.

<sup>c</sup> 1898, 68 per cent.

<sup>d</sup> Includes excise.

<sup>e</sup> Total meat imports \$2,328,510, of which more than one-half free of duty (like bologna and sausages, etc.)

Table showing the relation of the Dingley law to American trusts—Per cent of duty, of wages, and imports and exports of the several trust-controlled commodities—Continued.

Company.	Duty under Dingley Act.	Ad valorem equivalent, Report of Bureau of Statistics on Commerce and Navigation, fiscal year 1907.	Wages, per cent of cost, census of 1905.	Imports fiscal year 1907, Report of Bureau of Statistics on Commerce and Navigation, fiscal year 1907.	Value of products 1905, census of 1905.	Exports, Bureau of Statistics 1907, Commerce and Navigation.
Plumbing supply trust (Standard Sanitary Manufacturing Co.), 80 per cent control; Enameled ironware.	40 per cent.....	40 per cent.....	.....	\$652, 980	.....	Not separately given.
Box board trust (United Box Board and Paper Co.), 90 per cent control.	25 and 35 per cent.....	25 and 35 per cent.....	.....	Imports not given separately.	.....	Do.
Cast-iron pipe trust (United States Cast Iron Pipe and Foundry Co.).	.4 cent a pound.....	32 per cent.....	.....	25, 775	.....	Do.
Leather trust (United States Leather Co.), controls 60 to 75 per cent.	20 per cent to 30 cents a pound plus 20 per cent.....	20 to 35 per cent.....	11 per cent.....	4, 038, 915	\$252, 620, 986	\$32, 058, 217
Asphalt trust.....	\$1.50 to \$3 a ton.....	23 to 35 per cent.....	.....	583, 422	.....	374, 476
Salt trust (International Salt Co.):	.....	.....	.....	.....	.....	.....
In bags or packages.....	12 cents per 100 pounds.....	90 per cent.....	.....	b 980, 029	.....	.....
In bulk.....	8 cents per 100 pounds.....	35 per cent.....	.....	3, 621, 061	.....	1, 180, 415
Cement trust.....	8 cents per 100 pounds.....	25 per cent.....	.....	.....	c 55, 903, 851	.....

<sup>a</sup> Not including skins.

<sup>b</sup> Dutiable.

<sup>c</sup> 1907.

NOTE.—The items of wages in this exhibit do not include wages in prior operations, for which in most cases allowance can easily be made. In glucose and linseed, for instance, the prior labor is that of raising corn and flax. In steel the prior labor is in mining and transportation of materials. The United States Steel Corporation's total wages covering everything from ore in ground to finished product is just under 25 per cent instead of 15 per cent shown in table for steel plants only. On the other hand, protection is to be measured not by the total wage cost, but the difference in total costs here and abroad. The difference in cost is very much less than the total wage cost. The tables are therefore highly significant of the excessive protection of which American trusts take advantage.

I find first in this book the Standard Oil Company, the oil trust. We are to give, according to the accepted rule of the party in power, the difference in the cost of production. I find that the total wage cost of producing oil is 6 per cent. I find that the tariff is 99 per cent. This wage cost, taken from the government reports, is of course only the cost at the refinery, but the Lord, with his winds, lifts the oil from the earth, and gravity brings it to the refinery and from the refinery to the great distributing centers; so that you could not make any great addition to the 6 per cent of refiner's cost to get the total wage cost. I think we will all allow that we have the greatest oil wells in the world, and produce at the lowest price anywhere in the world, substantially and generally speaking. We have, then, a duty 15 times the total wage cost. The entire ability of the Standard Oil trust to sell its product without a duty anywhere in the world except in Russia is evidenced by the fact that they shipped last year \$78,000,000 worth. The use they made of the tariff as against their fellow countrymen under the Dingley law is evidenced by the fact, according to government reports with which you are familiar, a report of the Bureau of Corporations, and according to private checks which I have upon it, was that they charged the American consumer from 35 to 65 per cent more than they charged the foreign user. If we had used here the \$78,000,000 worth which we shipped abroad, we would have paid some thirty millions more for it than the oil trust was delighted to receive from the foreigner. On that basis, for what we did use, being about \$100,000,000 worth, the consumers paid to the oil trust under the Dingley law not less than \$35,000,000, and they have paid something like that for ten years, which is a figure large enough to stagger us. That they were given by Congress an absolute monopoly and the people of the country delivered into their hands to the extent of 100 per cent as against 6 per cent wage cost, is evidenced by the fact that we brought in \$2,134 worth of the crude material, and only \$159,000 worth of refined oil from the Dutch East Indies.

I appreciate fully that the people have suffered to the extent of this thirty or more million dollars a year not because Congress put Standard Oil on the protected list, but because, in my judgment, Congress was not fully advised that as a practical matter when they did this thing for the Standard Oil Company they were delivering the American people into the hands of that trust, because, forsooth, Russia before the days of the Douma had delivered her people into the hands of the Russian oil producers. A friend of mine asked Henry H. Rogers how they came to get that duty. I think his answer is the best I have heard. He put his head back and laughed.

Steel is produced as cheaply in the United States as anywhere in the world. I have figured costs for twenty-five years; I have figured with competitors by the dozen. If I know anything, I know how men can differ with one another about costs, and I know how impossible it is for any two men, seemingly, to arrive at the same conclusion as to costs unless they work together; and when one manufacturer denies another man's statement of costs, the denial may be right because there may be an error; but even when both are right it is easy for them to some extent to question one another and to deny. But underneath all possible differences as to cost of production there is cost, and when you reach that general and fundamental proposition steel

costs as little in this country as anywhere on earth. Judge Gary, appearing before the Committee on Merchant Marine, said he thought it cost a little less somewhere, and he made a guess as to the place. He is at the head of the United States Steel Company in its commercial department. Mr. Carnegie says it costs less. Mr. Carnegie's utterance of a few days ago was not merely a personal utterance. I have word from New York that it is the expression of the judgment of many steel producers. I can not doubt it.

The CHAIRMAN. Will you give us the names of some of those steel producers, right there?

Mr. MILES. I expect to give you the names privately, if you wish them.

The CHAIRMAN. What is that?

Mr. MILES. I expect to give you names in private, but I would sooner not give them in public.

The CHAIRMAN. All right.

Mr. MILES. I do not know whether or not I should go back and tell what steel cost to produce and what the price was to people like myself, intermediate consumers, when the Dingley law was formed, and how the Dingley law is in more or less degree responsible for an increase in the price to me of 100 per cent. It is rather a long story.

Mr. UNDERWOOD. If you do not give us that information, how do you expect us to be benefited by your talk? I hope you will give it.

Mr. MILES. I can leave out part of the information and still give you a good deal.

Mr. UNDERWOOD. I think we have time enough for that.

Mr. MILES. Then I will go back and give you this about the United States Steel Company. I mentioned trusts, and just happened to pick this up first:

Said Mr. Carnegie in 1884: "We are creatures of the tariff (meaning the steel people), and if ever the steel manufacturers here attempt to control or have any general understanding among them the tariff would not exist one session of Congress. The theory of protection is that home competition will soon reduce the price of the product, so that it will yield only the usual profit. Any understanding among us would simply attempt to defeat this. There never has been and never will be such an understanding."

Mr. DALZELL. Will you not give us the time and place where that declaration was made?

Mr. MILES. Andrew Carnegie, in the American Manufacturer, July 25, 1884. He was a poor guesser.

Now, as to the cost of ore; and kindly remember that I speak as a consumer. I do not wish to have to prove a perfect case that entitles me to keep my own money in my own pocket as against the steel trust. The burden of proof is upon the man who wants my money, under the ruling that he is entitled to it, to a certain exact and precise extent, being the excess in his cost of production over foreign cost. To that extent I hand him my money, and feel that I am well paid in doing it. I have a statement here from the man who consolidated the great ore properties in the Lake Superior district in behalf of the steel trust. Mining in that district is done mostly with a steam shovel. He said to H. C. Frick, of the Carnegie Company, July 25, 1897:

As to the low cost of mining, although we are mining ore at present for less than 5 cents per ton for labor, we must look to the future when we will have



to go deeper, pump water, and lift the ore. Three steam shovels mined from its natural bed 915,000 tons of ore during the season of 1900, working ten hours a day only. Eight men with one shovel mined and laid into cars in one month, working ten hours only, 164,000 tons. A 25-ton car can be filled in two and one-half minutes, being at the rate of 600 tons an hour. Water transportation is proverbially cheap, the cheapest in the world. From Lake Erie to Pittsburg is the most efficient railroad in the world from a freight standpoint. It carries ore at the lowest possible cost, and with such connections with the ships that a train of 35 to 40 cars of ore can be loaded in an hour, and a 40-ton car of coal can be unloaded and partly trimmed in the ship in thirty-six seconds. All efficiencies from the ore in the dirt to the finished product at the mill are in line with this statement.

The great efficiency and low cost was well indicated by a letter of May 15, 1899, from Mr. Schwab, president of the Carnegie Company, to Mr. Frick, in which Mr. Schwab declared that rails were being made at \$12 per ton, as against \$19 cost in England. Said Mr. Schwab, "We can sell at this price and ship abroad so as to net us \$16 at works for foreign business, nearly as good as home business has been."

What is true of rails is equally true of other steel products. With this cost they sold rails that year at \$16 to \$17 a ton and made \$20,000,000.

Mr. UNDERWOOD. What date was that?

Mr. MILES. This letter is May 15, 1899; I am speaking of the year 1899, with a cost about 25 per cent below the English cost, they sold rails which are now selling at \$28 for \$16 to \$17 under competition and netted \$21,000,000.

Mr. DALZELL. I suppose that letter will be published and will be accessible to the committee?

Mr. MILES. Yes.

Mr. DALZELL. Where is the letter from Mr. Schwab to Frick to be found?

Mr. MILES. It is in the public prints everywhere.

Mr. DALZELL. I do not mean in the newspapers; I mean the letter itself.

Mr. MILES. The original letter?

Mr. DALZELL. Some verification of it; where is it to be found?

Mr. MILES. I have it here, in the Inside History of the Carnegie Steel Company.

Mr. DALZELL. You have the letter?

Mr. MILES. No; not the original letter.

Mr. DALZELL. With whose authority do you state that there was ever such a letter?

Mr. MILES. Bankers and acquaintances in Pittsburg, steel men everywhere, as far as I talked with them.

Mr. DALZELL. Suppose you name some of them.

Mr. MILES. I will give you the names privately, if you want them.

Mr. DALZELL. All right.

Mr. MILES. This letter has been public property for ten years, and never denied. It is addressed to Mr. Frick, and a friend of Mr. Frick's told me it was all right.

Mr. DALZELL. Who was that friend?

Mr. MILES. That I can not tell you here; a business associate of Mr. H. C. Frick.

Mr. DALZELL. But you do not disclose his name?

Mr. MILES. I will satisfy you on this point.

Mr. GAINES. He will give you his name?

Mr. DALZELL. He will give it to me?

Mr. GAINES. Did I not understand you to say that?

Mr. DALZELL. You will give me the name of the business associate of Mr. Frick, privately; did I understand you to say that?

Mr. MILES. I will if necessary.

Mr. DALZELL. All right.

Mr. MILES. I have it; that is what I want to impress upon you.

Mr. DALZELL. And I want to get it, that is what I want to impress upon you.

Mr. MILES. It is just a matter of being fair about it when you get it. I know you mean to be. I will satisfy the committee.

The next year after this, being 1900, with no material change in prices, as I remember, the profits of the company, from increased business, and so forth, were \$40,000,000, but I do not know but the prices were somewhat higher; I can not answer.

Mr. DALZELL. What year was it that you gave the price of steel rails at \$17?

Mr. UNDERWOOD. 1899; he said 1899.

Mr. MILES. 1899.

Mr. DALZELL. 1899?

Mr. MILES. Yes, sir. I have, upon the authority with which I quoted the Schwab letter, what purports to be a facsimile of the balance sheet of the Carnegie Company—

Mr. COCKRAN. Let me ask you one question there. You say that letter was public property. Where was it published—that letter of Schwab's?

Mr. MILES. I will have to talk about this book. Mr. Carnegie and Mr. Frick came into quite a quarrel. Mr. Carnegie wanted to buy Mr. Frick's coal properties, and Mr. Frick put a price upon it, as generally understood, of \$35,000,000. The book assets of the Carnegie Company at that time were \$81,000,000. They could not agree to a purchase. Mr. Carnegie would not pay \$35,000,000 for the mines, and consequently, by way of adjustment, the Carnegie people took \$22,000,000 out of their treasury in cash, depleting the \$81,000,000 by that sum, less what they had made in the intervening weeks, and they consolidated at \$320,000,000.

Mr. CLARK. Consolidated what?

Mr. MILES. Eighty-one million dollars less \$22,000,000.

Mr. CLARK. Plus \$35,000,000?

Mr. MILES. Plus what would be a proper valuation on the property marked "\$35,000,000."

Mr. CLARK. And then capitalized that small sum at \$300,000,000?

Mr. MILES. Three hundred and twenty million dollars, and a very few weeks later put it into the United States Steel Company at a cash valuation of \$447,000,000.

Mr. COCKRAN. What I want to get at is this: You say that letter was published and never contradicted. I want to know where it was published.

Mr. MILES. I think it was first published in this Inside History of the Carnegie Steel Company.

Mr. COCKRAN. Was that published?

Mr. MILES. Yes, sir.

Mr. COCKRAN. In the form of a pamphlet?

Mr. MILES. Of a book.

Mr. COCKRAN. And sold openly?

Mr. MILES. And sold openly; and some of them were handed out, as I am told, by the steel men concerned. The gentleman who told me said, "I got mine from Mr. Oliver."

Mr. COCKRAN. Of course we want to verify it; it is very important.

Mr. MILES. Of course. There is no question about the book, but of course there are some people now who wish the book had never been written.

Mr. COCKRAN. I suppose the author would say "Oh, that mine enemy would write a book." [Laughter.]

Mr. MILES. All the statistics that can be gathered on the subject, so far as I know—and I have been at it for three years and I will say nothing to you except as I got it from the most accredited experts in the United States on figures—the official valuation of all the steel properties put into the United States Steel Company was \$400,000,000. They were thought to be worth \$600,000,000, or half as much again, as soon as the consolidation was completed, because a trust can earn more money than competing institutions. That \$400,000,000 increased to six, was capitalized at \$1,450,000,000. It is fair to say just a round billion dollars of water, but that was all on the basis of various factories and mines being worth what, for instance, my factory is worth, which is on a competitive basis; but the minute you added a monopoly control they were worth whatever the owners thought they were worth. To-day upon a close valuation, thanks largely to the Dingley bill, not only has the water disappeared, but the property is estimated by Moody—and I think officers of the steel companies have published statements to the same effect—at net, well above a billion and a half, notwithstanding hundreds of millions of dividends that have been paid—as I remember, over half a billion of dividends and investments in the way of enlargements, and so forth. In those days, when we were all upon a competitive basis, I was buying steel at 80 cents per hundred pounds. My stuff last year was made of steel that cost me \$1.60, or exactly double. The Iron Age about two years ago declared that the cost to the great steel companies was no more than when the trust was formed. That seems an impossible statement, but the truth about the steel companies surprises everyone. The steel people have gone over to England year in and year out for ten or fifteen years and simply astonished the English producers with the record of their accomplishments. There is no question but the most remarkable accomplishments ever brought about in the manufacturing industry upon this round world of ours, the greatest of them all is the accomplishment of the American steel producer; and instead of speaking against the steel producer we can not speak highly enough of him, the greatness of character, and his intelligence and his accomplishment in his own industry. No Englishman who has listened to the statements which our makers have been glad to give them over there could think of competing with them.

Now, as to your duties. The duty on ore is 17 per cent. I can not say what ore is worth. If you care to ask me later, I will talk about ore. It is as easily mined in this country as anywhere in the world, substantially.

Coming to pig iron, the wage cost at the furnace of making hot metal pig has been held up but recently, so far as I know, as high as 90 cents.

Mr. CLARK. Wage cost what?

Mr. MILES. At the furnace.

Mr. CLARK. Per ton?

Mr. MILES. Per ton produced, 90 cents. The tariff is \$4. The wage cost in America is less than anywhere else I know. There may be pennies, five cents difference, something of that kind, but substantially nothing else, so far as I know.

Mr. DALZELL. No one has given us that yet, Mr. Miles. Could you give us the elements that make that wage cost?

Mr. MILES. At the furnace?

Mr. DALZELL. Yes.

Mr. MILES. I get the cost from a producer who owns his mines, owns his furnace, owns his rolling mills, has the whole thing. He tells me that is full high. I get it from another man who builds furnaces and operates them. He tells me that is the generally accepted price in Pittsburg. I have a statement, which I implicitly believe, to this effect, and I think it is a matter of general public record. Mr. Schwab, when called upon by Mr. Jenks and a committee of English steel producers in this country, took his cost books off the shelf and read as the entire wage cost at the blast furnace, hot metal, 41.1 cents per ton produced.

Mr. DALZELL. I have not been able to get that information, and I am sincerely and genuinely in search of it. I would like if you could give me the various items that go to make up that wage cost.

Mr. MILES. The wage cost at the furnace?

Mr. DALZELL. Yes.

Mr. MILES. I went with a committee of six men through the Homestead works, and there were not any laborers there, and there was a lot of hot metal coming out.

Mr. DALZELL. That does not answer my question.

Mr. MILES. It does not, no, sir; but I saw exceedingly few men; the room looked empty. There are few men running a monkey train, getting the metal, carrying it to an automatic lift that runs it up to the top of the furnace and dumps it and comes back of its own accord—no labor; and then as to the rest, there is a man away down below at the opening.

Mr. DALZELL. But it would not be fair to take the Homestead works as representing all the manufacturers of pig iron in the country.

Mr. MILES. I have been talking only of the hot metal.

Mr. DALZELL. Other people do not have the facilities they have there. I expect to have somebody furnish me with figures representing the wage cost—the labor cost—of making pig iron, and I would like to have in my possession the facts to enable me to know whether the people are telling me the truth.

Mr. MILES. I had no idea that I would be called to a hearing this early. One of the largest producers in the world, I believe, one of the foremost producers, says he will give me the cost detailed.

Mr. DALZELL. Will you furnish the committee with that when you get it?

Mr. MILES. Yes, sir; that is what I am going to get it for. In the meantime I have these statements, explicit, from men who own the whole process, men who build the furnaces and operate them.

Mr. UNDERWOOD. You do not include, of course, in your statement as you counted the cost of your hot pig, the cost in the casting house? You are referring to pig that is made into a steel rail?

Mr. MILES. I am very glad you mentioned that, because the cost in a merchant furnace is very materially higher. The wage cost is more than doubled, the capacity of the furnace is not more than half, but cold pig must be figured on a very different basis.

Mr. DALZELL. That is what I want to get, the cost of the commercial pig, the labor cost.

Mr. UNDERWOOD. I would like for you to bring out the figures, as far as you can, for your statement that there was only 90 cents labor cost in hot pig iron astonished me, because I do not know of any pig iron ever being made in the United States much less than \$7 a ton, and that was along in 1897, at the very lowest rate. I think the cost of making pig iron in this country has increased at least a third since 1897, so that it is at least below the average cost to say that the cost of pig iron to-day is somewhere near \$10 in the country at large. Now, with a 90-cent cost of labor, I can not see where you can get the component parts to make up the cost of pig iron.

Mr. MILES. You have got your materials, of course.

Mr. UNDERWOOD. If this only refers to the men in the stock house, where, as you say, the cost has been very greatly reduced by automatic lifts, I can see where the cost of labor in the stock house can be only 90 cents, but if you include in that the cost of transportation about the yards, the handling of the ore, the engine force, and the great force of men around the yards, I can not see where you can hold it at 90 cents, and all I want is information; I would like for you to give me your authority for that statement.

Mr. COCKRAN. Can you give that information?

Mr. UNDERWOOD. I want the information as to exactly what you have included in this 90-cent labor cost, as to whether you mean the actual labor cost in the stock house, the carrying of the coal and the ore to the top of the furnace and letting it go through the bell, or if you mean all the component parts in the furnace yard.

Mr. MILES. All the component parts, from the taking of the dirt from the place where it is stored to the taking away of the hot metal.

Mr. UNDERWOOD. That limits it absolutely to the stock house?

Mr. MILES. Yes, sir.

Mr. UNDERWOOD. It does not include the enginemen, the blowing men, the furnace men, the helpers, and the large amount of labor cost around the yards?

Mr. MILES. I guess that would be included, sir. The total wage cost at the furnace is what a man who is worth \$50,000,000 and owns furnaces tells me.

Mr. BONYNGE. As I understand, you do not know anything about the total cost of your own knowledge?

Mr. MILES. Yes, sir.

Mr. BONYNGE. You have simply hearsay statements as to what it is?

Mr. MILES. I have been there through the mills.

Mr. BONYNGE. Yes; but as to the wage cost at the furnace, you have no personal knowledge what it amounts to?

Mr. MILES. Yes; I have a lot of personal knowledge from going about there and estimating—over thirty years' experience. I know whether the place is thick with men or whether it is almost entirely automatic.

Mr. BONYNGE. In a general way.

Mr. MILES. In a particular way.

Mr. BONYNGE. But as to giving definite information about the wage cost, you are not able to give it of your own knowledge?

Mr. MILES. If you mean between 85 and 90 cents I could not tell, but I go there and see the thing automatic in an extreme degree.

Mr. BONYNGE. I understood you to say a moment ago that you were basing your statements as to the total wage cost upon statements made to you by others; is that not correct?

Mr. MILES. Yes, sir; plus my personal experience.

Mr. CLARK. Mr. Miles, what I want, and I take it what every member of this committee wants, is exact information about this hot pig and cold pig, the cost of them, and if you can give it now we would like to have it; if you can not give it now we would like to have you put it in your brief as exactly as you can arrive at it; and if you could give it we would like for you to give references to some practical maker of these articles who, in all human probability, will tell the truth.

Mr. COCKRAN. You say "Mr. Jenks;" is that Professor Jenks, of Cornell University?

Mr. MILES. No, sir; he is the head of the British Iron and Steel Association, I believe is the name. They sent a commission over here corresponding to the Moseley commission, and they were very graciously received by the steel producers, who, as I stated, brought their cost books out, and so forth, to a considerable extent.

The CHAIRMAN. You may proceed.

Mr. MILES. I hold that the wage cost at the furnace, from the best information I can get, is 90 cents.

The CHAIRMAN. In dealing with these subjects, the committee is dealing with important interests, and they want to get at the bottom facts. They want to know the whole business. They want something that is at first hand, as far as they can get it. Whatever information you may give on this subject is not first hand. If you give them the source of that information, the committee may be able to find out just what the facts are, but the anxiety of the committee is to get the exact facts, the truth, and undoubtedly you state it just as it appears to you from all your information. If you will give us your sources of information, it will enable us to further investigate, perhaps.

Mr. MILES. I will do that, sir. As a general proposition, with 90 cents or a little more, or, as Mr. Schwab would indicate, a good deal less, and with Mr. Carnegie's statement, and the statements of many other experts, many of whom I consulted, that it costs no less to make metal in this country than abroad, I hold \$4 to be a very excessive rate on pig. From the best figures I can get from producers—I have a letter not four days old wherein a producer checked my costs and said they were substantially right—I figure the cost of rails at \$14 to \$15.

Mr. BONYNGE. You mean the labor cost or the total cost?

Mr. MILES. The total cost. And to show how the trust operates, the trust makes the foreign price, if we can accept any statements from the trade papers, of \$22 against the foreigner and \$28 against the home buyer. But to go on with my trust proposition. You have 40 per cent tariff on pig, with a total 28 per cent on bars, 29 per cent on rails, 14 to 35 per cent on steel ingots, 8 to 65 per cent on sheet iron, and the wage cost averages on all those 15 per cent, according to the United States census.

Mr. COCKRAN. Fifteen per cent of what?

Mr. MILES. Of the selling price. The total wages are 15 per cent.

Mr. COCKRAN. Of the selling price?

Mr. MILES. And the lowest tariff rate is 14, and up to 40. Your steel rates are all much in excess of the government reports of the total wage cost.

Mr. COCKRAN. Let me see if I have your figures correctly. You say the labor cost of all these articles is 15 per cent of the selling price?

Mr. MILES. Yes.

Mr. COCKRAN. And the tariff duty is from 14 to 45 per cent?

Mr. MILES. Yes, sir; 14 to 65.

Mr. BONYNGE. What was your authority for making the statement that the labor cost was 15 per cent of the entire cost?

Mr. MILES. The United States statistical reports.

Mr. BONYNGE. Of what year?

Mr. MILES. The last year, I think, 1907, the one just out. I can not say whether it was 1907 or 1908.

Mr. BONYNGE. The Statistical Abstract, you mean.

Mr. DALZELL. Will you not give us figures showing the elements that go to make steel rails cost \$16 a ton? How do you figure that out? What do you count in that?

Mr. MILES. Everything except the overhead wear and tear of machinery; I do not know that that is in.

Mr. DALZELL. Will you not give us the items? How much is ore?

Mr. MILES. The big producer tells me that pig iron costs in Alabama, hot metal, \$8 to \$10, in his judgment, but he does not know; he produces in the North.

Mr. DALZELL. You said a moment ago that steel rails cost \$16 a ton, according to your figures of cost.

Mr. MILES. \$14 to \$15.

Mr. DALZELL. And that a great producer had checked off your figures of cost and verified them. Will you not give us the figures that the great producer checked off, and tell us who the great producer is?

Mr. MILES. Ten dollars on hot pig.

Mr. DALZELL. Yes.

Mr. MILES. Three dollars to the ingot.

Mr. COCKRAN. Three dollars what?

Mr. MILES. From pig to ingot; that is \$13 for ingots.

Mr. DALZELL. Yes.

Mr. MILES. And \$2 as a full price to the rail.

Mr. DALZELL. That is \$15.

Mr. MILES. Fifteen dollars. I said \$14 to \$15.

The CHAIRMAN. You said \$16.

Mr. MILES. I made a mistake, sir; \$14 to \$15.

Mr. DALZELL. Who was the producer who checked off those figures of yours and verified them?

Mr. MILES. Those are the names I will have to give you privately. I go to Mr. Schwab's letter as a check on the cost of rails—\$12 some fifteen years ago, when they were sold for \$16—and my check gives the cost on bars as 80 cents, which, I think, recently cost me \$1.60. These things are all checked back and forth.

Now, as to the need of protection. With a total wage cost on pigs, bars, rails, and ingots of 15 per cent, and a tariff which averages twice that, I cite the fact that they ship abroad \$46,000,000 of these cruder forms of steel, selling them in the open markets of the world, where there is no Dingley law to help them at all, but where, if tariffs are paid, they must be paid by the producer. I can not imagine that it can be thought by anyone that \$46,000,000 would be shipped out of this country into the open markets of the world by any producer who needed a protective tariff, and whose costs were excessive and above the costs in other countries.

Mr. NEEDHAM. That is the shipment per annum?

Mr. MILES. \$41,000,000.

Mr. COCKRAN. What year was that, 1907?

Mr. MILES. Last year.

Mr. DALZELL. What does that include, Mr. Miles?

Mr. MILES. That is ingots, rails, bars, and pigs.

Mr. DALZELL. Can you not give us the particular amounts of each?

Mr. MILES. I have a sheet, sir, that has them all. I can give you a list of them—but it is ten or fifteen; it is everything like rails and the cruder articles.

Mr. COCKRAN. Beams?

Mr. MILES. Beams, yes, sir; beams and girders; and structural steel, \$7,000,000.

Mr. COCKRAN. How much of rails; could you give us that?

Mr. MILES. \$8,334,000; steel ingots, \$2,600,000; bars, \$1,900,000; pig, \$1,600,000. All these are in the even hundred thousands.

Mr. COCKRAN. That is \$22,000,000?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Where do the other twenty-four millions go?

Mr. MILES. I think I have that among my papers, sir. I want to go through my argument, as I requested.

Mr. COCKRAN. We will let you go back to it.

Mr. MILES. It is nothing but that heavy stuff, however.

Mr. RANDELL. What is the amount of steel rails given there in the list?

Mr. MILES. Steel rails, \$8,334,000.

Mr. Chairman, lest it seem to some that I may be making an attack upon the steel interests, I beg to say that one of the managers of one of the five biggest steel interests in the country said to me two or three months ago, after I had been making statements like this for two years, to his knowledge, that some of the large steel interests in Pittsburg had considered my proposition and my statements, and that so long as I said what I had been saying it was all right.



Mr. DALZELL. Who said that?

Mr. MILES. One of the managers of one of the five biggest steel interests in the United States.

Mr. DALZELL. Will you give us his name?

Mr. MILES. Yes, sir; I would be very glad to give you his name. I have a little feeling that the steel men ought not to be obliged to come here and ask you to remove the duty, and Mr. Carnegie has said that as a sort of a general proposition; and that it is fair for us buyers to say as nearly as we can what we understand the situation to be.

The CHAIRMAN. Mr. Miles, I want to ask you one question.

Mr. MILES. Yes, sir.

The CHAIRMAN. It is as to this estimate that you make of producing a ton of steel rails. What time was that? What year was it?

Mr. MILES. Now, now. It was \$12 long ago. It is \$15 now.

Mr. DALZELL. Sixteen dollars?

Mr. MILES. No; \$15.

Mr. DALZELL. You said \$16.

Mr. BONYNGE. But he corrected it, and made it \$15.

Mr. MILES. The only \$16 I remember is Mr. Schwab's statement of some fifteen years ago, that at that time they cost \$12 in this country and \$19 in England. They were selling them here for \$16, and making at the rate of \$20,000,000 a year profit, and consequently could ship to England and sell them at the Englishmen's cost of \$19, and make about as good a profit as they were making here at that time. That is one of Mr. Schwab's statements.

Now, as to the need of protection to the steel interests: We find that they ship abroad \$46,000,000 of their coarser products, and I have evidence that they sell abroad at a materially less price than they charge the home producer. For instance, on pipe, within two weeks. I have evidence that they sell pipe abroad now at 35 per cent less than they charge the home producer. I had the original invoices in my hands within a week.

The CHAIRMAN. Where can we get next to some of these things, Mr. Miles? Your statement now is that steel rails can be produced at \$15 a ton. Mr. Felton, who came here—the president of the Pennsylvania Company, at Harrisburg—says they cost his company \$26 a ton. There is a discrepancy of \$11 in that statement. You two gentlemen disagree about that fact. Of course, he is in the business and he has actual knowledge, and he can not make that statement without falsifying, if it is not true; but you make your statement from what you have heard. It will be necessary for you to give us the source of your information, so that we can find these people and find out what the truth is and get hold of these invoices, and all that sort of thing. We want to know the facts.

Mr. MILES. Well, sir, I would like to keep the names off of the invoices, but I will make an affidavit and hand you a copy of an invoice that I had in my hands yesterday.

The CHAIRMAN. Why not give us the name of the man who made the invoice, and let us get at that?

Mr. MILES. All right, sir; if you need it, I will give you that.

Mr. DALZELL. We want to hear from him.

Mr. MILES. My whole contention, if I am allowed to go through and speak of the many schedules, is this: I did not expect to say it, I did not know it would be proper for me to say it; but, as I speak now for the consumer, it seems to me there is only one method that is possible, and that is to deny protection to manufacturers, except as they give the proof. No proof, no protection.

The CHAIRMAN. Well, if Mr. Felton tells the truth, he has given proof. He says they cost so much.

Mr. MILES. Then that is what it costs him, if he says so, for aught I know. I understand that is a new company, is it not? I am not sure.

Mr. DALZELL. Oh, no; it is an old company.

The CHAIRMAN. He has not produced his books as yet, or given us a detailed statement; but he gave us that statement, that it cost so much.

Mr. DALZELL. And he promised to give us the items.

The CHAIRMAN. I think we will be able to find out whether he is telling the truth or not before we get through.

Mr. MILES. I hope so.

The CHAIRMAN. And that is all we want to get. Now, you tell us these things and we want to get the source of your knowledge and the facts—not what you have heard. We want facts. We want anything that you have to give us to enable us to find the facts; but we want to find out who said these things, so that we can get the people here and find out for ourselves.

Mr. MILES. I should think you could, very easily.

The CHAIRMAN. You would not act in any other way, would you, if you were making a tariff bill?

Mr. CRUMPACKER. We can get the information that rails sold for \$16 and \$17 a ton ten years ago.

The CHAIRMAN. Of course we can; and at the same time that pig iron sold for less, and all that sort of thing.

Mr. CRUMPACKER. Yes.

The CHAIRMAN. And all these things tend in the direction of enabling us to find out what they cost; but I want to find out from him what it is.

Mr. COCKRAN. For instance, Mr. Miles has figures here now showing an exportation this last year of 46,000,000 tons of steel.

Mr. MILES. Yes, sir.

Mr. COCKRAN. And he has given us items up to a little less than half of that—22,000,000. Now, I assume that you will show us just what those sold for abroad, and what the corresponding price would be at home, for those 46,000,000, last year.

Mr. MILES. They must have sold on the international market. I think we may assume that.

Mr. COCKRAN. I suppose so; but give us the figures. How does the international market price compare with the local price?

Mr. MILES. Our own producers are shipping abroad to-day, or were sixty days hence or twelve months hence, along in that period, at about 25 per cent less—

Mr. COCKRAN. Where is that? That is the evidence we want, right on that.

Mr. MILES. I will hand it to you. I had the invoices in my hand yesterday. I have not them on the table. That is, on certain general steel products—not on everything.

Mr. COCKRAN. I understand. I am speaking as to this 46,000,000. You need not go back ten years. That is the total exportation?

Mr. MILES. For last year.

Mr. COCKRAN. Of 1907?

Mr. MILES. That is, the total exportation of steel goods, according to the census, or the statistical reports, was very much more; but 46,000,000 was the coarse stuff.

Mr. COCKRAN. I understand.

Mr. MILES. The stuff shipped by the rolling mills.

Mr. COCKRAN. And you specify as the coarse stuff, ingots, rails, bars, beams, girders, and—

Mr. MILES. Structural steel.

Mr. COCKRAN. And structural steel. Of that you say 46,000,000 was sent abroad?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Have you the rates at which that was sold?

Mr. MILES. I have had quotations from foreign producers of steel, off and on, for ten years, and the foreign price has been below the American price by just about the amount of the tariff.

Mr. COCKRAN. Is that so as to last year?

Mr. MILES. I think my last quotation is less than six months old.

Mr. COCKRAN. Well, that is what we want.

Mr. MILES. And I have an invoice about sixty days old, at 26 per cent less than the home price.

Mr. COCKRAN. Is that an invoice which we are free to verify?

Mr. MILES. Yes, sir.

Mr. COCKRAN. We can call the parties if we want to, can we?

Mr. MILES. Yes, sir.

Mr. COCKRAN. There is no secrecy about it?

Mr. MILES. No, sir.

Mr. COCKRAN. All right; thank you.

Mr. MILES. I have a quotation here from a foreign producer to one of my competitors, wherein the foreign producer offers steel products at one-third less than the trust price in this country.

Mr. COCKRAN. Delivered where?

Mr. MILES. Delivered at Antwerp.

Mr. COCKRAN. Delivered at Antwerp?

Mr. MILES. Yes, sir; Antwerp being one of the competing places against which this 46,000,000 went out. One of my quotations is on pipe. I forget the diameter of the pipe. The Antwerp price is about 6½ cents and the American trust price is 9¼ to 9½ cents.

Mr. COCKRAN. Is that steel pipe?

Mr. MILES. Yes, sir; steel or iron; I am not sure. I have it right here. The trust charged the home producer a little less than 50 per cent advance over the Antwerp price, the home trust meeting the Antwerp producers and all other producers in the open market on \$46,000,000 worth of stuff last year.

The CHAIRMAN. What year was it that you made the exportation of the steel rails? Was it 1907?

Mr. COCKRAN. The \$46,000,000 worth of steel stuff.

The CHAIRMAN. Was it 1907?

Mr. COCKRAN. He says so.

The CHAIRMAN. Steel rails?

Mr. MILES. Oh, no; manufactured steel, ingots, and so on.

Mr. DALZELL. Have you that statement there?

Mr. MILES. I had it in my hand yesterday. I do not find it now. It is the total steel export, given by the Bureau of Statistics, or the Statistical Abstract. It runs way above 100,000,000, but that includes typewriters, and such little things as that—highly finished products; and I took out the highly finished products and had \$46,000,000 worth of these coarse products.

Mr. DALZELL. I would like to be clear about that. This letter of Mr. Schwab's, this "twelve-dollar letter," and the price of steel rails at \$16 a ton—were they both in the same year?

Mr. MILES. In the same period. I do not know, sir. I gave you the date, I thought.

Mr. DALZELL. You gave me the date when the price of steel rails was \$16 a ton as 1899.

Mr. MILES. What was the date of the letter?

Mr. DALZELL. I want you to give me that. I have forgotten.

Mr. MILES. The letter was dated May 15, 1899. That is two years after the tariff.

Mr. DALZELL. Two years after what?

Mr. MILES. After the Dingley bill became a law. In the same year rails were selling at from \$16 to \$17. Mr. Schwab's letter contains all the figures you desire.

Mr. DALZELL. Yes; but unfortunately in 1899 steel rails were selling at \$28.12.

Mr. MILES. Then that is another part of the year.

Mr. DALZELL. No; that was the average price for the whole year.

Mr. MILES. That may have come in under your \$40,000,000 profit year, when they doubled their profits. My proposition on steel is that with \$46,000,000 of exports, and with Mr. Carnegie's letter and declaration to the public now, and the other evidence submitted, there is sufficient reason for us to feel confident that steel can be produced here without protection.

Now, as to the effect upon our business. I do not believe anyone will hold that it costs more than 1 cent a pound to make steel. I believe that was the testimony that was offered here the other day. I speak of bar steel. We are paying \$1.40 to \$1.60. Of course we do not know just what the price will be from time to time, but it was \$1.65 last year.

One of the great producers, one of the great buyers of steel, tells me (and it ought to be easy for you to verify this) that he buys the steel from Pittsburg for use in his Canadian factories for a materially less price than he pays in Pittsburg for steel for use in his American factory.

Mr. COCKRAN. Who is this?

Mr. MILES. One of my competitors.

Mr. COCKRAN. You have not given his name, have you?

Mr. MILES. No, sir; I have not. I will have to verify that. He told me that I might tell you.

Mr. DALZELL. You will tell us, will you not?

Mr. MILES. I think I must, sir. I feel that it is verified by the invoices I have in hand, that some steel goods are sold abroad at 25 per cent less than the price in this country. Having two or three invoices of that kind, and finding that \$46,000,000 worth of stuff is sold abroad at the international price, and every evidence that we all have that the international price is 25 per cent or thereabouts under the domestic price, why should not I assume, when he tells me so, that he does buy steel for use in his Canadian factory at much less than he buys it for use in his factory in this country? He tells me that because of the fact that he can buy the steel in Pittsburgh for his Canadian factories at less than he can buy for his American factories he has been employing less men in his American factories for the last six to ten months and is running his Canadian factories full. Those of us who employ labor using steel in this country believe that the Dingley bill takes away from us output, and takes away from our men hours of labor that we ought to have, and that we did have before. By consolidation the producers have taken advantage of the excessive rate in the Dingley law.

Now, as to the international price, if there is anything that is evident it is that that \$46,000,000 worth of stuff was shipped abroad at the international price, being 25 per cent or thereabouts under the domestic price. If that is so, England and other foreign countries can buy steel to make into goods for shipment into Argentina and neutral markets at a great deal less price than the American manufacturer can get his steel for at the trust price.

I represent, among others, an implement manufacturer—one of the three largest in America—who says that he would be utterly ashamed to have me know how much foreign business he did for the profit he got out of it. He says he is certainly going to lose his foreign business, and is losing it, because those who make implements on the international-price steel are beating him in the neutral markets—Argentina and South Africa, for instance.

The CHAIRMAN. Are you speaking of farm implements?

Mr. MILES. Yes, sir; agricultural implements.

The CHAIRMAN. Why, can not our people beat the world on them?

Mr. MILES. Yes, sir.

The CHAIRMAN. I mean now, under present conditions, with the duty on steel, can they not beat the world on agricultural implements?

Mr. MILES. No, sir.

The CHAIRMAN. And sell them in any market they can get to, without a tariff?

Mr. MILES. No, sir; you may ask any agricultural implement maker you wish to.

The CHAIRMAN. I would like to have a little conversation with that manufacturer, if you will give us his name.

Mr. MILES. Remember, gentlemen, they did not ask me to come here. The implement people ordered me to come.

The CHAIRMAN. I would like to see him, and interview him.

Mr. MILES. I will see that you interview him, and that you see his invoices, and anything you like to.

The CHAIRMAN. I have interviewed others, but I would like to interview him.

Mr. MILES. You have interviewed a fellow-townsmen, maybe, who makes his own steel.

The CHAIRMAN. I have interviewed a fellow-townsmen, and another man who is not a fellow-townsmen, and who came to see me. He is not one of the largest manufacturers, but he is a good, large manufacturer; and they tell me the same story.

Mr. MILES. He probably makes his own steel.

The CHAIRMAN (continuing). And my own townsman tells me that he has never sold any agricultural implements abroad but that he has had as good a price or a better price than he got in this country at the same time. He has been exporting for years.

Mr. MILES. We implement people, when we got our steel on the competitive basis, had a very desirable, big foreign trade. The statistics show that the exportation of implements is increasing, but it consists of harvesters. There is not an increase in other lines that is material. The harvester people make their own steel, and they make it for 1 cent a pound, whereas the rest of us pay 1½ cents a pound.

The CHAIRMAN. I am going to have that townsman down here some time.

Mr. MILES. I wish you would ask him what he pays for steel in Canada and what he pays for it in the United States.

The CHAIRMAN. I know he was manufacturing for a great many years when he did not make a pound of steel.

Mr. MILES. Yes; and then he was on our basis. We were all on a level. Now he is 30 per cent under us.

The CHAIRMAN. And he was selling his steel abroad at a better price than he sold it for at home.

Mr. MILES. He is 30 per cent under us now.

The CHAIRMAN. That is, according to his own statement. I do not know. I take his word for it.

Mr. MILES. So would I. I know him intimately.

The CHAIRMAN. I guess anybody who knows him would.

Mr. MILES. Yes, sir.

Mr. COCKRAN. Allow me to suggest this to you right there. Mr. Felton, when he was on the stand, pointed out that there was a difference in the cost of production to the United States Steel Company and to all their competitors, because the United States Steel Company owned the raw material and had its own means of transportation, including railways and steamers, and all that kind of thing, and he contended that it was not fair to the smaller producer of steel to estimate the cost of production by what it actually cost the United States Steel Company. I think that was the statement, was it not, Mr. Dalzell?

Mr. DALZELL. Yes.

Mr. COCKRAN. That is an aspect of this question that I think the committee would like to have light upon, if you are able to shed it. But before you do that let me ask whether you are giving the price of production to the United States Steel Company or are you giving the price of production to all the steel companies?

Mr. MILES. I think the price goes for all the larger steel companies; but the steel company that has to buy its ore is dreadfully handicapped, and I do not know to what extent it should be considered. That is to be left to the committee. All those smaller people are in a combination with the big company in restraint of trade, and

make, with the great company, one price to all users in the United States. He pays that price or he goes without. Those little fellows do not hesitate a moment to take every possible advantage that the trust takes, and they join with the trust in raising the price against the consumer.

Mr. COCKRAN. If the trust controls the raw material and has the smaller producer at its mercy, it could punish anyone that undertook to sell under the price that it chose to fix, could it not?

Mr. MILES. Yes, sir; and it has punished dreadfully.

Mr. COCKRAN. In point of fact, the smaller companies, according to your statement, are coerced into fixing the price the trust wants to exact?

Mr. MILES. It is a very delectable coercion when a man is compelled to raise the price 25 per cent.

Mr. COCKRAN. I am not so sure about that, if it diminishes the sales considerably. It may not be all net profit to him. It may mean serious injury to him. I think you must recognize the fact yourself that if by any means I could coerce you into charging an extravagant price for your product, I might be injuring you as seriously as if I compelled you to sell for less profit.

Mr. MILES. I do not know where to look for that small producer that you speak of.

Mr. COCKRAN. Well, that is another matter.

Mr. MILES. There are five big companies. They must make from 90 to 95 per cent of the output of the United States, I judge.

Mr. COCKRAN. You will give us the names, will you?

Mr. MILES. The United States Steel Company, Jones & Laughlin, Republic Iron and Steel, Colorado Fuel and Iron, and then comes the Lackawanna and the Pennsylvania. There are two or three other lesser companies that I can not name. I do not know how many there are.

Mr. COCKRAN. You mentioned six, I believe.

Mr. MILES. Yes.

Mr. COCKRAN. And those control, you say, 90 to 95 per cent of the entire production?

Mr. MILES. I think they do. They are the only people we ever see in the market.

Mr. DALZELL. How about the Cambria?

Mr. MILES. That would come in. I was thinking that it was the United States Steel. I would put that in that list.

Mr. UNDERWOOD. Are you speaking of steel or iron?

Mr. MILES. Steel and iron. I do not distinguish between the two. They are, substantially, the same. Now, I do not mean to tell you that they are all the people who make steel, but in the open market there are those and maybe one or two others. But, as far as we know as buyers, they are equally capable, and they are in that as well as in a commercial sense, practically one.

Mr. COCKRAN. Perhaps that is true as to the price they charge the consumer. But what I want to get at is this, for it is an important feature of this inquiry. Do you mean that all these other companies, the Lackawanna, the Pennsylvania, the Cambria, and the others, make their product as cheaply as the United States Steel Company, or do you concede the truth of Mr. Felton's claim that the United States Steel Company, by reason of its extensive owner-

ship in the various elements that contribute to the production, has the others at a disadvantage?

Mr. MILES. Have I Jones & Laughlin in the list?

Mr. COCKRAN. You have.

Mr. MILES. They own their deposits of ore, just the same, and the Republic owns its deposits. The Colorado Fuel and Iron own theirs, and if there is any one of them that does not I think they ought to join us in the proposition of free ore, because I do not know where it does land them, where ore is so far controlled that anyone might be hurt. I do not believe that is a reason for a tariff of one hundred million—

Mr. COCKRAN. Of course I merely want to get the facts.

Mr. MILES. Here is an answer, sir: One or two of those lesser companies told me a while ago—they would not say it now—that the great United States Steel Company was in their hands, and that they were not in the steel company's hands.

Mr. COCKRAN. Why would they not say it now?

Mr. MILES. Well, the steel company is not in anybody's hands now; but the efficiency of Jones & Laughlin and those smaller companies is complete. Nobody can do anything to them. They are independent. They own the ore, and they produce as cheaply.

Mr. COCKRAN. In point of fact, what you say is this—and let me see if I understand you accurately—that all these companies produce as cheaply as the United States Steel Company?

Mr. MILES. Substantially.

Mr. COCKRAN. There is no substantial difference?

Mr. MILES. I say substantially.

Mr. COCKRAN. Now we have it—substantially.

Mr. MILES. As far as we can learn. They talk as though they do, and they claim to, as far as I am acquainted with them, and I know a good many.

Mr. COCKRAN. Are you acquainted with them?

Mr. MILES. I am not acquainted with the Pennsylvania or the Lackawanna. I am with the others.

Mr. COCKRAN. With the exception of the Pennsylvania and the Lackawanna, you are in a position to state that the other companies can make their product and put it on the market as cheaply as the United States Steel Corporation, or substantially as cheaply?

Mr. MILES. Substantially. There may be 5 per cent difference, or 6 per cent—the difference that obtains between all competitors who are supposed to be on substantially the same basis. The United States Steel Company may have an advantage in one place and a disadvantage in another. Of course, I think it would be at the head, but the others are so close that the difference on any sort of selling price is inconsiderable. That is the answer.

Mr. BONYNGE. You say that these companies control 90 to 95 per cent of the whole market?

Mr. MILES. They control the whole market as far as we, as buyers, know. Of course there are lots of little people, but they are very small, and they use for the most part, as far as I know, old rails.

Mr. BONYNGE. How much of the market does the United States Steel Company control?



Mr. MILES. According to the records about eighteen months ago, 53 per cent. They have taken Tennessee Coal on since. That adds 8 per cent, or thereabouts, as I remember.

Now, as to the profits that are made by some of these small, independent concerns: I know of one that bought a mill when the consolidation came on, in order to be independent; and after they had been running that mill for three or four years I was informed by one of the officers that they had made 100 per cent each year; so they are not very helpless. The mill had paid for itself once a year for the first three to five years of its operation. At the same time, when I told that to an able man, he said that he knew of one that made 80 per cent. I am not posted as to that.

Mr. UNDERWOOD. I think you can probably give me some information as to another matter. It has developed from the manufacturers of agricultural implements that their foreign business is being hampered by the Dingley bill. Are they selling their product now in the markets of the world in competition with the manufacturers of agricultural implements abroad?

Mr. MILES. Yes, sir.

Mr. UNDERWOOD. Do you think if the reductions that you suggest were made they would be more able to sell their foreign products?

Mr. MILES. It does not cost a penny more for the producer to make the steel here than it does in Europe, and yet he would like to go abroad and give his steel to Europe at 25 per cent less than he charges us. Of course, we can not pay 25 per cent more than our own producers will supply foreign competitors for and then meet those competitors in neutral markets.

Mr. UNDERWOOD. Are you selling at a loss in the foreign markets, or at a profit?

Mr. MILES. I do not think there is any profit in the foreign business now.

Mr. UNDERWOOD. Is there any loss?

Mr. MILES. I can best answer that by saying that one of my competitors said twelve months ago that he was afraid he was making the last contract he ever would make in Argentina; that he did not know whether there was a penny in his contract; that he was just going to chance it one more year.

Mr. UNDERWOOD. They had been making a profit, had they?

Mr. MILES. Yes; there used to be a very nice profit in the foreign business.

Mr. UNDERWOOD. Under those circumstances, if this iron and steel schedule were properly adjusted, is there any reason why we should maintain the tariff except for the purpose of obtaining revenue on the agricultural-implement business?

Mr. MILES. Many of the agricultural-implement people, if you allow them relief in the way of getting the steel wherever they can, there being places where it costs no more to produce it than here, will let you do what you choose with the agricultural implements.

Mr. UNDERWOOD. In other words, the tariff will not be a consideration if you can get the raw material on equal terms with the foreign buyers?

Mr. MILES. No, sir; we will double, we will treble, we will quadruple the foreign business, and will run our shops ever so much stronger than now.

Mr. BONYNGE. Would it bother you if I were to ask you what your line of production is?

Mr. MILES. Agricultural implements; also farm wagons, and also buggies and carriages.

Mr. UNDERWOOD. Now, right on that proposition, I would like to ask you, if we reach a position where we are able to give you your raw material on the terms you think equitable, and we are able to remove the tariff and give you free competition with the world, what effect would that have on the American consumer of agricultural implements?

Mr. MILES. If you will join with the big men in the steel business who consent, and practically do away with the steel schedule, you will make the makers of agricultural implements go out and almost possess the earth, and you will enable us to supply the farmers here at decidedly less prices.

Mr. COCKRAN. About how much less?

Mr. MILES. In my own business, whatever I have to pay for my materials I add about 20 per cent. I would take off the difference in the materials, and the 20 per cent added to that difference.

Mr. COCKRAN. Would that mean a reduction of 20 per cent to the consumers of your product?

Mr. MILES. There are ever so many manufacturers who are decidedly willing to have their schedules reduced, but they have the feeling that in saying that they must not be understood as being willing to be picked out, singly and alone, and cut. There is so much to it besides the one thing of one man's material. If you will make a general adjustment and bring us down, some of the makers of American machinery tell me they think they can go on the free list. I mean by that the makers of lathes and big heavy tools that we run our machine shops with; and some of the glass schedule can be cut off. If you will level us down a little bit, take the stilts out and bring our feet clear to the earth we will make a very material reduction in agricultural implements to the home consumer.

The CHAIRMAN. How much of a reduction could you make and leave steel where it is?

Mr. MILES. Not a farthing. There is now no profit in implements that is worth while.

The CHAIRMAN. I only ask that question because some rivals of yours think they could take it all off.

Mr. MILES. Take all of what off?

The CHAIRMAN. Take all of the 20 per cent off of agricultural implements.

Mr. MILES. Oh, I thought you said how much cheaper could we sell.

The CHAIRMAN. No; how much duty could you get along without and leave the other steel schedule as it is. Do you need that 20 per cent?

Mr. MILES. Some of us think we should have from 10 to 15 or 20 per cent. It varies; but the implement man—

The CHAIRMAN. What does Mr. Miles think?

Mr. MILES. Fifteen per cent maximum, and the minimum all off.

The CHAIRMAN. That is, in case the iron and steel schedule is lowered; but I say, in case the iron and steel schedule remains where it is, how much reduction can you stand?

Mr. MILES. I say we can take off a little. Take off 5 per cent from the maximum and give us a minimum that is on the free list, if you wish.

The CHAIRMAN. The minimum would be, probably, the tariff that would be enforced; so let us talk about the minimum.

Mr. MILES. We are not posted for the last penny, but you can cut our schedules if you wish. We do not know, to a penny, how much.

The CHAIRMAN. Of course we can cut any schedules that we wish to, but I want to know how it would affect your business and what rate of duty you need for protection, leaving the rest of the schedule as it is, in the first place.

Mr. MILES. Fifteen per cent.

The CHAIRMAN. And how much in case the iron and steel schedule is lowered?

Mr. MILES. In case of reciprocity, the free list.

The CHAIRMAN. What?

Mr. MILES. On treaties of reciprocity, etc., the free list; but we would not like to be left entirely bare to the world, without the maximum and minimum schedule.

The CHAIRMAN. Why, certainly. I suppose it is as certain as anything that if we prepare a tariff bill we will have a maximum and a minimum schedule.

Mr. MILES. Fix steel and put us on the free list.

The CHAIRMAN. I do not know that there is anything else you can assume about a tariff bill, but you can assume that there will be a maximum and a minimum schedule.

Mr. MILES. But we people are opposed to a great big free list on everything. We want a trading proposition; and so, when I am asked what we can stand, I name something above the free list for a maximum—15 per cent—and for the minimum, let it go at the free list for the implement people.

The CHAIRMAN. Well, I want your idea about it.

Mr. MILES. Yes, sir.

The CHAIRMAN. That includes farm wagons as well as the implements?

Mr. MILES. Yes, sir.

The CHAIRMAN. Is there anything else in your line?

Mr. MILES. And carriages.

The CHAIRMAN. Carriages also?

Mr. MILES. Yes, sir.

The CHAIRMAN. Does that depend at all upon the duty on leather? You say "carriages." Do you sell top buggies?

Mr. MILES. Yes, sir.

The CHAIRMAN. Putting that on the free list, do you make any conditions about what is done with leather?

Mr. MILES. I have the feeling that others do, that if we are willing to come forward and say that you can cut our schedule, and leave all the rest up, we will suffer by the adjustment.

The CHAIRMAN. But I am asking about that specific thing, the duty on leather. I am not speaking about all the rest, but about that. You would want some protection if the duty were kept on leather, would you not?

Mr. MILES. Oh, we do not care about the duty on any one item, particularly.

The CHAIRMAN. All right.

Mr. GAINES. Mr. Miles, it is claimed frequently that agricultural implements are sold abroad by our producers of those implements cheaper than they are sold at home. What do you know about that?

Mr. MILES. I can not speak for the harvesters. I am not in that line of business. I can say that plows and the other heavy tools that till the soil are not sold any cheaper abroad than they are at home.

Mr. GAINES. They are not?

Mr. MILES. No, sir; they are sold at home on a competitive basis, at the lowest possible cost, with a small profit. They can not be sold at any less abroad. The profit and loss account would not allow us to, but in all business there are about three grades of prices. There is the price to the big jobber, the price to the dealer, and the price to the consumer. The foreign buyer is always, so far as I know, a very large purchaser, and the foreign price is a jobber's price, but it is the same to the jobber here.

Mr. GAINES. Then all this talk about agricultural implements being sold abroad by our producers of them cheaper than they are sold at home, with the exception of harvesters, about which you do not know, is a misstatement?

Mr. MILES. Yes, sir.

Mr. GAINES. And all that there is to base it upon is the fact that you have three prices, one to the large jobber, a still higher one to the dealer, and a still higher one to the consumer; and the sales abroad are generally, are they, to the large dealer?

Mr. MILES. To the jobber.

Mr. GAINES. To the large jobber, I mean?

Mr. MILES. Yes, sir.

Mr. GAINES. So that he seems to get a smaller price on those articles than the same articles are sold to the American consumer for. Is that correct?

Mr. MILES. I do not know anyone to whom it so seems, but we get it in the prints, occasionally, of course, without substantiation.

Mr. GAINES. We get it in the prints and on the stump frequently and not occasionally.

Mr. MILES. You have stated the fact.

Mr. DALZELL. In these three articles of which you are a builder—agricultural implements, farm wagons, and carriages—the makers of those articles have the entire home market now, have they not?

Mr. MILES. Generally speaking; yes, sir.

Mr. DALZELL. There are no importations of any importance of any of those articles?

Mr. MILES. No, sir. A Canadian manufacturer tells me that he can and does ship from Canada over into this country, pays the duty, and makes some money.

Mr. DALZELL. Do you mean to say that there is any material importation of any of those articles into this country?

Mr. MILES. Some months ago there was.

Mr. DALZELL. To what extent?

Mr. MILES. I think to a very small extent.

Mr. DALZELL. What were the articles?

Mr. MILES. Plows. There might have been harrows and other small tools.

Mr. CLARK. Do you know that these things are not sold cheaper abroad, or did somebody tell you that?

Mr. MILES. About my line of tools?

Mr. CLARK. Yes.

Mr. MILES. They are not sold cheaper abroad.

Mr. CLARK. Do you not have two price lists, one for export and one for home consumption?

Mr. MILES. It would be the same price list, with crating added, if anything, for the foreigner—boxing for export.

Mr. CLARK. Now, here is a direct question. Do you not have two price lists, one for the home jobber and one for export, in which the export price is lower than the price to the American jobber?

Mr. MILES. No, sir.

Mr. CLARK. You know that?

Mr. MILES. Yes, sir.

Mr. CLARK. All right.

Mr. GAINES. Mr. Miles, how much steel is there in a two-horse wagon? In the first place, what are your two-horse wagons sold to the farmer for?

Mr. MILES. It depends on the freight rates here. Seventy-five dollars, I should say.

Mr. GAINES. Very well; take \$75 as the price to the ultimate consumer. How much steel is there in such a wagon? How many pounds?

Mr. MILES. I do not know, sir. I should think about 375 pounds. That would be within 25 pounds of it, I believe. I may be off on that. I would rather not say. I do not remember.

Mr. GAINES. Well, assuming that it is 375 pounds—

Mr. MILES. Say 400 pounds.

Mr. GAINES. Four hundred pounds?

Mr. MILES. Yes.

Mr. GAINES. What would the tariff amount to on 400 pounds of imported bar steel, out of which you manufacture that?

Mr. MILES. I guess it would be about half a cent a pound, would it not?

Mr. CLARK. Well, it is one-fifth of a ton.

Mr. DALZELL. Bar steel?

Mr. COCKRAN. It would be \$1.60, would it not?

Mr. GAINES. Well, you know what the tariff is per ton. I am speaking of the very tariff you complain of. That is the one I am addressing myself to—the tariff on the bar steel that you buy from the maker of the steel.

Mr. MILES. I paid before the tariff \$12 per ton—80 per cent of the cost, when the bill was put into effect—80 per cent of the cost.

Mr. CLARK. One dollar and forty cents, then?

Mr. GAINES. One dollar and forty cents, then. So that if the price to the consumer was increased by the entire amount of the tariff on an equal amount of imported iron, the increased cost to the purchaser of a \$75 wagon would be \$1.20, would it not?

Mr. MILES. I think the gentleman said \$1.40.

Mr. CLARK. It is one-fifth of a ton, I say. I have forgotten—

Mr. MILES. If we should take that \$1.40, for example—

Mr. CLARK. I have forgotten what it is.

Mr. MILES. I would charge \$1.75 for that \$1.40, to the jobber.

Mr. RANDELL. Is it not \$2.40?

Mr. CLARK. That is what it is. I had forgotten.

Mr. MILES. I think that is high; but I am glad the question was asked. Well, say it is \$2.

Mr. GAINES. Yes.

Mr. MILES. I would charge \$2.40 for that \$2 to a jobber, and a jobber would charge a dealer \$2.60 to \$2.70; and a dealer would charge the farmer \$3. If you make \$1 mistake in an overcharge in the tariff it costs the consumer 50 to 100 per cent more than it costs the manufacturer who began the process.

Mr. GAINES. The consumer seems to be suffering worse from the intermediate manufacturers and jobbers and retailers than he is from any possible construction of the tariff. It would seem so.

Mr. MILES. No, sir; that is a living rate of expense.

Mr. RANDELL. That is the effect of the tariff.

Mr. COCKRAN. You charge a profit on everything you pay out?

Mr. MILES. A margin. It is not all profit. But we do business on a percentage basis. The retailer gets one-third or a quarter—it depends on what he sells. He has to get the same profit on one part of his purchase as on another.

Mr. CLARK. How many wagons are made in the United States in twelve months?

Mr. MILES. Well, you ask me a great many questions. I do not know whether there are 300,000 or half a million.

Mr. CLARK. I do not know; I thought you might know.

Mr. MILES. I do not know how many. I know there are many thousands.

Mr. CLARK. If you multiply the number of wagons by \$3 you would get a full answer to Mr. Gaines's question.

Mr. GAINES. You would get one full answer to the question.

Mr. CLARK. One full answer to the question; yes. On the steel in the wagon you would get one full answer.

Mr. GAINES. Yes.

Mr. MILES. I think there are about 300,000 wagons made.

Mr. CLARK. I simply wanted to know whether it was 300,000 or 3,000,000 or what it was.

The CHAIRMAN. Mr. Miles has not completed his statement, has he?

Mr. GAINES. The questions were going on when I came in, and it occurred to me that the only way to stop them was for me to ask a question.

Mr. MILES. I want to say that if you will give us relief from a trust that is acting in restraint of trade and attacking us anywhere it chooses to attack us up to the top of the tariff wall all of us who use steel will be able to run more hours in a day and week and sell our goods for a materially less price, employ more men, and pay them, if anything, better wages, because we have pushed our sales prices up continuously of necessity. We are making less money, almost no money. If you wish I will give you a statement of the profit and loss account of six of the largest farm-wagon concerns in the United States, and you will be sorry to look at it, and it does not cover the panic period. It is for the five years previous to the panic, and if they put their money in farm mortgages they would have been better off. They have pushed up the cost of these materials and have in turn pushed the price on against the consumers to the utmost

of their ability, and the consumer is sore about it and objects to the price he has to pay, and he buys the least he can and not the most.

I will give you a statement of the secretary of the Implement Dealers' Association, in Kansas City, an association of 200,000, that the retailer has pushed his price all he can, until there is no profit in the retail business; and he will show an astonishing number of names of those who have gone out of business, or firms that have been changed in the title; and you could, I know, buy in more implement businesses in Kansas at a discount than I could name. That is the situation there.

The CHAIRMAN. How many more bushels of corn or bushels of wheat does it take to buy a wagon now than it did fifteen years ago?

Mr. MILES. He does not seem to figure it in terms of corn or wheat. The farmer likes to sell his farm products—

The CHAIRMAN. I want the actual facts. I do not care what he likes to do. I ask whether he has any ground of complaint or not.

Mr. MILES. I do not know.

The CHAIRMAN. The farmers up in my part of the country are intelligent men, and you can not fool them by saying they have to pay more dollars for an article. They figure back and see what they are getting for their farm products, and if they are getting more than they did before they do not grumble.

Mr. MILES. I do not know that they grumble. They may not grumble, but they have pretty well stopped buying farm wagons.

The CHAIRMAN. Oh, no; they have not. You are mistaken. The manufacturers added a new branch, and that is the automobile business. They have gone into that.

Mr. MILES. That has not a thing to do with farm wagons.

The CHAIRMAN. That is a pleasure wagon. They buy it instead of a top buggy.

Mr. MILES. Do you mean to say they would haul corn in an automobile?

The CHAIRMAN. I did not say all the farmers. How quick you jump at such a thing. Of course all farmers do not own automobiles, but some own them, who do not have to mortgage their houses to have them.

Mr. GAINES. Mr. Chairman, he asked you whether you thought they would haul corn in an automobile.

The CHAIRMAN. Oh, he did not understand me that way. [Laughter.] I am not going to answer that. Really, you do not want to put yourself in that position, do you, Mr. Miles?

Mr. MILES. My dear sir, I do not want to put myself in any position, but I did not understand why you should insert into a farm-wagon proposition any reference to an automobile. I thought you said they had gone to automobiles instead of buying farm wagons. I misunderstood you. I beg your pardon.

The CHAIRMAN. Oh, the farmers in my section are just as intelligent as the farmers in your section. They are not going in automobiles to haul their corn.

Mr. MILES. And I say they are not buying farm wagons.

The CHAIRMAN. Have you finished your statement? I want to ask you a question or two when you get through.

Mr. MILES. No; I have not begun it. If you will not ask me any questions, and will let me go on, I will soon get through.

There is every indication that the tariff on steel is twice the total wage cost. The total wage cost of the steel producers, mining and all, is 15 per cent of the output, and the tariff is two and three times that. When it comes to the difference in cost here and abroad, then it is still more. But, to go on with this trust proposition: Take the brass-goods trust, The American Brass Company, etc. They have 17 per cent total wages and 45 per cent tariff. Yet they export four and a half million dollars a year.

The CHAIRMAN. Now, Mr. Miles, do you not know that a statement of that kind does not do this committee a particle of good or give us any information, unless you go into details and show what the work is, and what the product is on which you say there is a 17 per cent cost in wages? I understood you a few moments ago to say that from the mines to the finished product the percentage of labor was only 15 per cent. A ton of ore advances from—what is it, 50 cents or \$1 a ton at the mine—

Mr. MILES. I should have said 25 per cent.

The CHAIRMAN (continuing). To about \$25 or \$35 in the steel. Perhaps it takes several tons to make the steel. But it advances several hundred per cent, and there is not much to it besides the wage, the wages in the mining of the coal that goes into the furnace, and all that sort of thing. I do not understand you when you say the total wage is only 15 per cent of the cost, and I want some detailed figures to demonstrate that.

Mr. MILES. The annual balance sheet of the United States Steel Company—I do not remember the year, but it was within a year or two—showed a total output of \$585,000,000—call it \$600,000,000—and the total wages were \$125,000,000. They mined the ore with those wages and brought the stuff down the lake. It included the railroad and everything, because they are all inclusive, and the total wages that corporation paid, controlling all the processes, was 25 per cent of the sales price of the goods.

The CHAIRMAN. That is not 15 per cent.

Mr. MILES. No, sir; I said I made a mistake on the first estimate. I thought the "2" was a "1"; but it seems to me that these figures are interesting, as showing that the companies export very largely into the open market at the international price. Is not that—

The CHAIRMAN. That is just what I would be very glad for you to prove—going into the cost of labor and all that sort of thing.

Mr. MILES. I have the government report here.

The CHAIRMAN. What is that?

Mr. MILES. I have the government report.

Mr. DALZELL. The labor cost in the manufacture of steel products is not the same as to each steel product, is it?

Mr. MILES. No, sir.

Mr. DALZELL. It varies. does it not?

Mr. MILES. I am considering both sides.

Mr. DALZELL. It is not fair to say that labor costs 15 per cent, when you take the whole production of steel to-day, is it? Is that a fair estimate of the labor cost of an article on which we are asked to impose or take away a tariff? How does that help us any, in other words?



Mr. MILES. Any concern that has a wage cost that is much less than its tariff and ships abroad freely into the open markets has no use for a tariff, it seems to me.

Mr. DALZELL. It might not have any use for it on one particular article, and yet it might have use for it on another. The labor cost is not the same on all articles?

Mr. MILES. The difference in the wage cost here and abroad on steel is about the same all the way up. As you go up in one country you go up in the other. Is not that so?

Mr. DALZELL. I do not know. We would like to have figures on that.

Mr. MILES. All right. I will get them for you if you do not find them easily.

I find that every trust in the United States—but you do not want me to go through that in detail—

Mr. UNDERWOOD. Yes; we do. If you have it there let us have it. We want the information.

Mr. COCKRAN. You were speaking of the brass trust. Will you complete that statement?

Mr. MILES. The total wages were 17 per cent—

Mr. BONYNGE. I would like to ask you where you get your information that it is only 17 per cent?

Mr. MILES. The United States Statistical Abstract. This is from the last abstract. You can get it in the census report to a certain extent, and in the Statistical Abstract where it is not covered by the census. These are the latest figures in the Statistical Abstract. They have 17 per cent wages and 45 per cent duty, the duty being two and one-half times the wages. They produce \$99,000,000 worth of stuff in a year and ship abroad into the international market four and a half million dollars' worth.

Car builders: Nineteen per cent wages, 45 per cent tariff; and they ship abroad \$9,000,000 worth a year. And if any of those figures are irrelevant, it does seem to me that \$9,000,000 worth of stuff shipped abroad at the international price is very clear evidence that they do not need 45 per cent duty, or any other rate of duty.

The locomotive trust: Forty-five per cent tariff. I think we all know that locomotives are sold abroad advantageously.

Farm tool trust—

Mr. COCKRAN. Have you any figures on what locomotives have been sold abroad?

Mr. MILES. The Baldwins have sold abroad.

Mr. COCKRAN. But you do not have figures that show how many have been sold abroad?

Mr. MILES. No, sir; I have not that.

The farm tool trust—you asked about the prices at which farm tools are sold abroad. I can not answer for the harvesters, but I am confident, personally, that they charge as much abroad as anywhere, as the chairman states, but that I do not know about. Farm tools, 45 per cent protection; sells \$3,500,000 worth abroad.

American Linseed Company, total wages, 3 per cent. That must be the wages in refining, and you add to that the cost of raising the grain. Add what you will, their tariff is 50 per cent. They keep all competition out of the country with that excessive tariff. It is a

Standard Oil proposition. Their prices have gone up very greatly, as I know as a buyer—25 or 30 per cent. No one can come in.

United Lead Company, making pig lead only, with the cost of refining 4 per cent and tariff 49, 50, and 79 per cent—from 10 to 20 times the total wage cost; a Standard Oil trust. The makers of paint say that if you would help them on their lead you could reduce their paint tariff.

The CHAIRMAN. You say the Standard Oil?

Mr. MILES. The United Lead Company; yes, sir.

The CHAIRMAN. I want to ask you about the Standard Oil by and by. I would be very much interested if you could give me some detailed figures on the lead business. I would like to have it very much. That is one of the things I am quite curious about.

Mr. MILES. I wish I knew more about it. I know a good many people who feel that they ought to have less tariff on lead, and I can see no reason in a tariff from 10 to 20 times the total wage cost.

The CHAIRMAN. I have gotten beyond the information you have given us. I do not say that mine agrees with yours. I am a long distance beyond that; but I would like some additional information that I have not got.

Mr. MILES. The tobacco trust, which controls 90 per cent of the American business—

Mr. RANDELL. Have you a smelter trust on your list?

Mr. MILES. I do not know, sir. I have all the trusts, I think—all but some of the very small ones. The tobacco trust, 147 to 153 per cent, as against 19 per cent wages. That, of course, does not include the cost of raising the tobacco. When it comes to the Filipino, we charge him 274 per cent on his cigars, and this tobacco trust goes abroad and shakes the competitor out of the home trade, as I think you know.

Mr. CLARK. Do you know anybody who can give us all the facts and figures about lead?

Mr. MILES. I have rather an exhaustive statement on lead costs and conditions, but it is a little old and has not been brought up to date.

Glucose trust: The total wages, 11 per cent on starch, against 46 to 69 per cent protection. Glucose itself, 7 per cent wages with 55 per cent tariff; and they ship abroad in the open market \$3,000,000 worth, and only \$4,000 worth brought in—five one-millionths of a cent per capita brought in from abroad as against the trust, and the people in the hands of the trust up to a protective tariff of 55 per cent, and \$3,000,000 worth shipped abroad.

The chemical trust: Rates here running from 151 to 320 per cent.

The meat trust: There, of course, you have the cattle proposition. The wage in the packing house is very little.

The rubber goods trust: Wages 15 per cent, tariff 20 to 35 per cent; ship over \$5,000,000 per year.

Leather trust: Shipping abroad very freely, and enjoying its tariff on hides.

Cement trust: Twenty-five per cent tariff, shipping abroad \$1,180,000.

Mr. COCKRAN. What trust is that?

Mr. MILES. The cement trust.

Mr. RANDELL. Did you say eleven million, or one million?

Mr. MILES. \$1,180,000.

Mr. RANDELL. You started to say eleven million, did you not?

Mr. MILES. Yes; I got it wrong. It is \$1,180,000.

Mr. CLARK. Is that the quantity they ship abroad?

Mr. MILES. Yes, sir; and we have a tremendous home demand.

Mr. CLARK. Yes; I know that. Do they sell that abroad cheaper than they sell at home—or do you know?

Mr. MILES. No, sir.

Mr. CLARK. That is, you do not know?

Mr. MILES. I do not know. Mr. Carnegie said the other day that if any trust was formed you were safe in going on the assumption that it was formed for the purpose of raising prices.

Mr. CLARK. Raising prices where?

Mr. MILES. Wherever it can; and when there is a tariff wall, dead sure at home.

Mr. CLARK. Was Mr. Carnegie's remark addressed to raising it in the foreign market, or in the home market, or both?

Mr. MILES. There are a great many international trusts that raise it the world over.

Mr. CLARK. That is not an answer to my question.

Mr. MILES. I beg your pardon.

Mr. CLARK. I say, was Mr. Carnegie's remark addressed to the proposition of raising prices at home, or raising prices abroad, or both?

Mr. MILES. Both.

Mr. CLARK. What I wanted to find out particularly was whether these cement men were selling American cement cheaper to foreigners than they were selling it to us.

Mr. MILES. I think I can get the figures, but I do not know.

Mr. CLARK. I wish you would get the figures.

Mr. MILES. But I do hope that you will not put a tariff on cement which can be made in this country as cheaply as anywhere in the world, because a great deal of it is made out of the slag and waste of blast furnaces.

Mr. CLARK. That is not of any account, is it?

Mr. MILES. It was a bother to get rid of it.

Mr. CLARK. I say, that cement is of no account, is it?

Mr. MILES. Oh, I think it is thoroughly good. It is not as good as the best cement made from stone, but it is good cement.

Mr. DALZELL. It is good enough to keep the factories running making it.

Mr. MILES. I think it is splendid cement.

Mr. CLARK. Of course, it has some value, but it is not to be compared with first-class cement made from stone.

Mr. DALZELL. It is not to be compared with Portland cement; no.

Mr. MILES. We are just coming to the use of cement, and if you gentlemen start off a cement trust by putting a duty on it that it does not have to have, we will have the steel proposition over again.

Mr. CLARK. I was not thinking of establishing a trust, or of helping to establish one. I was trying to get at the concrete fact—made out of cement. [Laughter.]

Mr. GAINES. Do we import cement?

Mr. MILES. We probably import a little. We make all for general purposes here that I know about. We make enormous quantities here now.

Mr. CLARK. Are those all the trusts?

Mr. MILES. I skipped a good many, but what I said of the few applies to every trust that I have been able to locate in the United States.

Mr. CLARK. Have you a complete list of the trusts there—as far as you know?

Mr. MILES. There are some small ones in the book that I did not reach, but I have all the large ones.

Mr. CLARK. And you are going to put a list of the trusts in with your evidence?

Mr. MILES. I will do so, if you wish it.

Mr. CLARK. I wish you would.

Mr. MILES. Thank you.

Mr. CLARK. Have you a lumber trust in there?

Mr. MILES. No, sir; there is not a lumber trust, technically.

The CHAIRMAN. Where did you get your information about the number of trusts? From the Democratic campaign book? [Laughter.]

Mr. CLARK. He is not a Democrat; he is a Republican.

Mr. MILES. We imported \$3,600,000 worth of cement in 1907 and produced \$55,900,000 worth.

Mr. GAINES. I thought there was a considerable importation.

Mr. CRUMPACKER. Has the price of cement gone up in recent years?

Mr. MILES. No, sir; I think it has gone down.

Mr. CRUMPACKER. It is cheaper than it ever was before?

Mr. MILES. I think so, sir.

Mr. CRUMPACKER. I suppose that would be true.

Mr. MILES. Yes, sir.

Mr. DALZELL. According to this publication of ours it has not changed since 1899.

Mr. CRUMPACKER. It has been much cheaper of recent years.

Mr. RANDELL. Did you get any of your information about trusts from the Republican campaign book?

Mr. MILES. I have never read either campaign book, sir.

The CHAIRMAN. You would find some good sound doctrine about how to treat them there. Mr. Miles, I want to have a little conversation now about this petroleum—

Mr. COCKRAN. Have you completed your statement, Mr. Miles?

Mr. MILES. No, sir; I have hardly commenced.

The CHAIRMAN. The duty on petroleum was first put on by the Wilson bill, was it not?

Mr. MILES. Yes, sir.

The CHAIRMAN. A duty of 20 per cent?

Mr. MILES. Yes, sir.

The CHAIRMAN. That was put on only as against those countries which imposed a duty on oil imported from the United States?

Mr. MILES. It was a countervailing duty; yes, sir.

The CHAIRMAN. A sort of a reciprocity clause, as it has been called. And the Dingley bill, on motion of the Senate, changed that duty to the imposition of a duty equal to that imposed by the foreign country against our country. For instance, whatever the Russian duty was

on our oil going into their country, Russia paid the same duty on oil coming into ours; and so with Germany and with Switzerland, and all those other countries that produced more or less oil. Was not that the case?

Mr. MILES. I suppose so, sir.

The CHAIRMAN. The duty under the Wilson bill was 40 per cent, no matter what the duty was on oil going to a foreign country—40 per cent on oil coming here. Is not that true?

Mr. MILES. I do not remember, sir. I do not know.

The CHAIRMAN. Well, that is true according to the book. You will find it, if you consult it. It imposed 40 per cent wherever a foreign country imposed any duty, and the Dingley act imposed the same duty that the foreign country imposed against us. It started out with a duty of 3 cents in 1899, or 3½ cents, perhaps, per gallon, and 1.14 cents in 1904; until finally all the countries that had been charging a duty against the American oils put it on the free list, except Russia. Russia maintained her duty, and in 1907 made it 18 and about three-quarters of a cent a gallon; and that is where you get the high rate of 98.63 per cent, or 100 per cent, as you say. Part of the time under the Dingley act it was a less percentage than it was under the Wilson bill. Such a duty as that has been imposed upon several articles with the idea of getting free entrance of our articles into the foreign countries, and it has operated in every instance except this; and it operated in this case on all countries except Russia; but Russia imposed a higher duty. Now, is not that a fair statement of the case?

Mr. MILES. I accept your statement.

The CHAIRMAN. What do you say?

Mr. MILES. I accept any statement you make, of course. It is not for me to make a statement in explanation. I am simply expressing regret that it costs the people about \$50,000,000 a year.

The CHAIRMAN. I know; they made a football of it in the last campaign, as some iniquity in the Dingley bill, put there for a purpose.

Mr. MILES. Oh, it should not have been.

The CHAIRMAN. When the object in putting it there was simply to allow the American oil to go to foreign countries.

Mr. MILES. Surely; I think Mr. Rogers probably knew better than Congress about the chances on Russian oil when he got that or he would not have laughed.

The CHAIRMAN. But we are considering the propriety, under the circumstances and with the result of that duty, about taking it off entirely hereafter. The Standard Oil trust grew up years before the Wilson bill, when oil was absolutely on the free list, did it not?

Mr. MILES. Yes, sir; I suppose so.

The CHAIRMAN. So that that great iniquity was not the result of the Dingley bill or of the Wilson bill or of any tariff by this country on oil?

Mr. MILES. I am not talking about iniquities. I am talking about what the consumer is losing in money.

The CHAIRMAN. You are talking about trusts and that the consumers are losing money because of this duty on oil. Whether they are or not is more than you or I know, I think, because the other

countries, except Russia, have the free entrance of the markets of the United States on their oil without any duty.

Mr. MILES. Well, I want to make the point as to the trusts that if you get a rate a particle too high a trust can take advantage of it and an independent manufacturer absolutely can not take advantage of it, so it simply throws him over to the trust.

The CHAIRMAN. You would not have been able to make that argument when the Dingley bill was made, and cite any similar example. Whether you can now or not is another question. You could not do it then. You take steel rails. The steel trust was formed long after the Dingley bill was enacted, was it not?

Mr. MILES. I do not know, sir. The steel trust, you say?

The CHAIRMAN. The steel-rail trust—the United States Steel Company.

Mr. MILES. Yes, sir.

The CHAIRMAN. It was formed after the Dingley bill was enacted.

Mr. MILES. Yes, sir.

The CHAIRMAN. And prior to that the duty had been reduced on steel rails in the various laws until we got down to the Wilson bill, had it not?

Mr. MILES. I do not know about all that.

The CHAIRMAN. Well, that is a fact. There was a small reduction from the McKinley bill to the Wilson bill, and the Dingley bill retained the same rate of duty on steel rails that there was under the Wilson bill; and under this tariff, down to 1899, as you say, there was open competition in the production of steel in the United States, and you did not complain of the prices. The price came down, did it not, from year to year?

Mr. MILES. Under open competition.

The CHAIRMAN. In open competition. And there was that condition down to the time of the formation of the United States Steel Company?

Mr. MILES. Yes, sir.

The CHAIRMAN. And that was after the Dingley bill. Is not that true?

Mr. MILES. Yes, sir.

The CHAIRMAN. That is all I care to ask you. Well, I would like to say this further. I want you to furnish this committee with information. You say in these various industries the labor is 15 per cent, 17 per cent, and 19 per cent, and all that sort of thing. What we want to get at is the cost of the labor, per unit of value, so that we can ourselves form an idea of the percentage of labor in order to fix these duties.

Mr. MILES. You can get it—

The CHAIRMAN. If you, with your knowledge of the steel schedule, were going to make a tariff, and suit yourself, you would not take everything off of the steel schedule and put it all on the free list, would you?

Mr. MILES. Taking the steel schedule as a general proposition—

The CHAIRMAN. I mean taking everything on the steel schedule, the manufacturers of steel, and carrying it clear through to cutlery, and all that sort of thing.

Mr. MILES. I would take it all off on ore and all off on scrap, and let some mills in New England run, which can not run now, according to the last information I have, and take it substantially all off on pig, because it is made as cheaply here as anywhere. I am speaking of hot pig. And when I talk of that pig and the gentleman comes in and talks about cold pig—

Mr. UNDERWOOD. How are you going to take it off of hot pig? You can not bring it across the ocean in a converter. You could take it off of cold pig, if at all.

Mr. MILES. You should not figure any duty on hot pig in a cumulative proposition, a cumulative tariff.

Mr. UNDERWOOD. It is the cost of cold pig that we have to figure on. You can carry it from the blast furnace to the converter, but you can not cross the ocean with it.

Mr. MILES. I do not think you should put a tariff on cold pig. That is something that should not be in the tariff.

The CHAIRMAN. As I understand, on pig iron you still leave the duty, but you are not prepared to say now—

Mr. CLARK. He said he would take it off.

Mr. MILES. Take it off of the whole schedule.

The CHAIRMAN. On pig iron?

Mr. MILES. Take it off of the whole steel schedule—15 to 20 per cent.

The CHAIRMAN. Including cutlery?

Mr. MILES. Oh, no; I mean steel products—the big rolling-mill stuff.

The CHAIRMAN. Where do you draw the line? You said on all steel products. That is a pretty broad statement, and that includes cutlery.

Mr. MILES. A maximum of 15 per cent or 20 per cent on all rolling-mill products, and a minimum on the free list, or a little bit for revenue for the Government, provided the trusts will not hold up the domestic consumer as they are doing now, in restraint of trade; and I want to say that a good many, tens of thousands of manufacturers in this country, are wondering how they can get along because of the high prices; and they would have absolute relief as independent manufacturers if you would take that duty off, or in some way see that they could relieve themselves and run their shops on foreign steel in the face of this trust, which is a trust that is holding them up only because of the act of Congress in the tariff.

The CHAIRMAN. You think, then, if you took the duty off, that a large number of manufacturers, as you say, would provide themselves with foreign steel and run their factories?

Mr. MILES. No, sir—

The CHAIRMAN. You said let them run on foreign steel. What did you mean by that?

Mr. MILES. I said give them recourse in that direction and the \$46,000,000 that have gone abroad from our own producers will make the prices for our home consumers, and the law will help the small shop to buy its steel at home of the trust, instead of having the raw stock go to Europe to be made up by Europeans as against our small people, who have to buy at a Congress-made high price on steel. If you let us go abroad to buy our steel, we will go abroad and buy none or very little, because the home price is the foreign price plus the

tariff, and if you take the tariff off the home people will take care of themselves—the home producers.

The CHAIRMAN. I can not agree with you that the home price is the foreign price plus the tariff—

Mr. MILES. It is, according to the quotations I get here.

The CHAIRMAN. You and I do not agree on that; but I am simply trying to get your idea of the steel schedule now. Now, we have the products of the rolling mill on the free list. Let us take a step farther. What would you do with the rest of it?

Mr. MILES. I have a letter from a wire mill, the cry of a man in distress. He says you can write to as many independent wire mills as you choose, and they will all tell the same thing. He says: "The trust charges me so high a price for my raw material, and then through its own subsidiary companies makes finished wire at so low a price that I have no margin. I sent a representative abroad to get quotations on rods, and I just can not afford to buy them abroad; the tariff shuts me out, and nothing else, and if it were not for the tariff I could use the foreign-made steel and run my shops prosperously, as I used to."

His letter says: "I used to think that character and diligence and skill made for profit, but it does not now, because of the tariff."

The CHAIRMAN. On the strength of that letter, I suppose you would take the duty off wire?

Mr. MILES. I would make a considerable reduction in the wire duty.

The CHAIRMAN. You do not think you would put it on the free list?

Mr. MILES. I do not know where you would put it.

The CHAIRMAN. You only say you would make a reduction?

Mr. MILES. I would make a corresponding reduction.

The CHAIRMAN. Corresponding with what?

Mr. MILES. With the reduction you had made on the steel.

The CHAIRMAN. That you have got on the free list.

Mr. MILES. Then you would make a reduction on wire. I do not know how much it would be on wire.

Mr. CLARK. Why not put it on the free list?

Mr. MILES. Very likely; and when you come to nails, why not put them on the free list? The American nail maker controls 60 per cent of the free-trade English market.

The CHAIRMAN. Now, you have nails on the free list. What about the next item?

Mr. MILES. Machinery is higher grade stuff.

The CHAIRMAN. Would you put it on the free list?

Mr. MILES. No; but I have letters from a good many machine men who say yes, if you wish to.

The CHAIRMAN. Would you put it on? Unless you produce the letters, they do not have any—

Mr. MILES. I would have to look into that matter. Some say yes—if the owners know about it, and they ought to—but some others say no. I am against the free list.

Mr. CLARK. What are you against the free list for?

Mr. MILES. I want the revenue for the Government, and I want a trading proposition.

Mr. CLARK. You are looking out for the revenue, are you?

Mr. MILES. I want a trading proposition. I have been up in Canada a good deal, and they build implements in Canada for the very



same price they do here. There is no reason why Canada should be protected against us on implements, and none why we should be protected against Canada on implements, because the labor and materials are the same here and in Canada. A farmer there pays 10 per cent more for his tools from a Canadian maker than he would pay here, and 10 per cent more than the Canadian maker would ask him to pay, if we could have reciprocity.

The CHAIRMAN. Let us get back for a minute to the construction of the tariff on the steel schedule.

Mr. MILES. I want a tariff on most things.

The CHAIRMAN. You want to put most things on the free list. I have been following you down to see if there is anything in the whole iron and steel schedule, or manufactures of iron and steel, that you want a tariff duty on, and so far we have everything on the free list.

Mr. MILES. I hope you know that I am a Republican and a protectionist, and I want 125 per cent of the difference in cost. There is no difference in the cost of plows made in Canada and plows made here, and we plow men have lost our Canadian business and want to get it back. We want a trading margin there. We do not want a free list.

The CHAIRMAN. What is the next item that you would put on the free list?

Mr. MILES. I do not know that I would put anything on the free list. I would have a good fair tariff, and my minimum would be decidedly more than the difference in the cost, whether 80 per cent, 20 per cent, or 30 per cent, or whatever it is.

The CHAIRMAN. Then, you are not so certain about putting all these things on the free list?

Mr. MILES. All what things, Mr. Chairman?

The CHAIRMAN. These things that you have given.

Mr. MILES. What are they?

The CHAIRMAN. You spoke of all the products of the rolling mill, iron ore, and pig iron, etc., and you put wire on the free list.

Mr. MILES. I do not know that I do. I do not know what the difference in cost is here and abroad.

The CHAIRMAN. You put nails on the free list. I did not know whether you knew what they cost or not. That is just my difficulty with you; you make all these recommendations, but I want you to furnish me something I can act on. Congress has got to make a tariff. We have a responsibility, and before we act on that responsibility, which involves the weal or woe of 90,000,000 people in their business, we want to get at facts, and we summoned you here for that purpose. We want to know what these things cost. We want to know what portion of it is labor. We want to follow the thing right up, and we want to get the names of the people that you say have furnished you information, in order that we can call those people before us and get at the facts, because our responsibility is great in this matter. This is not any holiday job. It is not a matter of delivering a speech. It is to make a bill that will not destroy the industries of this country; that will bring the greatest good to the greatest number of people, both to the consumers and to the manufacturers, and so we want to get at the facts, Mr. Miles.

Mr. MILES. Then let me tell you what 90 per cent of the manufacturers of the United States want. You had people telling you half truths. We want you to say that we shall not have protection unless we justify, and you will get the proofs by first mail.

The CHAIRMAN. Some of that 90 per cent came forward without being summoned here to tell about it. There are a few of them who said something about reduction on their duties. Why do they not come here and tell us squarely what these things cost, what the items of cost are, what the difference in the cost of labor is? Even you do not do that. If they want that, why do they not come here and furnish us the information? We are not making this bill because somebody wants it. That is the furthest from our purpose. It is not because somebody wants it, but it is for the greatest good to all the people of the United States, consumers and all. We want to get at just rates.

Mr. MILES. I do not know that I followed you there.

The CHAIRMAN. I would like to have all these names of people from whom we can get the information; we are seeking information; we have got considerable of it, but we want more.

Mr. UNDERWOOD. Let me see if I understand your position in this matter correctly on the iron and steel schedule, for you are engaged in one of the manufactories that gave us the iron and steel schedule. Your position is that you think the industries in the iron and steel business have reached a stage in their development where they are able to stand alone in the markets of the world?

Mr. MILES. You mean the rolling mills, and so forth?

Mr. UNDERWOOD. I mean the general iron and steel business.

Mr. MILES. You say, "general iron and steel," and we have had a splendid talk about making a right tariff; but a typewriter is iron and steel, and cutlery is iron and steel. I am not talking about those highly finished products.

Mr. UNDERWOOD. I mean the ordinary schedules of the iron and steel business. You think the industry is able to stand alone, do you not?

Mr. MILES. The producers tell me they can.

Mr. UNDERWOOD. Then you think that iron and steel is a matter that revenue should be derived from if practicable—a reasonable revenue?

Mr. MILES. Not if \$2 has got to go to the trust and but \$1 to the Government.

Mr. UNDERWOOD. How much revenue do you think should be derived from that source?

Mr. MILES. I do not know.

Mr. UNDERWOOD. Do you think that we ought to put the entire iron and steel schedule on the free list or do you think we ought to derive a revenue from it? I am not talking of pins and needles and things of that kind. I want your general view. You think you represent a number of these people, and I want to know what they think. You say they think they do not need protection, and I agree with you. I think, in the main, they do not; but I ask you now, Do you think this ought to be a schedule on which part of the revenues of the Government should be derived?

Mr. MILES. I do not see why the foreign maker of iron and steel might not pay a little for the privilege of coming into our markets.

Mr. UNDERWOOD. You believe that, as far as practicable, it should be used as a revenue producer?

Mr. MILES. You have got to look out and protect the people against trusts. That is the first proposition, and I would not make it revenue if you are going to bring in only a million tons, with a \$3 revenue, and make us people pay the trusts that same \$3 on 20,000,000 tons they produced at home.

Mr. UNDERWOOD. I think you and I do not exactly understand the definition of "revenue." If there was a very small proportion brought in for revenue, and a very large proportion excluded, when we let a trust hide behind the wall, I would call that a protective tariff, would you not, to protect the trusts? That would not be a revenue tariff, would it?

Mr. MILES. I am not for protecting trusts.

Mr. UNDERWOOD. It would be a protective tariff under those circumstances?

Mr. MILES. I would keep the steel business at home. I would not buy steel abroad. I would simply take that tariff wall down so the people at home could not eat us up and would have to behave themselves, that is all.

Mr. UNDERWOOD. Then you would put it on a revenue basis?

Mr. MILES. I do not know what revenue to put on steel or what rate to put on steel.

Mr. UNDERWOOD. Then you are not able to tell us whether you are willing to put steel on the free list, or whether you are willing to have it as a means of deriving revenue for the Government, at so much per ton or per pound?

Mr. MILES. Maximum, 15 per cent.; minimum, free list.

Mr. COCKRAN. On all things in steel?

Mr. MILES. On the heavy steel products. If they behave themselves, give them protection and get the revenue, but when we have to pay them for the vast amount made at home a private contribution on the side, and the Government gets \$1,000,000 only out of ten that we give to the steel trust, then, in conscience sake, put it on the free list and give us a chance of relief from abroad. You are tying us up to all these trusts. It is not steel only; linseed oil is in the same class. The paint men want relief.

Mr. UNDERWOOD. Let us see where your figures go, because you represent a large number of people. The Antwerp price on steel rails two or three days ago was \$23 at Antwerp, and 15 per cent on that, ad valorem tariff, would amount to about \$3.50 a ton on steel rails as a maximum. Your idea is that \$3.50 ought to be levied on steel rails as a maximum, and a minimum at free trade. Is that your idea?

Mr. MILES. \$3.50 maximum; yes; and a free trade minimum, as against a trust.

Mr. UNDERWOOD. Then you believe in putting the balance of the steel schedules along the same line, as a rule?

Mr. MILES. The heavy steel products. I believe the steel people have an idea that now they are going to finish Gary and increase output by two hundred or three hundred million dollars. They want the small manufacturers of the United States to use their steel, and let me tell you right there we have a good deal of export trade, and one-half of all our manufactured goods we send abroad are crude and

semicrude, with very little American labor in them, and it does not seem to us right that the great volume of our export trade should be these trust-made goods with the minimum of labor in them. We people who go on to the highly finished goods want to get the raw material and the low-finished stuff at as near the international price as will justify under the principle of protection, and we want to send abroad twenty times more wages in the stuff that goes over.

Mr. COCKRAN. You used the words "international price" several times. You are the first speaker, so far as I know, who has used that expression in the testimony here with reference to steel. Is there an international price for steel?

Mr. MILES. I mean that the international price is the going and competing price. I do not mean the trust article.

Mr. COCKRAN. I understand. But I want to know if there is an international price, as there is an international price on other staples?

Mr. MILES. Yes, sir; there is an international price. It is a familiar phrase.

Mr. COCKRAN. We know there is an international price on staples like corn and silver and things of that kind, but is there an international price on steel?

Mr. MILES. Yes, sir; just the same way.

Mr. COCKRAN. How does that differ from the price in the local market?

Mr. MILES. It is less the tariff, for the most part.

Mr. COCKRAN. Where is that international price fixed? Is it fixed in London, or where?

Mr. MILES. It is fixed by competition, or the quotations, right along, from European importers, so that the steel would be my price less the tariff.

Mr. COCKRAN. Then you mean that each one makes up his own mind as to what the international price is?

Mr. MILES. Well, yes.

Mr. COCKRAN. Then there is not any international price universally recognized as there is on other staples. For instance, there is an international price for silver.

Mr. MILES. No; there is no bourse that makes the price.

Mr. COCKRAN. There are no exchanges where you make this an international price that would be known to all men?

Mr. MILES. No, sir.

Mr. COCKRAN. Therefore, when you speak of an international price you speak really of what you consider the international price, not of any international price so fixed that all men would be governed by it?

Mr. MILES. It is a price that a man in Argentina would buy his steel for. He would write to England or the United States or any other place for the steel, and I would call the international price the price of the same product under like conditions.

Mr. COCKRAN. Is there any way that we can get that international price so that we can compare that with our local prices?

Mr. MILES. Yes, sir.

Mr. COCKRAN. How would you do that? For instance, to-day, what is the price of steel here in America?

Mr. MILES. \$1.40 for a hundred pounds, average steel.

Mr. COCKRAN. That is \$28 a ton?

Mr. MILES. Yes, sir.

Mr. COCKRAN. How could I, how could the chairman, how could any one of us here ascertain what the international price is here?

Mr. MILES. I could answer it this way. The gentlemen who appeared three days ago said that Antwerp is selling steel bars at 1 cent a pound. That gives you your answer. He goes into Antwerp getting 1 cent, and would get same price if in England.

Mr. COCKRAN. Is that the international price?

Mr. MILES. I would call that the international price.

Mr. COCKRAN. Then the international price is the price at Antwerp?

Mr. MILES. Oh, no; the price in Argentina or anywhere, in fact, where people buy it.

Mr. COCKRAN. Those are not published figures?

Mr. MILES. No, sir.

Mr. COCKRAN. When you speak of international price you do not speak of any price so fixed and openly known that one can ascertain it by looking into any publication?

Mr. MILES. No, sir; you get it from your quotations.

Mr. COCKRAN. You also gave us some interesting lists of trusts, and I understood you to say that you did not undertake to exhaust them—that there were a number more that you did not mention?

Mr. MILES. Yes, sir.

Mr. COCKRAN. How do you define a trust? What do you mean by a trust; do you mean a combination of concerns that had formerly been competing, or do you simply mean a large corporation?

Mr. MILES. You and I agree on trusts. I just took his statement here [exhibiting book].

Mr. COCKRAN. Whose statement is that?

Mr. MILES. Moody on Trusts.

Mr. COCKRAN. Then whatever Moody characterizes as a trust you have accepted as a trust?

Mr. MILES. I have not paid any attention to it. I did not come here to talk trusts.

Mr. COCKRAN. I understand; but you see it is the most important feature of your argument.

Mr. MILES. Those are people who control the market in any special industry.

Mr. COCKRAN. That is to say, in those various lines of industry that you have mentioned some individual concerns probably control the market?

Mr. MILES. Yes, sir.

Mr. COCKRAN. That is a very good definition of a trust. In each of these you have given us the rates of duty, and it is on the rate of duty, in your judgment, that the trust has been built up behind this tariff wall?

Mr. MILES. The trusts might have been built up anyway, but you help them when you raise a wall such that the people of the United States can have no relief from the outside.

Mr. COCKRAN. So far as these particular trusts are concerned, they exist through the fact that the tariff wall prevents the American consumer from having access to the supply of the world?

Mr. MILES. I do not think they exist for that reason, but they are advantaged by that circumstance. They make twice as much profit

because of the tariff wall as they would have if they did not have the tariff wall, and the extra profit is at the expense of the consumer.

Mr. COCKRAN. I think we understand each other. Your statement is that where the tariff is levied upon an article which we can produce in this country as cheaply as anywhere in the world, if the producers in that particular line of industry combine they have the American consumer at their mercy; can exact such prices as they choose up to the point fixed by the tariff wall?

Mr. MILES. Yes; I think so. That is what the steel people are doing to us.

Mr. COCKRAN. That is what you claim the steel people do now?

Mr. MILES. Yes; and the lead people are doing it, and the linseed-oil people.

Mr. COCKRAN. You have said that your remedy for that would be to have a maximum and a minimum tariff. Why would not the more effective remedy be to put it right on the free list?

Mr. MILES. I think that a great aggregation like a trust is entitled to just as much consideration as anyone else, but we simply do not like to see Congress behind them, but Congress does not need to destroy them, in Mr. Taft's language, in order to regulate them.

Mr. COCKRAN. I quite agree with you, and if they have an advantage through the tariff, do you not think it would be proper to have the tariff away and to put them on their merits?

Mr. MILES. Certainly; for the minimum, but do not destroy them.

Mr. COCKRAN. Whether they would be destroyed or not would depend upon themselves. As I understand, all you advocate is to take away any advantage that they have under the law?

Mr. MILES. If it costs more to make steel in this country than abroad. The steel men are entitled to as much protection as anyone else.

Mr. COCKRAN. I quite agree with you on the protective principle. You believe in protection, while I do not, but we have to proceed on the assumption that if we should pass a law that would impose such a duty as to keep out foreign goods, that would be a protective measure, and therefore all we can do is to discuss it from that standpoint. Bearing that in mind, I understand from you that this industry does not need protection; that it is able to undersell competitors in the markets of the world; is that correct?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Why should there be any duty on it; why not put it on the free list?

Mr. MILES. If my statement is right, it would mean that we were coming very close to the free list, but I would be liberal toward them. I do not think it is of any consequence to me whether 15 per cent or any duty is levied, but to be very sure they can take no undue advantage of the public. If the minimum is the free list, it means that at any time when they hereafter may take advantage of the consuming public they will be put on the free list.

Mr. COCKRAN. By whom? How would you decide when to put them on the free list? What I want to get at is who is going to decide that they are oppressing the community? By what machinery would you decide that they are to be shoved on the free list one day and lifted out of it on another?

Mr. MILES. The Government should be able to inform itself very easily.

Mr. COCKRAN. Then it would be your idea that it should be left with an executive department of the Government to say that the trust was abusing its advantages one day and employing them properly another day respecting them, and as the Government reached a conclusion one way or the other, it should thrust them on the free list one day and lift them up to a protective plane on another; is that your idea?

Mr. MILES. No, sir; you can not do that from day to day.

Mr. COCKRAN. Where else would you put the power? You would not have the tariff rate changed by Congress every second day, would you?

Mr. MILES. I was thinking about a maximum and minimum rate, that some authority, like the State Department, by treaty, could act upon at any time. If our trusts were wronging us, we could lower the rates so that they could not. Be careful and give them no more than they need of protection.

Mr. COCKRAN. They do not need anything for protection.

Mr. MILES. From my standpoint they do not.

Mr. COCKRAN. If they are sending \$46,000,000 abroad, it is clear they do not want anything for protection.

Mr. MILES. Then put them on the free list.

Mr. COCKRAN. On your own showing here, is it not obvious that the necessary conclusion is that they ought to go on the free list?

Mr. MILES. Heavy steel products.

Mr. COCKRAN. Define what you mean by "heavy steel products." You mean rails, structural steel, bars, girders, ingots; is that right?

Mr. MILES. Yes, sir.

Mr. COCKRAN. And what are called "steel sheets," I believe; all those to be put on the free list, and ore, of course?

Mr. MILES. Yes.

Mr. DALZELL. Tin plate?

Mr. MILES. Tin plate has wronged the American people greatly.

Mr. DALZELL. It should go on the free list, in your estimation?

Mr. MILES. I would not put anything on the free list. You are trying to push me into the ranks of the free traders. I am not a free trader. I am a good, big, plump protectionist, but you have given these trusts five, ten, fifteen times what they could justify.

Mr. COCKRAN. But are they to justify to your satisfaction or to mine, or to the satisfaction of the people generally? What do you mean by "justify?"

Mr. MILES. You are getting to the tariff commission idea, which I would like to discuss.

Mr. COCKRAN. No, indeed, I am not; nothing is further from my mind.

Mr. MILES. Let them bring their proofs in and not so much loose talk.

Mr. COCKRAN. It is very important that we should get the idea of so intelligent a man as you are on a question of this character. You say you do not believe in the free list, but surely, from a protectionist point of view, when any industry is able to get along without protection, there is no necessity of giving it protection, which may be abused, as you have just shown it is being abused now. In

other words, a tariff that is not necessary for protection is likely to become available for exploitation, is it not?

Mr. MILES. You have given those people 80 per cent of their cost and 40 per cent of their cost and four and five times the total wage cost, and I am talking on the large proposition, and I do not know whether the steel people should have one rate of duty or another, but they should have a very low duty, and if they do not protect the small manufacturer, then they should go on the free list. I can not name the amount. I do not come here to give you the least bit of fact. If I did, I could give you the conclusion.

Mr. COCKRAN. Then I understand that you come here to give us the first installment of the information, and that the other installments we must seek from other sources; is that your idea?

Mr. MILES. I give you the entire idea, that the steel schedule is outrageous.

Mr. COCKRAN. I agree with you. Granting that it is outrageous and that the steel people are able to sell their products abroad, what objection have you to the commodity going on the free list?

Mr. MILES. I have answered you the only way I can, that I would like to see about a 15 per cent maximum and a free list minimum.

Mr. COCKRAN. Why should you give them any protection if none is necessary?

Mr. MILES. Any maximum?

Mr. COCKRAN. Yes.

Mr. MILES. Because we want a chance to trade with foreign nations, and a maximum and a minimum is of infinite advantage to us.

Mr. COCKRAN. Now I understand you.

Mr. MILES. We want to double our foreign business; our chimneys are too smokeless and we are employing too few men, and there are a billion people outside of this country waiting for our goods, and the steel trust is one of the hindrances, and the rest of these trusts are bothering us.

Mr. COCKRAN. Now we are reaching the light. Now, I understand you, I think. Your theory is for a maximum and a minimum tariff, to be applied, not for the protection of the steel industry, for I understand it is already established; that it is independent of the tariff, but for protection against a foreign country that may impose tariffs on our products?

Mr. MILES. Yes, sir.

Mr. COCKRAN. That is to say, you would not under any circumstances allow the steel trust to have a larger protection than 15 per cent, but you would remit even that rate in favor of any other country that admitted our products of steel on a free-trade basis. Is that your theory?

Mr. MILES. Yes; substantially.

Mr. COCKRAN. So that when you speak of maximum and minimum tariffs you mean that you favor imposition of duties for the purpose of negotiating access to foreign markets?

Mr. MILES. Yes, sir.

Mr. COCKRAN. That is your understanding?

Mr. MILES. That is what we want a maximum for.

Mr. COCKRAN. Yes; I understand that. And as for a minimum, I understand you do not want any, for I understand your minimum is free trade?



Mr. MILES Yes, sir. I do not know that those figures I gave are right. Your first assumption is that the steel people deserve no tariff on the protective principle.

Mr. COCKRAN. I am accepting your figures on that.

Mr. MILES. The figures I have in hand give that.

Mr. BONYNGE. Have you any doubt about the information you have given us, as to whether it is correct or not?

Mr. MILES. No, sir; in general, but it is not complete. I do not think that you are ready to make a tariff to-morrow on my testimony. I think that my testimony is absolutely conclusive that the steel schedule was frightfully wrong when it was made, and is now, and it must be very greatly reduced, but I am not prepared to say how much.

Mr. BONYNGE. Can you give us any indication of that portion of the testimony about which you have no doubt as to the correctness?

Mr. MILES. I have no doubt as to the correctness of any of it, but I do not believe it is absolutely complete to make a tariff here to-night. Did you expect that I should have it that complete?

Mr. BONYNGE. No; I did not expect you to do that, but I expected you to give us information upon which we could rely in connection with the other testimony which we have.

Mr. MILES. You may rely on steel costing as little here as anywhere in the world.

Mr. BONYNGE. That is what I want to get, the information upon which we can rely.

Mr. MILES. All of it, sir.

Mr. COCKRAN. I understood you to say that, given free raw material of steel, you can put your product on the free list; you are perfectly willing to have your product go on the free list?

Mr. MILES. Many of the members are, and I am for the free list as a minimum.

Mr. COCKRAN. You mean that you would want some maximum and minimum tariff should be adopted, to be used solely for the purpose of securing access to foreign markets?

Mr. MILES. Yes.

Mr. COCKRAN. But, so far as our own market is concerned, you are not afraid of competition?

Mr. MILES. Not if we can get our materials right.

Mr. COCKRAN. You made another remark which I think is of great importance in the testimony you gave in that respect, namely, that you are moved also by a desire to employ more labor at better rates?

Mr. MILES. Yes, sir.

Mr. COCKRAN. On what is that based? How do you expect to give better rates of wages and larger employment under such conditions?

Mr. MILES. We ought to have two or three times the foreign trade; we ought to charge the consumer less here at home and get more trade in consequence of the less charge to the consumer, and in that way we ought to employ more men in the making of goods for the home market and for the foreign market.

Mr. COCKRAN. Your position is that with free raw materials you would largely increase your output, and you would make larger total revenues from smaller profits on an extended output than you are making now by larger profits on a restricted output?

Mr. MILES. We might have the same profit and reduce our prices materially.

Mr. COCKRAN. You would make larger revenues, then, with smaller prices—you say lower prices—on an extended product, than you are making now with the higher prices on a restricted product; is that correct?

Mr. MILES. We might have the same margin per wagon and make 5,000 wagons more per year at less price.

Mr. COCKRAN. That is what I understand. I do not mean to speak now of the large products, but your theory is that with free raw materials you would so extend your output that you would make on lower prices to the consumer larger net revenues on this extended commerce than you are able to make now at higher prices on a lesser output? In other words, you want to sink your profit and extend your output and lower your price?

Mr. MILES. We want an honest protection that will let us get trade that to-day is shut out because our price is too high. I can not follow you in such a long, involved statement.

Mr. COCKRAN. Then I will give it to you piecemeal. Your intention is, your hope is, and your belief is that if we remit this tariff you will greatly extend your sales?

Mr. MILES. Yes.

Mr. COCKRAN. And at the same time lower the price to your consumer?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Is it not very evident, then, that you expect to have a larger output at smaller prices to the consumer?

Mr. MILES. At smaller selling prices; the same margins, practically.

Mr. COCKRAN. But you expect free trade to bring larger total earnings than you have now?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Although you are now getting higher prices on a smaller output?

Mr. MILES. Higher sale prices, yes; same margin.

Mr. COCKRAN. Do you not think that will hold good through every department of industry?

Mr. MILES. I have been talking here of the steel schedule only. I had eight or ten to talk, but I am talking steel, because the steel people told me I might, and they would be benefited by a great reduction in the tariff, but there are other things where a big reduction in the tariff might do a great harm.

Mr. COCKRAN. I understand; we will stick to steel alone, then. You are perfectly clear that this remission of duty will result in greater output and lower price?

Mr. MILES. Yes, sir.

Mr. COCKRAN. And that would result in a greater demand for labor?

Mr. MILES. Yes, sir.

Mr. COCKRAN. And your answer is based on the assumption that the compensation of labor is based upon the law of supply and demand, and therefore your testimony as to wages turns upon the fact that you believe this remission of the tariff, or reduction of it, would largely stimulate production?

Mr. MILES. If I stop this talk right here it will look as though maybe you have made a little of a free trader of me, but I want to go beyond that.

Mr. COCKRAN. Do not hesitate when you are going right. [Laughter.]

Mr. MILES. I know now an enormous manufacturing establishment that let some of its labor go a year ago. It had been begging for help from this Government and the reduction of the tariff, and it had this proof which it has given me, and it let those laborers go in the United States and turned its business over to Canada because the Pittsburg people gave them goods in Canada at a less price than it gave to the same people this side of the line, and the tariff did nothing but drive business away from American factories.

The CHAIRMAN. What concern is that?

Mr. MILES. Implement concern.

The CHAIRMAN. An implement concern?

Mr. MILES. Yes, sir.

The CHAIRMAN. I know a little about that myself. I want to ask you a question: The French have put on a large maximum tariff, have they not?

Mr. MILES. Yes, sir.

The CHAIRMAN. And the United States were not able to get in on the minimum tariff until quite recently? They were compelled to pay the maximum?

Mr. MILES. Yes, sir.

The CHAIRMAN. While Canada got in on the minimum tariff a year or two ago?

Mr. MILES. Yes, sir.

The CHAIRMAN. And that concern manufactured in Ontario for the purpose of selling their implements to the French market? They had a large export trade to France, and they are sending it there now, are they not?

Mr. MILES. I suppose so.

The CHAIRMAN. And the reason they could not get into the French market was because of the high maximum duties that they would have to pay if they exported from the United States, and so they went into Canada and exported from there?

Mr. MILES. Not that only, sir; they bought steel cheaper in Canada than they bought it here.

The CHAIRMAN. They were in Canada; they had a manufacturing establishment there, but they turned their export business for France over to Canada, because they could get in under the minimum tariff in Canada and could not from the United States. That is the whole story?

Mr. MILES. No, sir. They told me before that maximum or minimum French treaty that they were making foreign goods in Canada instead of in this country partly because they got the steel cheaper from Pittsburg.

The CHAIRMAN. I happen to know that they were exporting to France from this country before that maximum tariff went into effect.

Mr. MILES. They were, some.

The CHAIRMAN. Do you know any trust that controls over 50 per cent of the domestic consumption in the United States?

Mr. MILES. Yes, sir. Let me go to the other extreme, now, and say that I do not know any big trust that does not.

The CHAIRMAN. Well, any trust that controls about 50 per cent?

Mr. MILES. I hold that they have such a control as enables them to fix the price on much more than 50 per cent. The steel trust controls 90 per cent, I should say, or 100 per cent.

Mr. CLARK. Mr. Chairman, I would suggest that it developed before our committee that the wood-alcohol trust controls 75 per cent. It was testified to before this very committee.

The CHAIRMAN. I do not remember that anybody testified that the tariff had the slightest thing to do with it.

Mr. CLARK. I know, but you did not say anything about the tariff.

The CHAIRMAN. I was not asking for any such purpose then; I wanted to get into his mind some trust that controlled over 50 per cent. You say the steel trust controls 90 per cent?

Mr. MILES. In a selling way, the steel trust controls the market to the last pound, so far as I have been able to discover.

The CHAIRMAN. And they fix the price at \$28 a ton—

Mr. MILES. They fix the price wherever they want it.

The CHAIRMAN (continuing). And the other people, being able to get \$28 a ton, are not fools enough to go below it, unless for the purpose of getting some special order.

The president of one of those smaller concerns was before us the other day and said sometimes they did cut below that price. He would be apt to know more about that than you do. He also claimed that because the United States Steel Company owned their mines and owned their railroads to the mines and had this unlimited capital and these great facilities, and of course an up-to-date plant, they could make steel rails cheaper than he could in the Pennsylvania Steel Company, because the railroad freight had gone up in the past ten years and the price of labor had gone up and the price of the raw material had gone up. So that you would reach a point in the reduction of the tariff where it would be to destroy the only competition there was—the only outside competition—and leave it at a point where the trusts could live because of their greater facilities. Do you think that would be a good idea? Would that benefit anybody?

Mr. MILES. You talk steel and there is not any competition, so I do not know why you talk about the competition in steel.

The CHAIRMAN. Then we will take something there is competition in, if we can not agree upon that. You know trusts that control half of the output, or about that, do you not?

Mr. MILES. I would not call it a trust if it only controlled one-half.

The CHAIRMAN. Well, you know of a great corporation that controls about one-half—I am not particular about terms—of the output?

Mr. MILES. Well, I can assume that there is one.

The CHAIRMAN. But you have no knowledge on the subject. Now, suppose that the rest of it is controlled by small corporations, small factories, and that this great corporation by reason of its capacity, and its connections, and all that sort of thing, owning the raw material, was able to make their output cheaper than the little fellow—you can imagine that, can you not?

Mr. MILES. Yes, sir.

The CHAIRMAN. It occurs every day in business, does it not?

Mr. MILES. Yes, sir.

The CHAIRMAN. Now, in reducing the tariff on that output, on the articles made by those people, you might reach a point where the little fellows could not do business, might you not?

Mr. MILES. Yes, sir.

The CHAIRMAN. And still the trust, or the big fellow—we will not call him a large manufacturer—would be able to do business. So in your crusade on the tariff you might destroy half the people who manufacture that article and put the whole business in the hands of one. That would be possible, would it not?

Mr. MILES. Yes, sir.

The CHAIRMAN. Do you not think those facts ought to be pretty carefully examined before making a tariff of that kind?

Mr. MILES. You have a succession of assumptions, and you would make an allowance for these independents. I do not know how you would apply that to these things I am talking about.

The CHAIRMAN. In making your schedules a few minutes ago you did not take that into consideration at all, did you?

Mr. MILES. No, sir.

The CHAIRMAN. On what articles and what schedules that you put on the free list did you take that into consideration?

Mr. MILES. I did not put any on.

The CHAIRMAN. Well, suggest putting on?

Mr. MILES. Well, I will call them off if you desire. I guess it will be most of them. Take steel; I know little independents, people who get 80 and 100 per cent per annum buying rails and making them over. I do not think you would save them. Now it is a matter of industry.

The CHAIRMAN. Do you mean proprietors of rolling mills?

Mr. MILES. Yes, sir.

The CHAIRMAN. There are a good many of those people in the United States, are there not?

Mr. MILES. Yes, sir; and if they are making 50 per cent per annum we do not need to bother about saving them.

The CHAIRMAN. They have the same facilities that the United States Steel Company has as to making that merchant iron?

Mr. MILES. They have not the same.

The CHAIRMAN. On a smaller scale they can do it as cheaply?

Mr. MILES. Well, they do not do it the same way. They make as much money as the United States Steel Company does, but have not as much efficiency.

The CHAIRMAN. I would like to find some one who did, and I am familiar somewhat with that business. No; you will find in every industry that the great big corporations make their products cheaper per ton than the smaller corporations.

Mr. MILES. Then you average it up, of course.

The CHAIRMAN. Of course. That still leaves the little fellow out. Unless you make a duty that will take care of him you destroy him or else you have to cut down the price of his labor, and you do not want to do that, I suppose, or do you?

Mr. MILES. You and I are perfectly agreed upon that proposition.

The CHAIRMAN. You do not want to cut down the price of labor?

Mr. MILES. No, sir.

The CHAIRMAN. It would do that if you put the tariff down where it would hit the big corporations, would it not?

Mr. MILES. Do not put the tariff so high that you foster incompetency.

The CHAIRMAN. I am not talking about that. Some of our largest business men have a small plant to begin with, and in future years they work up into big corporations because of their business ability. All these great plants were started by men who started in a small way and with a small plant. Even Andrew Carnegie started that way. Because a man has a small plant it is no criterion of his business ability, is it?

Mr. MILES. I am standing here for the small manufacturer.

The CHAIRMAN. You are a small manufacturer yourself?

Mr. MILES. Yes, sir.

The CHAIRMAN. You do not want to intimate that because you have a small factory that your business ability is not as good as the Fricks and the Schwabs and the Carnegies, do you?

Mr. MILES. It would be very proper that you should; it will be right for you to do so.

The CHAIRMAN. Would you admit that?

Mr. MILES. What?

The CHAIRMAN. Would you admit that?

Mr. MILES. That I have not the business ability of the Schwabs and the Fricks?

The CHAIRMAN. You expect to be a Carnegie sometime, do you not, or hope to be?

Mr. MILES. Not until you put the idea into me just now.

The CHAIRMAN. Well, having put it into your head, you have hopes?

Mr. MILES. Not a big hope.

Mr. COCKRAN. You would if you cut the tariff down?

The CHAIRMAN. I do not know about your cutting the tariff down. If you cut it and slashed it as you propose to do you might shut up a good many of these factories and that would stop the purchasing power of people who are working for wages; do you want to do that?

Mr. MILES. I do not think I will answer any such question as that.

The CHAIRMAN. Why?

Mr. MILES. Because I am in favor of giving every industry from 25 to 50 per cent more than it can justify for.

The CHAIRMAN. That is your idea; 25 per cent more than it can justify?

Mr. MILES. Yes, sir; more than the difference in cost; that is a liberal difference.

The CHAIRMAN. When people come here and figure up their costs, as Mr. Felton did the other day, so that when he sold abroad for a series of years he lost a dollar and a half per ton, or something like that, merely showing that he could not send it over there and sell it as cheaply as they make it over here, you would still take the duty all off?

Mr. MILES. From what I know, you would make further investigation.

The CHAIRMAN. Oh, certainly; but if you did not know more than that you would take it off, would you?

Mr. MILES. I would not act upon Mr. Felton's figures at all at this time.

The CHAIRMAN. Still, if he told the truth, the tendency would be to shut up this mill, would it not?

Mr. MILES. I have not been following you, because I have not been satisfied with Mr. Felton's statement.

The CHAIRMAN. We are going to investigate further with regard to Mr. Felton's business, because he told us he had made reports for five years of the cost of a ton of steel to the United States department. We are going to try to get hold of those reports for five years. That would be pretty good evidence, would it not?

Mr. MILES. I should think so.

The CHAIRMAN. An expert was sent there to examine the books. That will be perhaps as expert a piece of evidence as we can get. But if we find out finally the state of facts presented by Mr. Felton to be correct, would you put it on the free list or not?

Mr. MILES. If it was going to shut his shop up?

The CHAIRMAN. Yes.

Mr. MILES. I would not shut his shop up.

Mr. CLARK. If a man came in here and stated that he started in with \$500,000 and only made  $3\frac{1}{2}$  per cent profit, and wound up at the end of twenty years with \$20,000,000, would you believe what he said or not?

Mr. MILES. I have been a good deal impressed with the long series of hypothetical questions. There is a colored man in the woodpile somewhere. I have submitted to you what I considered absolutely authentic, while with Mr. Felton it was something else.

Mr. CLARK. I was not asking about Mr. Felton, but there was a man who came in here and swore that they started in with \$500,000; that they had a \$4,000,000 capital, and they made a scant 3 or 4 per cent, and at the end of twenty years they had three and a half millions more than they started with; it was not Mr. Felton. You say you are not in favor of putting down wages?

Mr. MILES. Certainly not.

Mr. CLARK. There is a general impression in the country—arrived at I do not know how, exactly—that you and Mr. Van Cleave and Perry and company were in favor of cutting down wages all the time. Is that true, or not?

Mr. MILES. It is as untrue and impossible for us to consider as anything in the world could be.

Mr. CLARK. Well, what has the row been about, then?

Mr. MILES. That the schedules are not as definite in the Dingley law as they should be, but are five and eight times, in many cases, excessive, and beyond that.

Mr. CLARK. I am not asking about that, but what has been the trouble with Perry and Van Cleave and you about the labor business?

Mr. MILES. There has never been any trouble with me about labor. I have had little differences with my men.

Mr. CLARK. You say you are in favor of adding to the labor cost 25 or 50 per cent, and you have repeated that statement four or five times. Now, what I want to ask is if this tariff—any tariff, I do not care what it is on, or the rate of it—that is levied in the name of labor, if the laborers ought not to get all of that tariff?

Mr. MILES. Why, no, sir.

Mr. CLARK. Why not?

Mr. MILES. If it cost 90 cents to make a thing in Germany and \$1 in New York, for whatever reason, you have to give that New York man that 10 per cent of difference or he has to shut up and we have to go to Germany for the stuff.

Mr. CLARK. Why has he got to shut up?

Mr. MILES. Well, you said labor should get it all. Some materials will cost more in this country, and in some instances they are different. It does not make any difference; if the man is sensible and running his shop right, you shut his shop up or give him the difference in cost.

Mr. CLARK. Here is the proposition. They come in here and give invariably as a reason why there ought to be a protective tariff on this, that, and the other article, that it is to protect American labor. Now, if that is the theory, if you can give a reason why the laborer should not have all of the tariff that the American people have to pay, I would like to have you state it.

Mr. MILES. As a rule I believe we feel that the tariff is for labor, almost if not entirely, but you ask me to make a broad statement with no exceptions. I could not do it. I think there are some things in which material might be different. But you are right, that 90 per cent of the tariff is supposed to be and is for the laborer, so far as I know.

Mr. CLARK. Do you believe that there is any way in the world of busting this steel trust except to put them right on the free list?

Mr. MILES. I do not think any of those trusts are trusts except for increasing their profits.

Mr. CLARK. Why do you not answer that question? It was a simple question.

Mr. MILES. To put them on the free list?

Mr. CLARK. Is there any way to get rid of the American Steel Company, in its capacity as a trust—taking away from it that function that it exercises—except to put it on the free list?

Mr. MILES. I do not think you could get rid of it when you put it on.

Mr. CLARK. Would you get rid of it in its capacity as a trust?

Mr. MILES. No, sir.

Mr. CLARK. Is there any way in the world to bust a trust?

Mr. MILES. You will have to go to the Attorney-General.

Mr. CLARK. I am not going to him for a legal opinion now, as sure as you live.

Mr. COCKRAN. You did not mean, surely, in answer to Mr. Clark's question, that if the tariff was taken completely off the steel product that the steel company could then exact any excessive prices from the American consumer?

Mr. MILES. No, sir; it could then exact only the international prices.

Mr. COCKRAN. That is what Mr. Clark asked; that is what he meant. You quite agree with him in that—that is, in other words, they could not exercise any oppressive prices on the American people by the sale of steel?

Mr. MILES. No, sir; but it now adds to the international prices. It adds 25 per cent.



Mr. CRUMPACKER. Is the drawback provision in the Dingley bill of any special benefit to the farm-implement manufacturers of this country?

Mr. MILES. I am glad you asked that question. The drawback is a great help to any big company like the International Harvester Company, which I believe uses, or which can bring in, a large quantity of stuff—large enough to watch it in and check it back, and all that.

Mr. CRUMPACKER. They can manufacture especially for foreign trade?

Mr. MILES. For foreign trade only. Of course they only manufacture for foreign trade. You take little people like myself, and while we employ 1,500 men we have no foreign business; we want it very much, like the rest, but we have not enough so that we can use the drawback at all. It would cost more than it was worth. So I have to stand for the steel people and go without my foreign business. I have no hope of getting a foreign business. Those people who have foreign business in my industry are losing on it, except the harvester people. I do not know of anyone that is increasing his foreign trade, and I know a great many people who are losing out.

Mr. BOUTELL. I had in mind to ask one or two questions on the subject of the relation of the tariff and the trusts. Is it not quite possible, when we come to deal practically with the question, that in attempting to cure the evils resulting from illegal combinations in restraint of trade that we will have to use much more heroic measures than the reduction or repeal of the tariff?

Mr. MILES. Very likely, sir.

Mr. BOUTELL. In other words, I remember when I was a boy writing in a copy book the sentence, "Competition is the life of trade," and I have compared notes with my friend Mr. Clark, and my friend Mr. Cockran, and they both assure me that at about the same time they were writing the same sentence.

The CHAIRMAN. It was "business" instead of "trade" in mine.

Mr. BOUTELL. You were writing some fifteen or twenty years before. When I wrote it it was "Competition is the life of trade," and I remember another maxim—whether I used to write it or not—it was in an old almanac; it read, "Increasing profits increases competition." Now, if the term is anything it is an increase of gross profits, or an opportunity to increase gross profits. Now, if these maxims are true, and nothing abnormal or unnatural stepped in, the result of the turn would be, would it not, like any other opportunity of gross profits, a stimulus to competition?

Mr. MILES. Yes, sir.

Mr. BOUTELL. So that is it not possible that we exaggerate too much the possibilities of a low tariff rate in stimulating trusts, and, per contra, is it not possible that we exaggerate too much the effect of the repeal of the tariff duty in putting an end to the trust operations—when we use that expression I mean an illegal combination in restraint of trade, which is, of course, what the lawmakers have to deal with?

Mr. MILES. Yes, sir.

Mr. BOUTELL. Now, in the testimony that we have had already there were in four different industries quite a glimmering of the pos-

sibility of the formation of international trusts; in the evidence about lumber, the evidence about paper—where both the witnesses used the word “trusts”—in the evidence about leather, where the witnesses used the term “trust,” and in one instance of a man who manufactured some sort of steel product, he told us that one of his assets which he discovered after he had bought out a factory was an agreement with a German manufacturer as to the price at which the article had been sold. Now, in those four lists—paper, lumber, leather, and some manufactures of steel, consisting of the steel products—there was, I say, a possibility of the formation of an international trust. Now, the question that I come to is this: Whether in the repeal of a duty for the sake of putting an end to an illegal combination in restraint of trade there might not be the possibility of the actual formation of international trusts, and is there not a possibility that the international trust—take lumber between America and Canada—may be able in some way to escape the courts just as the international freight rates escape the Interstate Commerce Commission? Is not that possible?

Mr. MILES. I have thought of that very much. There are a lot of international trusts now. There is an international rail trust. I contemplate as very probable an international steel trust, and I do not see how we can escape it.

Mr. BOUTELL. In other words, with the electric cable and the telegraph bringing all the markets into connection, would not the removal of all the tariffs the world over, in a way, be a stimulus by increasing profits in such places, be a stimulus to the formation of this international trust?

Mr. MILES. We have just one last chance, we independent people. Put that tariff as low, as against trusts, as you can consistently under the protective principle, and we have just one last chance. It is hard for them, comparatively, to make an international trust. If they do, we are absolutely helpless; we are in the hands of the trusts. We have waited so long on the steel schedule—I have said it for five years—you have given them so much of the people's money that I guess they are a world power now, and it is a great question whether you can save the manufacturers—the independent manufacturers—of the higher product or not from absolute trust domination. But you ought to try it.

Mr. BOUTELL. Speaking aside from all other bias—and perhaps a little wide for the purpose with which we are now sitting—I must confess that is one of the things that we have got to look forward to; that is, grappling with these great international combinations, as raising a much more serious question than we have now, the combination entirely within the purview of our own statutes.

Mr. MILES. Yes, sir.

Mr. BOUTELL. So I come back to the original question, whether serious dealing with illegal combinations in restraint of trade must not go a great deal deeper than the mere change of tariff rates.

Mr. MILES. I know absolutely for the last five years that you would have accomplished the entire purpose and relieved the independent manufacturers from the steel trust if you had done by the tariff what I have suggested, for most of us have had quotations and prices to buy abroad at international price, the home price less the tariff, and we have lost and lost and suffered because we have been deprived,

of that relief, but if you had done it the good Lord only knows whether they would have not gotten around us and got possession of us through that other recourse, the international trust. There are many international trusts forming among leading business men of England, and there are now a great many international trusts that the people do not know about, and there are others forming, and we have just this one chance. Make this tariff protective. We stand for it, and beg for it. Make it protective and help our labor and help ourselves, but do not give the trust any more than the principle requires, and then we will take that last chance and come back on the other later if need be. We will see. It is a serious proposition.

**Mr. BOUTELL.** In other words, an international trust, so far as it affects you as an American manufacturer, would be a much more serious problem to deal with than a mere American trust?

**Mr. MILES.** Maybe not. Here is another thought: If the international trust made one price all over the world, then we would be on a competitive basis.

**Mr. BOUTELL.** I understand that; but what I mean is an international trust, so far as our dealing with it through our authority, would be a much more serious proposition, of course, than a national trust?

**Mr. MILES.** Yes, sir; but our difficulty is that, not being an international trust, we have to pay a high price for our material and ship it to Argentina and elsewhere as against an English low price, and the Englishman may use this same American steel and beat us all to pieces in the neutral market on Pittsburg steel.

**Mr. BOUTELL.** It seems very clear to me that what we most have to do, whatever we may do with regard to the tariff or with these individual schedules, when it comes to dealing with illegal combinations in restraint of trade we must deal with those by other measures than the rates through the Department of Justice, and of course we must assume that our system of justice in its administration is far from perfect. If we can not deal with these questions we must admit that we can not.

**Mr. MILES.** Yes, sir; but we have hurt the independent manufacturer by making a tariff that had no close relation to the protective principle as now defined, and that has been an invitation to independent men to get together and form a trust as to their prices, and they have done it again and again, and then the moment a man does form a combination in his trade of course he adds the entire excess, and he adds it as against the independent people who are still left in the country. An excessive rate is nothing less than a congressional invitation to people to consolidate and use the excess against the consumers of their own country by permission of Congress, and that has happened, and happened to my knowledge, against myself and other consumers. That is one reason why I pay 100 per cent more for steel now than I did when the Dingley bill went into effect. The reason for organizing the trust, or a great part of it, was to add the excess of the tariff. May I say just a word about the gentleman who came here and wanted to add a cent to the price of steel bars, as an offset, suggested that you might take something like \$4 a ton off of iron bars?

**Mr. BOUTELL.** That was the first witness on the metal schedule, **Mr. King.**

Mr. MILES. I know Mr. King and greatly and highly regard him, but the truth is, as I look at it, that 1 cent added to steel would be nothing less than the addition, in a practical sense, of  $33\frac{1}{3}$  per cent to all importations of bars, both iron and steel. In other words, when water runs down hill it runs along the lower courses, and when bars do come into the United States they have all come in as steel bars, not as iron bars. The \$12 rate on iron bars has nothing to do with the importation so far as I can see.

Mr. DALZELL. I think Mr. King's idea was that the relation between the duty on iron bars and the duty on steel bars was not properly adjusted?

Mr. MILES. It was most improperly adjusted, and he called the 3 cents the "accident." Then it was an accident of God's providence, the one thing that saved the victims of the steel trust.

Mr. DALZELL. I think that was Mr. King's idea.

Mr. MILES. Because it came in at that "accidental," if you choose, low price, and if we had not had that the steel people could have added another \$3 or \$5, or whatever the level was. I hope we are not going to add  $33\frac{1}{3}$  per cent on steel bars, as Mr. King requests.

Mr. DALZELL. I would like to ask a question with regard to what you said your attitude was as to protection. Do you regard the rule laid down in the Republican platform at Chicago as the proper rule for adjusting duties—the difference in the cost abroad and at home—and a reasonable profit?

Mr. MILES. Do you mean to add a reasonable profit?

Mr. DALZELL. A reasonable profit; yes.

Mr. MILES. I would rather take Mr. Taft's statement or Mr. Sherman's, in his letter of acceptance, being the difference of cost of production here and abroad, and Mr. Sherman said, "assuring" the home manufacturer a reasonable profit. Mr. Taft said it simply means not the addition of a profit at all, but an allowance given with the cost of the difference in interest charges, cost of mills, etc. I have a little data on that subject, if you care to have it.

Mr. DALZELL. I asked you that question because I am unable to reconcile the statements made by you on several different occasions with respect to that matter. In the issue of American Industries of July 1 last you say—or at least in an article attributed to you:

This "reasonable profit" clause must not be permitted to become effective. It must be throttled on the edge of the platform, else we never will have an honest, equably adjusted tariff.

That is an article of July 1 last in American Industries?

Mr. MILES. Yes, sir.

Mr. DALZELL. I find that you said in the previous May, at the convention—that is, the world convention of American manufacturers:

This underlying principle which, in the language of Secretary Taft, requires that each tariff rate shall represent "substantially the permanent differential between the cost of production in foreign countries and that in the United States," is not to be applied in a niggardly way. Enlightened selfishness is a public, as it is a private, virtue. An "ample margin for safety" is as necessary in manufacturing and commercial enterprises as it is in engineering. Full allowance must be made for the contingency of bad times abroad and good times here, for "dumping" for reasonable profits, and for such stability as secures low costs and steady employment.

Do you regard those two declarations as consistent with each other or not?

Mr. MILES. Yes, sir; they are consistent.

Mr. DALZELL. They are?

Mr. MILES. Yes, sir.

Mr. DALZELL. I just wanted to know. I was unable to reconcile them. I wanted to know why you denounced the term "reasonable profits" in July, when you laid it down as one of your rules in the preceding May.

Mr. MILES. I want a reasonable profit, but not two profits; my statement at the convention tallies perfectly with my later statement. I will make it clear to you. If it costs 90 cents in Germany and a dollar in New York, then the New Yorker must have 10 per cent, and I would figure it liberally. If a close difference is 7 per cent, then the 10 per cent may be big enough.

Mr. DALZELL. But, Mr. Miles, I do not believe that you have caught my suggestion.

Mr. MILES. Yes, sir; I have.

Mr. DALZELL. You said on July 1, "This reasonable-profit clause must not be permitted to become effective." You say in May, and you laid down as the rule substantially of a permanent differential between the cost of production in foreign countries and that in the United States, and then you add, "Full allowance must be made in addition to that for the contingency of bad times abroad and good times here for dumping, for reasonable profits, and for such stability as secures low costs and steady employment." Now, it is possible that they are reconcilable, but it does not seem so to me.

Mr. MILES. Do I say for dumping, for reasonable profits?

Mr. DALZELL. For dumping, for reasonable profits.

Mr. MILES. Well, 90 cents in Germany and a dollar in New York makes 11 per cent exact difference, or say, liberally, 20 per cent duty; that would be \$1.08 on the German article coming here; it is \$1.08 laid down in New York as against the New Yorker's dollar. That handicaps the German 8 per cent, but it does not add a full, fair, and reasonable profit to the New Yorker's price, for 8 per cent is not a fair profit; but it assures the New Yorker a reasonable and fair profit, because the German begins with a handicap of 8 per cent.

Mr. DALZELL. The example you are giving us now represents which of the propositions, the one you announced in July or the one you announced in May?

Mr. MILES. They are absolutely clear, each and each equally.

Mr. CLARK. Mr. Miles, what is a reasonable profit?

Mr. MILES. It is different in all trades; it is according to circumstances. It is different in different industries.

Mr. CLARK. Take any trade; your trade, for instance.

Mr. MILES. Well, you can answer that as well as I can.

Mr. CLARK. But I want you to answer it. I am not the proponent of that Republican platform.

Mr. MILES. Yes, sir. Why, 15 per cent per annum would be right good in our trade.

Mr. CLARK. I should smile. [Laughter.]

Mr. MILES. The best people in the farm-wagon industry have made less than half of that during six of the most prosperous years in the United States ending with a panic.

Mr. CLARK. Did you say got more than that?

Mr. MILES. Less than half of it. That is the reason they are down here getting—

Mr. CLARK. Now, what I want you to tell me, or have somebody else tell me, is what a reasonable profit is in the light of that Republican platform.

Mr. MILES. If I understand that Republican platform—and I do not know that I do—

Mr. CLARK. And nobody else ever did.

Mr. MILES. I say, in that article we may; I do not understand it. Take that 90 cents of the German and add 10 cents to bring him up to New York cost, and then add 30 cents to that, plus the New Yorker's profit; that would make the German 50 per cent.

Mr. CLARK. Leave the German out and answer my simple question, What is a reasonable profit?

Mr. MILES. In my business?

Mr. CLARK. In anybody's business.

Mr. MILES. Why from one and one-half to two times.

Mr. CLARK. Why do you claim that one and one-half to two times is a fair rate of interest, is a fair and reasonable profit?

Mr. MILES. Because a man can save his time and enjoy himself and have absolutely no risk at interest, and he ought to have at least that much more if he is going to exert himself successfully; and if he has not that much more he is likely to go broke or get involved in a panic.

Mr. CLARK. You think that no man who loans money out has to worry about it or take any trouble?

Mr. MILES. He has not a fraction of risk; he has no chance of ultimate loss, while the manufacturer has.

Mr. CLARK. Now, the lowest rate of interest, except in very large sums, is 6 per cent; of course, where they loan in extremely large amounts they get as low as 5 per cent. According to your idea,  $7\frac{1}{2}$  to 12 per cent would be a reasonable profit.

Mr. MILES. A man who aimed at 12 per cent would land somewhere about 6 or 7; if he aimed at 15 per cent, he would get 10 or 12 per cent, and that would be a mighty close profit.

Mr. CLARK. Do they not aim at 15 per cent sometimes and make 25?

Mr. MILES. Back in the days of competition I made 30 per cent buying my steel in the open market. Well, 30 is too high. I made it on the book assets, but I made 20 per cent easily right along, and now that the trusts have put my costs up I make next to nothing.

Mr. CLARK. Now, one other question. Do you know of any reason why the United States Government should turn itself into an insurance company to insure a manufacturer a reasonable profit, or any other profit?

Mr. MILES. That is what I said in my article that is objected to. I think he should have a reasonable expectation of profit, otherwise what is the use of trying to manufacture?

Mr. CLARK. I know, but he does not guarantee a profit of any sort to anybody else on earth.

Mr. MILES. That was my idea. Everybody has a fair chance at a profit in this country.

Mr. CLARK. But I am asking you if the United States Government ought to turn itself into an insurance company to insure, or to assure, as Sherman said, a profit to anybody in any business?

Mr. MILES. That proposition insured the American  $1\frac{1}{2}$  to 2 profits. That was what I was objecting to.

Mr. CLARK. I want an answer to a simple question?

Mr. MILES. The Government can not guarantee a man a profit.

Mr. CLARK. That is precisely what that Republican platform means, if it means anything at all. The language of that platform is that to the labor cost shall be added a reasonable profit. That is what that stands for.

Mr. MILES. As I said before, that is an absolute guaranty of a profit to a trust, because a trust can make its own price—that is, a price to suit itself.

Mr. CLARK. How many times do you turn your money over every twelve months in the wagon and buggy business?

Mr. MILES. A little less than once in the wagon business.

Mr. CLARK. It does not take a year to make a wagon?

Mr. MILES. Some of our stock has to be carried three years—the lumber.

Mr. CLARK. I know that kind of stuff does, but the steel that you put into a wagon does not. Do you not turn your money over twice on an average every twelve months?

Mr. MILES. We do not turn our capital over once a year in the wagon business.

Mr. CLARK. There are two six-month periods in a year.

Mr. MILES. Yes, sir; and the notes are six, eight, and ten months on sales.

Mr. CLARK. You just now said six, and when I asked you about that you changed your answer. If I ask a question based on one answer you give me another answer. What I am trying to get at is the profit on the thing. Don't you turn your money over at least twice a year in this business?

Mr. MILES. I answered that promptly and at once, that we do not turn it over once a year. Is that an answer—that is, in the wagon business?

Mr. CLARK. Now, what about the carriage business?

Mr. MILES. In the carriage business I turn it over maybe once in ten months and the plow business once in ten or fourteen months; I should say once a year maybe.

Mr. CLARK. What percentage of the whole cost of a wagon is the steel?

Mr. MILES. I would say one-third. I do not know how close that is, but about one-third.

Mr. CLARK. There is a trust in steel; that seems to be one of the settled facts.

Mr. MILES. Yes, sir.

Mr. CLARK. Everywhere, except in the Attorney-General's office. Now, is there any trust on the other material that goes into a wagon?

Mr. MILES. There is the linseed-oil trust and the lead trust.

Mr. CLARK. That is three.

Mr. MILES. And there is a gentlemen's agreement on lumber, which around the office we call the lumber trust occasionally. When they get a chance, up go the prices on lumber.

Mr. COCKRAN. Do you mean loose in morals or loose in banking business?

Mr. CLARK. Both. That is four trusts that you have in the wagon business. Is that all?

Mr. MILES. I do not know, sir. I would have to go through the whole list of trusts. I do not know whether there are any others or not.

Mr. CLARK. Is there any trust on wagons?

Mr. MILES. No, sir.

Mr. CLARK. When you strike a buggy or carriage, you have this steel proposition over again, and the wood proposition and the lead proposition and the linseed-oil proposition, and on top of that you have leather?

Mr. MILES. Yes, sir.

Mr. CLARK. Is there anything else?

Mr. MILES. We have a strange tariff on the cloth that goes into it, but there is no trust that I know of.

Mr. CLARK. Is there a leather trust?

Mr. MILES. There is a hide trust; I have six or eight such items as that, but there is no time to go into it to-night. Do you want me to talk of leather?

Mr. CLARK. I want you to answer my question.

Mr. MILES. Yes, sir; there is a leather trust.

Mr. CLARK. This Boston concern runs the whole business, does it not?

Mr. MILES. Is that the United States Leather Company?

Mr. CLARK. Yes.

Mr. MILES. That and the packers jointly.

Mr. CLARK. Well, there is a leather trust, then?

Mr. MILES. Yes, sir.

Mr. CLARK. That makes five trusts that you have in a buggy. Are there any more? There is a piece of glass in the average buggy.

Mr. MILES. Yes, sir.

Mr. CLARK. And the gentlemen's agreement on the timber?

Mr. MILES. Yes, sir.

Mr. CLARK. Is there anything else?

Mr. MILES. There are gentlemen's agreements on many of the small pieces that go into the manufacture.

Mr. CLARK. A gentlemen's agreement is another name of a trust compact to plunder the people?

Mr. MILES. That is all.

Mr. CLARK. Now is there a buggy trust?

Mr. MILES. No, sir.

Mr. CLARK. There is no gentlemen's agreement among buggy makers?

Mr. MILES. No, sir; buggy men do not come together, even.

Mr. CLARK. They absolutely compete?

Mr. MILES. Absolutely.

Mr. CLARK. When you buy the fellys and the spokes and hubs, they are all in the trust, are they not?

Mr. MILES. I think not; there was a kind of agreement on them, but I have not heard of it during the last twelve months or year.

Mr. BOUTELL. What does your competition result in to the ultimate consumer of buggies and wagons?

Mr. MILES. It lowers the price all possible, of course.



Mr. BOUTELL. You make all you can for a buggy and all you can for a wagon and all you can for a plow?

Mr. MILES. Yes, sir; where we get any competition in any trade we sell almost without profit, but we pay for the linseed 30 or 40 per cent more than we did a year ago and 100 per cent more for the steel, etc.

Mr. CLARK. If you and Mr. Van Cleave and Perry & Co. have not been trying to cut down wages, what was the difficulty between you gentlemen and the labor union?

Mr. MILES. I have never had any difficulty with the labor union and never said anything against labor in my life.

Mr. CLARK. Mr. Van Cleave has been hammering the labor unions ever since I have heard anything of him, and so has Parry.

Mr. MULHALL. Mr. Chairman, may I be permitted to answer Mr. Clark?

Mr. CLARK. What is your name?

Mr. MULHALL. Martin L. Mulhall. Mr. Van Cleave has nothing but union labor employed, and the only difficulty in his shop was that the brass finishers were getting too much wages and getting more than they were paying in St. Louis, and some of the labor agitators, because Mr. Van Cleave is a good Republican and is president of the National Association of Manufacturers, particularly Mr. Samuel Gompers, did not agree with Mr. Van Cleave politically, and for that reason he has been saying everything he possibly can against Mr. Van Cleave and his friends. Now, I will answer any question you have to ask.

Mr. CLARK. You are not on the witness stand to begin with.

Mr. MULHALL. I simply asked, as an associate of Mr. Van Cleave, being connected with him in business and connected with him in the National Association of Manufacturers, to reply.

Mr. CLARK. Was the matter in controversy a question of wages?

Mr. MULHALL. I wanted to explain the situation.

Mr. CLARK. I know, but I was asking this man some questions.

Mr. MULHALL. I desire, as a member of that firm, to answer you and correct an erroneous idea that you were trying to get before this committee.

Mr. CLARK. Don't talk so much, but answer my question.

Mr. MULHALL. I will answer any questions you desire to ask.

Mr. CLARK. Was it a difference about wages?

Mr. MULHALL. No, sir; it was not.

Mr. CLARK. What was the difference?

Mr. MULHALL. It was was a difference about politics. Mr. Van Cleave had been saying in this last campaign some things, promising the business men of this country to bury Bryanism.

Mr. CLARK. Mr. Van Cleave was hammering these labor unions and—

Mr. MULHALL. You can not show me by any evidence, either from Mr. Gompers or any labor union in this country, that Mr. Van Cleave has been hammering labor.

Mr. CLARK. I can read, and I read Van Cleave's speech.

Mr. MULHALL. So did I.

Mr. CLARK. Van Cleave has stated—

Mr. MULHALL. Have you any authority for that?

Mr. CLARK. Yes.

Mr. MULHALL. Then I would like to have you read what the public press has said.

Mr. CLARK. I did not come here with the documents and speeches of Van Cleave to be able to read them.

Mr. MULHALL. Well, I have; I have them in my pocket.

Mr. CLARK. You may have any set of speeches.

Mr. MULHALL. No, sir; I have the right set of speeches.

Mr. CLARK. What was the row between Van Cleave and the labor unions?

Mr. MULHALL. I have just told you. I explained why it was. I say that Mr. Van Cleave has continued to run a union shop and the only difference between Mr. Van Cleave and his people is that Mr. Van Cleave is a protectionist and a Republican and he was elected by the unanimous vote on the 3d day of August as president of the National Association of Manufacturers.

Mr. CLARK. You have not stated yet what was the difficulty between Van Cleave and these labor unions.

Mr. MULHALL. I am trying to explain it to you.

Mr. CLARK. But you go off and make a political speech. Now, what was that difficulty about?

Mr. MULHALL. The brass finishers wanted 10 per cent more wages than were paid in St. Louis.

Mr. CLARK. That is one thing.

Mr. MULHALL. Yes, sir.

Mr. CLARK. Van Cleave did not want to pay it?

Mr. MULHALL. No, sir.

Mr. CLARK. And therefore Van Cleave was going to put the wages down?

Mr. MULHALL. I wanted to explain to you that in all the speeches that Mr. Gompers made it showed that it was a political move by the labor agitators and nothing else.

Mr. CLARK. They wanted the wages raised, and Van Cleave wanted to cut them down.

Mr. MULHALL. Do you know any firm in St. Louis that pays more to their men than the Buck Stove and Range people?

Mr. CLARK. I do not know anything about it.

Mr. MULHALL. Then you should not try to get the impression amongst these people that you do.

Mr. CLARK. I was not asking you anything about that.

Mr. MULHALL. I am asking you, now.

Mr. CLARK. But you have no business to do it.

Mr. MULHALL. I, as a member of that association, and being connected with Mr. Van Cleave, desired to make that explanation.

The CHAIRMAN. One moment, I—

Mr. MULHALL. I asked you, Mr. Chairman, for the opportunity to do it.

The CHAIRMAN. When I ask you to stop, stop. If you want to answer Mr. Clark's questions, do so; if not, sit down.

Mr. MULHALL. I will answer the gentleman any question that he wants to put to me.

Mr. CLARK. Every time I ask you a question you make a political speech.

Mr. MULHALL. Thank you, sir; I did not think I was capable of doing it.

Mr. CLARK. And there are several expert Republican speechmakers around here. The fact that I want to ascertain is this naked fact, if the row between Van Cleave and the labor unions was not on a question of wages?

Mr. MULHALL. No, sir.

Mr. CLARK. You have just stated that it was with regard to these brass finishers.

Mr. MULHALL. I said it was one organization of labor. The other was perfectly satisfied, and are still in Mr. Van Cleave's shop.

Mr. CLARK. It does not make any difference whether it was one or two.

Mr. MULHALL. Mr. Van Cleave has had no trouble with labor out-  
side of the labor agitators. I believe I have answered that.

The CHAIRMAN. Are you through, Mr. Clark.

Mr. CLARK. I am through with that fellow.

Mr. DALZELL. Mr. Miles, I want to ask you a question. I happened to be in London last August and I read in a newspaper that there was a conference of free-trade advocates called at the instance of the Cobden Club, and that you were a delegate to that convention. Is that so?

Mr. MILES. I went to that convention, yes, sir, with the distinct understanding that I differed from them all, but was willing to go over there and hear them and tell them that the United States was for protection and would not have a thing to do with free trade in this generation or any subsequent one.

Mr. DALZELL. I just desired to know. It was a convention of the advocates of free trade, called at the instance of the Cobden Club, and you were there as a delegate. I just wanted to know whether you were there. You say you were?

Mr. MILES. Yes, sir.

Mr. GAINES. You say that there are international trusts; you mentioned a rail trust. The steel makers of what countries are parties to that international trust?

Mr. MILES. I understand they all are, but I have no proof of that; all the steel makers of the world are in that trust, supposedly.

Mr. GAINES. Are the United States steel makers?

Mr. MILES. Yes, sir.

Mr. GAINES. And those of England?

Mr. MILES. Yes, sir.

Mr. GAINES. All of the great nations, are they?

Mr. MILES. Yes, sir.

Mr. GAINES. What other international trusts are there?

Mr. MILES. I can not name them. There are some relating to chemicals, and I do not know what else. I have not tried to remember them. I heard a good many over there talking about it.

Mr. GAINES. Are the steel makers in England, who already have free trade, also in that trust?

Mr. MILES. Yes, sir; supposedly on rails.

Mr. GAINES. I have seen stated in the newspapers that an effort had been made to organize an international trust and that the steel company had remained out of it; but for the action of the so-called "American trust" an international trust would have been organized; that already there was in existence one that comprised the steel makers of the principal European countries. Do you know whether that is

true or not? You think it is not true that the steel trust is in an international trust now, do you?

Mr. MILES. Our steel people do not agree, as I understand it; that is, to making any "agreement" in restraint of trade. They have a very fortunate way of "severally declaring" instead of agreeing, and they severally declare one and the same thing.

Mr. GAINES. But without reference to the devices for evading an appearance, the fact is, broadly, that you think that they are in such an agreement?

Mr. MILES. A large producer in Europe told me that there was a contract for years between the European people and our people whereby the foreigner would not ship rails into this country. So I think there has been an understanding on rates for many years back covering our producers.

Mr. CLARK. Do they divide up the territory?

Mr. MILES. All that the foreign producer told me was that he was sorry he was in an agreement that would not let him bring rails into this country. What the compensation in return was I do not know.

The CHAIRMAN. Have you any knowledge of an international trust except what we have all seen in the papers within the last few days?

Mr. MILES. I did not see those papers.

The CHAIRMAN. The paper announced it one day, and the next day a very unusual occurrence happened—they contradicted it.

Mr. MILES. I do not know about that.

Mr. COCKRAN. If there is an international steel trust, what worse can happen to us? What is the use of putting the product on the free list, or doing anything else, if we pass merely from the control of one department of the trust to another?

Mr. MILES. They might help us independent fellows in that we would have the same prices that the Belgians and the English got, anyway.

Mr. COCKRAN. Oh, then, your idea is not to suppress trusts, but simply to get the effect of an international trust as distinguished from a national trust?

Mr. MILES. I tell you I do not know whether we are going to have a trust or not.

Mr. COCKRAN. I thought you said there was one?

Mr. MILES. An international trust?

Mr. COCKRAN. Yes.

Mr. MILES. On steel rails.

Mr. COCKRAN. Only on rails?

Mr. MILES. There was one, the last I knew, on rails.

Mr. COCKRAN. But not on the other products of steel?

Mr. MILES. No, sir; not that I know of.

Mr. COCKRAN. I misunderstood you. I thought you said there was an international trust on steel products generally. It is only on steel rails?

Mr. MILES. There has been one on steel rails, as I understand from experts, for I do not know how long—two or three years. That is all I know about it.

Mr. COCKRAN. Is it in existence now?

Mr. MILES. It was in existence the last I knew.

Mr. COCKRAN. Did I understand you correctly on your direct testimony—your first testimony—to state that this list of trusts that you

gave were all sheltered behind a tariff and that you attributed their existence to that tariff?

Mr. MILES. These trusts here?

Mr. COCKRAN. The trusts that you mentioned on that list which you gave us.

Mr. MILES. They are all sheltered behind the tariff. I do not attribute their existence at all to that, but I attribute about one-third of their profits to that.

Mr. COCKRAN. Those trusts do not exist in any industry except one protected by a tariff. There is not a single trust in any of the articles that are on the free list, is there?

Mr. MILES. No, sir; not that I know of.

Mr. COCKRAN. And therefore it is at least a coincidence that wherever you have a trust you have a tariff on the article?

Mr. MILES. You have trusts in England, of course.

The CHAIRMAN. What trusts have they in England?

Mr. MILES. I can not name them, but they have a good many.

The CHAIRMAN. Have they got a single one that you would be prepared to testify to—a trust I mean that depends upon high prices? To have a trust that rests on the domination of the market and an abundant production is one thing, and a trust that rests upon the domination of the market and high prices exacted under the shelter of a tariff is another.

Mr. MILES. Yes.

Mr. COCKRAN. So that when we speak of a trust here we mean a trust that exacts high prices under some artificial advantage enjoyed under the law. Is that your understanding of it?

Mr. MILES. Why, a trust does not necessarily enjoy artificial advantages. It is simply a monopoly in restraint of trade.

Mr. COCKRAN. Yes; but whereas the monopoly that depends upon the excellence of the production, the cheapness of price, is one thing; where it is a monopoly depending upon conditions established by law, it is another. Now, these trusts that you speak of are not trusts that exist by reason of any superiority of production and therefore cheapen the price, but they exact high prices under the shelter of the tariff, I understand.

Mr. MILES. They have all the advantages of a trust in cheapening production and efficiency.

Mr. COCKRAN. They have cheapened production?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Have they lessened prices?

Mr. MILES. No, sir; they have raised prices.

Mr. COCKRAN. That is just what I say. These trusts you speak of—and let us see if we can understand each other—of which you gave a list, are all trusts that have advanced prices under the shelter of the tariff. Is not that so?

Mr. MILES. Yes, sir.

Mr. COCKRAN. That is all I have to ask you.

The CHAIRMAN. Did you ever hear of a trust in Great Britain?

Mr. MILES. Yes, sir.

The CHAIRMAN. And they are not sheltered by a tariff there, are they?

Mr. MILES. No, sir.

The CHAIRMAN. And there was a trust in Standard Oil long before there was any tariff on oil?

Mr. MILES. Yes.

The CHAIRMAN. That is all I want to ask you.

Mr. COCKRAN. Wait a moment. Name that one in England.

Mr. DALZELL. There are a dozen of them.

Mr. COCKRAN. Do you recollect one that has raised prices?

The CHAIRMAN. Bread, for instance.

Mr. COCKRAN. They have raised the price of bread?

Mr. MILES. I have heard of concentrated efforts to make excessive profits by selling short-weight loaves, etc., but nothing that can really be called a bread trust, which I would consider impossible.

Mr. COCKRAN. I want to know one that has raised the prices, that could raise the price where there is an international supply. Now, let me tell you about Standard Oil. The Standard Oil Company did not enjoy protection until one of these paragraphs of the Wilson bill was perpetrated, but did enjoy, I believe, according to the evidence now being unfolded, special rates of transportation from the railroads, did it not?

Mr. MILES. Well, you know all about that.

Mr. COCKRAN. You say it did, as a matter of fact?

Mr. MILES. I have heard so.

Mr. COCKRAN. And that company established its monopoly by one form of government favor—that is, special rates.

The CHAIRMAN. The Government gave them special rates?

Mr. COCKRAN. No. But a public agency, exercised by private corporations, gave them favors analogous to other favors extended directly by the tariff. You can not show a trust in the world that has raised prices that has not enjoyed special favor of some character, either tariff favors or favors of transportation at special rates.

The CHAIRMAN. The farmers raised the price of the oil. Why do you not blame them for it?

Mr. COCKRAN. I think we might show how it started; that it was by special rates and rebates, by which it exacted the extortionate price from its rival for transportation were paid direct to the Standard Oil Company by the railroads.

The CHAIRMAN. Have you anything further, Mr. Miles?

Mr. MILES. I have some schedules here that I was asked to present.

The CHAIRMAN. Just hand those to the clerk; we can not print all of them.

Mr. MILES. I would have to explain them. Some of the textile people asked me to explain to you something about tops, and some people asked me to talk about leather.

The CHAIRMAN. Do you want to talk about them?

Mr. DALZELL. We had better hear Mr. Miles at a later date.

Mr. MILES. I have only talked to you to-day on the trusts and those that should be reduced.

The CHAIRMAN. We have had these subjects before us for four weeks. If it is just as convenient for you to come back here on Monday—in the morning we have got to hear some people on the leather schedule. but I think in the afternoon or on Tuesday morning we could hear you. In the meantime, if you would see the clerk and give him the addresses of those witnesses you said you would give us, you would aid the committee as much as you can in any other way.

Mr. CLARK. Could you not set the hearing for Tuesday, because there are so many things to look after on the first day of the session?

The CHAIRMAN. You can come just as well Tuesday as Monday?

Mr. MILES. I guess so, sir. May I leave it with the clerk?

The CHAIRMAN. Then we will hear you Tuesday at 9.30 a. m., and suspend now.

Mr. MILES. All right, sir.

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ADDITIONAL STATEMENT OF H. E. MILES, OF RACINE, WIS.,  
RELATIVE TO PROTECTION FOR VARIOUS INDUSTRIES.

TUESDAY, *December 8, 1908.*

Mr. MILES. Mr. Chairman and gentlemen, Saturday I stood for low rates, even with the free list as an ultimate, logical conclusion, upon trust-made articles where protection inures wholly to the benefit of trusts and infinitely afflicts the consumer by way of excessive prices and high cost of living, reduces the hours of work and the wages of the laboring man, and the profits of the nontrustified manufacturer. The low rates I called for are demanded by the Republican national platform and by the principle of protection as defined by the successful candidates of the Republican party. The principle must be followed if it leads to a low rate, and equally if it leads to a high rate.

If there is any industry in the United States that deserves protection, in my judgment, it is the textile industry, and there is no question but most industries do need very considerable protection. The need of the textile industry for protection does not, however, call for exorbitant or unreasonable rates, nor rates that signify misjudgment and miscalculation. I am opposed to that sort of tariff which the Supreme Court of the United States describes as "none the less robbery because it is done in the name of the law and is called taxation," but the putting of steel at a very low duty or on the free list is no reason for reducing the rates, for instance, on hosiery, which, as far as I know, are necessary as now imposed, being 65 per cent and less.

The textile industry appeared before you a few days ago. It did seem as if the United States Government, as represented by yourselves, might have secured the necessary information, but the memory and knowledge of the chief representative of the textile industry was inversely as his profit in the tariff. You asked him about "tops." I have in hand a statement of the superintendent of a woolen mill taken from his cost books, which shows as follows: Upon the purchase and use of 10,000 pounds of raw wool at 20 cents a pound—

The CHAIRMAN. I want to ask you a question right there. The only object the committee had in asking you the names of parties who have information is that we may be able to subpoena them, bring them before the committee, and question them first-hand. I would like to ask if your confidential relations are such that you can not disclose those names to us?

Mr. MILES. There is no fear in particular, sir, so far as I am concerned, and I hope upon the part of no one. There are some gen-

tlemen, with whom I have not been able to communicate, who have given me information from their cost books, and so forth, and I would like to ask their permission before giving their names to you.

The CHAIRMAN. Suppose you give the names to the stenographer, who will make a note of their names. Of course, your information will not be of value to the committee unless we can call such men before us and get their testimony on the subjects.

Mr. MILES. I have some of these names to-day, and I shall give them to you.

The CHAIRMAN. I hope you will be able to give them all to us.

Mr. MILES. I have two or three pieces of cloth here—but I will explain as I go along and shall give you authority for everything that I say.

The CHAIRMAN. Please proceed. I only mentioned that so that you would not overlook giving us those names.

Mr. MILES. Ten thousand pounds of wool, with a duty of 11 cents a pound, making \$1,100 total duty. The superintendent of this mill in bringing that raw wool up to tops had a shrinkage down to 5,600 pounds, and the labor in bringing that to tops was \$184.80; but the duty was increased from \$1,100 on raw wool to \$2,912 on tops, an increase in the duty of ten times the labor put in, leaving you to estimate the shrinkage. This is not a complete problem, but I think you will find it of interest—\$184.80 added to labor and \$1,812 added to the duty.

In the next process, bringing tops up to yarn, there was a shrinkage, as shown by the table, of about 10 per cent in weight and an increase of \$360.36 in labor. And against these two items of cost the tariff was lifted only \$36.40, or one-tenth of the actual wages put into the stuff, with no allowance for the shrinkage in weight. These exhibits show in one operation ten times the pay roll added and in another one-tenth of the pay roll.

Now, in the next process, bringing the yarn into cloth, weaving and finishing, there was a further shrinkage of a little more than 10 per cent and \$942.01 in labor invested, and against all this the tariff gave only \$538.01, a good less than half of the additional cost to the manufacturer.

*Ten thousand pounds wool in grease.*

	Increase of labor cost.	Total labor cost.	Increase of duty.	Total duty.
Wool, 10,000 pounds .....				
"Tops," 5,600 pounds .....	\$184.80	\$184.80	\$1,200.00	\$1,200.00
Yarn, 5,040 pounds .....	360.36	545.16	36.40	2,912.00
Cloth, 4,389 pounds .....	942.01	1,487.17	538.91	3,487.31

Cloth produced—4,932 pounds woven; 4,389 pounds finished.

Value of product, \$1.60 per yard—piece dyed, worsted serge, cross-bred wool.

The tariff on "tops" of this grade is 33 cents per pound, plus 50 per cent ad valorem. The 33 cents was given upon the erroneous belief on the part of the tariff-making body that it took 3 pounds of wool in the grease to make 1 pound of "tops" of this grade. This exhibit is in line with many others and shows that upon this grade



of wool it takes less than 2 pounds; also, that the labor is almost inconsiderable in making tops, so that a tariff of 25 cents to 30 cents per pound would amply cover the difference in cost plus the total wage and greatly reduce the present duty.

Mr. CRUMPACKER. Mr. Miles, there is a relative increase in cost, and substantially the same shrinkage, when this work is done abroad?

Mr. MILES. Yes, sir.

Mr. CRUMPACKER. Do you recommend that we increase the rate in making the cloth out of the yarn to cover the entire labor cost here, or only the difference between the labor cost here and abroad?

Mr. MILES. Only the difference between the labor cost here and abroad, liberally figured, as I explained in my former testimony.

Mr. CRUMPACKER. But you do not give us that difference. You give us our labor cost and their labor cost of making cloth out of yarn and say that the tariff is only about one-half of it. I understood that in illustrating that fact you thought the tariff was too low.

Mr. MILES. I give this only to show the inconsistency in many respects of the wool schedule.

Mr. CRUMPACKER. You make no recommendation as to what the rate ought to be in the various processes?

Mr. MILES. No, sir. I only show this as giving at times one-tenth and at other times ten times the total wage cost, unreasonably high on tops, scant on weaving, and generally unscientific.

The CHAIRMAN. I think, as both myself and Mr. Crumpacker have now interrogated Mr. Miles, and one offsets the other, that he had better be allowed to proceed with his statement to the finish, as our time is limited this morning.

Mr. MILES. I will say that many men in the textile industry have bitterly complained at any objection made to the textile schedule. They have insisted, and I believe before you, upon the schedule being left alone. And yet some members of that industry, as this problem shows, have very little in the way of protection; for instance, those who buy the tops to weave. Some came to me saying that the rates were wrong, and were exceedingly angry and hurt because things like this were not developed in the testimony, and requesting me to bring this up.

No wonder Mr. William Whitman's memory failed him utterly, as he is one of the biggest makers of "tops" in the United States, and no wonder that other textile men who sat back of him were chagrined and declared that to stay at your hearings for a week would make rank free traders of them, although they can justify for high rates.

The Dingley bill, therefore, adds \$1,812 for \$184 of labor and a shrinkage in weight, which I leave the committee to estimate, and then, as shown by the exhibit, for a further shrinkage of 10 per cent and an addition in wages of \$360 the duty is increased only \$36.40. The first increase is ten times the wage cost; the second increase is one-tenth of the wage cost. Then comes weaving and finishing and further shrinkage in weight of more than 10 per cent and an addition in labor of \$942.01 and an offsetting increase of only \$538.91 in the duty. Is there any wonder that some men rail at the unfairness of the textile schedules, and others insist, so far as their particular factories go, they can not endure a reduction in the tariff? Those who make "tops" have very much more tariff than they need;

those who buy "tops" and yarn and only weave are now operating upon very close margins, and though they may not know the reason of their trouble, are to be forgiven for complaining against those who are aware of the inconsistencies of the present tariff.

I give you herewith a description of Huddersfield district (England) woolen goods, as published in the Textile World Record November, 1908, an approved trade journal, which speaks very highly of the findings and the work of the author of the article, Mr. W. A. Graham Clark, United States special consular agent. This district is celebrated as having the lowest costs in the world on goods of this kind.

Sample No.	Total wage cost.	Tariff ad valorem.	Number of times the total wage cost.
	<i>Per cent.</i>	<i>Per cent.</i>	
One .....	24	97	Four.
Two .....	29	100	Threc and a half.
Three .....	33.2	106.6	Do.
Four .....	25.4	99.5	Four.
Five .....	28.6	90.7	Threc.
Six <sup>a</sup> .....	55.2	100.5	Two.
Seven.....	24.2	138.05	Five.

<sup>a</sup> This is a high proportion for wages, which, in these cloths, usually run one-fourth of the total cost.

I also submit a Colne Valley low-grade tweed, selling price 37.3 cents, with duty 61.88 cents, or 166 per cent ad valorem, with wages only 16.7 per cent, the duty being therefore ten times the total, as the cloth is cotton, being made almost wholly of American cotton and shoddy.

I hand you also sample of blue Bradford serge, the total wholesale selling price being 18.5 cents, total wage cost 13.4 cents, total duty 111.3 cents. The duty is therefore eight times the total wage cost and about six times the total wholesale selling price.

Also a red Bradford cashmere, wholesale selling price 16.6 cents, total wage cost 15 per cent of selling price, duty 89.7 per cent. The total wage cost is therefore one-sixth of the selling price; the cloth is 45 per cent cotton, and yet upon importation duty tax would be added at three times the actual weight of cotton and wool, plus 50 per cent, the tariff being nearly twice as high as need be.

I hand you also a sample sheet with four samples upon it of worsted goods, Yorkshire make, the first two being about one-half cotton, the last two all wool, with both English and Massachusetts costs. The exhibit shows upon sample A a difference in cost of 67 per cent, with a difference in duty of 108.06 per cent; upon sample B a difference in cost of 67 per cent, with a difference in duty of 117.03 per cent. These two are the cotton-warp cloths worn by people in moderate circumstances, who, throughout the cloth schedule, are very severely taxed as compared with materials worn by the wealthy.

Cloth C, all wool, difference in cost 127 per cent, 115 per cent duty, showing a protection that does not cover the difference in cost.

Cloth D, difference in cost 156 per cent, duty 122.06 per cent. It seems to me that these exhibits show that the textile schedule, which to-day is very likely the most important on the list, is a hodgepodge. Congress put a special committee or commission at work upon the

paper and pulp schedule for months. Only a special commission could work out a reasonable textile schedule, and that after many months of serious endeavor.

While you were given to understand that the textile schedule could not be lowered, I have it from men very well versed in the business that it could be if only it could be done intelligently and with sufficient care and that such a revision might materially lower the cost of goods worn by the poor and lower the duty on "tops" and give to those who weave a better margin of tariff protection than they have now. The total wages paid by the textile mills of Massachusetts in a recent census was \$50,000,000. The value of the output was \$200,000,000, wages being 25 per cent. A leading manufacturer in New England assured me that the census report accords with his experience.

And yet the duties run from 75 per cent minimum to 165 per cent, although many of the low-rated goods are nearly half cotton.

One hundred and sixty-five per cent, being the maximum protection shown in the government reports, marks only the point of prohibition. I have purchased abroad in times past cloth which, if now imported, would bear a duty of 207 per cent, the cost of the cloth in England being 14 pence, the duty being 29 cents, making the total value of the cloth 43 cents, while I am buying it from makers in this country at 25 cents. A tariff unreasonably framed provokes comment, though not in this case working any injury that I know of.

You were given the impression that the cotton rates could not be lowered. I am informed by capable spinners that the rates could be lowered in important particulars, more especially upon the lower grades, where poor people would be benefited. On higher and finer grades some duties might properly be advanced. I have looked over figures from foreign and domestic mills indicating that the United States is the equal of the world in the cost of production of sheetings, drills, prints, ducks, and flannelettes. These are made out of American cotton, with a total wage cost of about 25 per cent, the tariff running from 18 to 33 per cent.

I have canvassed thousands of manufacturers upon their tariff rates and find no schedule upon which some are not willing to accept of a considerable reduction, while some are desirous of an increase, the increase being more especially on fine embroideries, laces, and things of that kind which have not heretofore been produced in quantity in this country. The feeling of the manufacturers who have not appeared before you is, on the whole, for a reduction in rates, and is, I believe, fairly indicated by 224 letters received by me, the writers advising as follows with reference to a reduction in their rates:

Want whatever is equitable.....	28
Reduce from 5 to 30 per cent.....	30
Reduce 50 per cent.....	34
Reduce 100 per cent.....	54
Don't know.....	12
Indifferent.....	18
No reduction.....	45
Increase.....	3

This makes about 20 per cent wanting the present rates or an increase, the balance indifferent or ready to accept from 5 to 100 per

cent decrease. All this being on the basis of a tariff to be estimated upon the difference of cost of production here and abroad.

I asked the textile manufacturers who were dissatisfied with the presentation of their case before you why they did not express themselves freely to you. Their answer was that they had been so busy making cloth and trying to make money that they really didn't know how to advise you; that there were gross inaccuracies in their schedules; that only a commission or body of experts appointed by yourselves and subject to your authority could help them to determine the needs of their industry.

The gentleman is in the city now who made that statement to me, and I think in hearing of my voice.

#### PRESSED GLASS.

The unfairness of the present tariff is fairly illustrated by the pressed-glass schedule. I have letters from several makers of pressed glass that their schedules may be reduced almost any amount. One maker of glassware says he wants no protection; another manufacturer of bottles and window glass says no protection; a third, making bottles, wants none. Pressed glass is made as cheaply in this country as anywhere in the world. President McKinley, when chairman of the Ways and Means Committee and framing the McKinley bill, knew this and recommended accordingly, and yet pressed glass bears a duty of 65 per cent, an absolutely unwarranted rate, as will be found upon any sort of fair investigation.

I know a gentleman who sells a very great deal of pressed glass abroad at better prices than he charges his home consumers.

Mr. LONGWORTH. Is pressed glass the ordinary window glass?

Mr. MILES. No, sir; that is blown glass.

Mr. LONGWORTH. You referred to window glass a moment ago.

Mr. MILES. To one window-glass man; "Bottles and window glass"—that is what his title is, so I put them both in. I am giving the information as I got it from other people. I understand that most grades of the pressed glass need no protection.

Mr. LONGWORTH. But you do not find that with respect to most of the window glass?

Mr. MILES. No, sir.

Mr. FORDNEY. You, of course, do not know how reliable the information you get is?

Mr. MILES. Well, these manufacturers give their information to me, and if they do not know their business, then I certainly do not.

Mr. FORDNEY. They are facts as they know them. Why do they not come before us and give those facts?

Mr. UNDERWOOD. The witness is giving the names of certain people to the stenographer so that we may summon them.

Mr. FORDNEY. Oh, I did not understand that. I only thought it was a little queer that a man could send a messenger and not come himself, when he was advocating changes in the tariff.

Mr. MILES. This is my general correspondence on the tariff, and my information comes from letters that I have received, and which I will send to you.

## PLATE GLASS.

The president of the greatest plate-glass institution in the country challenges my sincerity with reference to protection. I beg to pay my compliments to him by informing you that the plate-glass schedule is extremely unfair, and that it must be corrected unless the wretched opportunity is continued to the plate-glass trust to rob the people.

On the larger sizes, being those tariffs which determine the business situation in the plate-glass industry, the duty is about 80 per cent of the selling price. Before the industrial commission a former president of the Pittsburg Plate Glass Company testified that the total wage cost is about 48 per cent of the selling price, or about one-half of the tariff. The material costs little more in this country than in Europe. Labor is 50 to 70 per cent higher. When 80 per cent tariff on the important sizes was given, this trust, like all others, very properly took it as permission from the United States Congress to raise their prices to the consumer. They added 100 per cent to their selling prices in about two years' time, giving one-sixth of the advance to their laborers and five-sixths to their stockholders. With a cost of production not far from that in Europe, the difference in wage cost, which is very considerable, being offset by saving in fuel and materials, they made the American consumer pay nearly \$2 for every \$1 worth of glass he bought. They raised their prices so high that importers were able to pay the excessive tariff and bring plate glass in to advantage. Whereupon the plate-glass trust showed a new phase of trust management in writing importers that they must not bring in glass or they would be cut off from home supply upon such sizes as could not be imported to advantage, and the importers had to discontinue their effort to save the home consumer and advantage themselves, and leave that consumer wholly at the mercy of the trust upon an increase of price of 100 per cent.

I have the price list, and would be glad to leave it.

About five months ago the plate glass people got into a little quarrel among themselves and cut their prices 35 per cent. The factories have been running full time at this lower rate. If Congress will insist upon proof of costs they will save the American people from possibility of further extortion upon their purchases of plate glass. The home makers during the past year under the excessive tariff held 85 per cent of the home market. These figures, however, do not indicate the extent of their control, because they hold substantially a complete control upon those larger sizes of glass upon which the success of the business depends, the smaller sizes being only cuttings or salvage from defective or broken large sheets, wherein the profit lies. Nor does their past hold up of the buyers indicate present overcharge, but only the opportunity you still leave open to the makers under the Dingley law.

In conclusion, if I may be permitted to say to you what is the desire of 90 per cent of the manufacturers of the United States, in view of the infinite difficulties of the situation and the perplexities of the manufacturing problem, I can only say this: There is a thorough appreciation of the American system of government in all its phases. But the manufacturers of the United States feel that it is absolutely impossible, except upon ceaseless endeavor, either for them or for

Congress to discover what are the needs of each and all industries in the way of protection while the consumer is as certain that it is impossible for him or for Congress hastily to determine what are his rights or his privileges in the matter of his purchases and government regulation thereof. Cutlery, earthenware, and pottery—each and all of our various industries—are now operating under a tariff that is extremely inexact, and as Germany and other foreign countries have tariffs that are a thousand times more carefully worked out, it is, in general words, the extreme and insistent desire of those who manufacture and of those who consume that the next tariff be not hastily framed, that it be based upon the absolute truth and the disclosure of all the evidence of the case. It is absolutely clear to such manufacturers and consumers that such disclosures can be made only as the Congress appoint a committee or commission, or whatever it be called—a body of men who will devote themselves absolutely to the problem, will go to the factories, investigate the books of cost, compel the submission of testimony, administer oaths and act upon the principle of a just and fair protection as defined by the President-elect and by the Republican party, through its leaders, and that this body shall, upon the conclusion of its investigations, upon either an early or a remote period, bring back and lay before your honorable committee the full and final data as such a commission only can determine it. Agitation will never cease, the hurt and discomfort of an inaccurate and unfair tariff will never cease, until this commission plan is worked out and made effective. Those who trifle with public opinion and with public patience do it at a very serious risk. This matter has been thought out and worked out with such extreme care and under such compelling circumstances as makes it, in the judgment of all, a necessary step in the solution of the question.

Now, I am going to make a statement that is a little involved, but if I make it with sufficient clearness I believe you will find it suggestive and helpful. It is upon meat and hides.

I have consulted for two years with the national representatives of the stock raisers and of the packers and of the tanners. From what I have heard from these three I beg to suggest as follows as concerns hides and meats:

The best solution of the question is one that makes money for all and loses it for none. The figures I give are close approximations for the average animal as handled at any of the great western packing houses. The average hide, as taken from a thousand-pound steer and salted, being the hide as it is ordinarily bought and sold, weighs about 55 pounds, and has a commercial value of about  $11\frac{1}{2}$  cents per pound, or \$6.25. The tariff being 15 per cent, amounts, therefore, on the average steer to 90 cents or \$1. As the steer is worth, delivered at the packing house, from \$40 to \$50, the tariff on the hide is about 2 per cent of the value of the steer.

It is entirely uncertain whether the farmer gets any of this 90 cents or not. He may get some of it, and at times he may get all of it, but there is a strong probability that the packer gets all, for the making of prices, both on live stock and on meat, rests as a matter of fact with the packing trust. The packers and the growers are both thoroughly aroused and dissatisfied because of the restriction, unnecessary as they believe, of the foreign market, and many stock raisers and all the packers are willing to give up the tariff on hides

if only they may have an enlarged foreign market, developed through governmental negotiations.

The statements above made are approved by Judge Cowan, who appeared before you Saturday in the interest of the live-stock raisers of the United States.

This 2 per cent protection, as estimated upon the value of the live animal, is small. Judge Cowan and others believe that an enlarged foreign market would add from \$2 to \$4 to the value of every steer in the United States. How easy, then, to remove the tariff on hides, increase the value of the live stock by enlarged foreign markets, and save those independent tanners whose existence is imperiled by the packing trust through the trust ownership of tanneries. In doing this we should make a foreign market for \$50,000,000 more of our meats per year.

As I pleaded Saturday for the continued existence of tens of thousands of independent nontrustified manufacturers whose existence is threatened by trusts from whom they must buy their materials, so I plead to-day for the independent tanners. I am informed by some of the strongest of them—men who have made a great success of their business in the past—that the ownership of many tanneries by the trusts and the insistent request of trusts that the independent tanners now tan hides by the piece, as employees, as it were, of the trust, imperils the existence of independent tanners, who must soon go out of business unless they get relief.

It works this way: The independent tanner asks the packer for a price on hides. The packer names a higher price than the independent tanner feels that he can pay. The latter declines to make the purchase; he tries again a couple of days later, as it were, and is then told that the packer has disposed of the hides which he formerly priced, the fact being that the tanner has sent the hides to one of his own trust tanneries. The independent must then shut his shop down or take hides at such a price as is offered. The packing house insists upon a high price upon the hide and makes a price on the finished leather so little above the hide price as to give no adequate margin for the independent tanner. The independent must take his chance upon this narrow margin or must yield to the tanners' suggestion that all hides be tanned "piecework." If he tans piecework the packer has his inspectors going through the tanner's factory and in a short time the tanner has lost his independence and the control of his business.

One of the oldest and most successful tanners of the United States told me a couple of weeks ago that he would now sell his factory at anything like a fair price and go out of the business. If he ever went back into the business, he would do it in Antwerp—a free port. He took me into his storage rooms, where were many thousands of foreign hides. The home supply is insufficient; hides must be imported, and the packing trust is being allowed to add the tariff to such hides as they produce and control the situation in all directions. Ships from South America carrying hides usually go to Antwerp—a free port—and from there make inquiries by wire of possible buyers, so that the hides wanted in this country from South America usually have to come roundabout from Antwerp or other European ports. The trade is handicapped in every way, and there is every probability that a continuation of the present rate on hides is nothing

less than a death warrant to independent tanning in the United States. The farmer gets so little from the tariff in any direction that it seems cruel to suggest the removal of a tariff from which he may get even the slightest advantage. The statements, however, from the national representatives of various farming organizations indicate that the farmer is more anxious to be relieved as a consumer from trust extortions under the tariff than to secure a continuance of the tariff on hides and such other items as are of doubtful assistance to him.

The consummation most desired by stock raisers and packers alike is the enlarged foreign market. We now ship neither meat nor live animals in quantity to any European countries except Great Britain and Belgium. Germany imports \$200,000,000 of foodstuffs, only \$50,000,000 of this coming from us. She has clearly indicated that she might give us a greatly enlarged market for our meats if our meat inspection were brought up to her standard (which the packers could easily do), and if we would make her a concession on sugar such as we give to Cuba. If this statement covers difficulties that seem considerable, I beg to say that they are no greater difficulties than the business man finds every hour of his life in the conduct of his affairs, and no greater than Germany is delighted to meet at any time through her very competent tariff commission, which is willing to have more than one phase presented at once in a trade complication, and who, by such consideration of many phases to one problem, reached that consummation which most relieves her industries and to the greatest extent extends her commerce.

The difficulty with our entire stock and meat problem is that the American consumer insists upon eating only the best cuts; when choice cuts sell for 17 cents retail the whole carcass (dressed) sells for 6½ cents and cheap cuts at from 4 cents to 8 cents. The poorer two-thirds of each carcass finds an unwilling market in the United States, but would be most welcome to the common peoples of European countries, who seldom eat meat, and we are being constantly advised through our consular reports and otherwise of the willingness with which foreign nations would negotiate if we would meet them upon the basis of a fair reciprocity.

If we would but give a little concession to Germany on our sugar, it would give us a chance on our meat. We would have to do just two things to get it—give reciprocity and the meat inspection that Germany requires in her own abattoirs.

Mr. FORDNEY. In other words, you think that if we give Germany everything that she wants, then she will play with us?

Mr. MILES. What she wants in two particulars only, as I have told you.

Mr. FORDNEY. But those two particulars will destroy the sugar industry in order to increase our sales of meat in Germany?

Mr. MILES. Absolutely not. I have it from members of the Government that if you will make a concession putting Germany on the same basis as Cuba, it would be greatly to our advantage.

Mr. GAINES. That is, let sugar from Germany in on the same basis as the Cuban sugar?

Mr. FORDNEY. Suppose we put Cuban sugar back up to the ad valorem rate of duty of 1.68½ per pound; what would Germany do about that?



Mr. MILES. I am not recommending that, Mr. Fordney; but I believe that this problem ought to be, and could be, worked out, if you want to benefit the farmer—to give him a foreign market and a greater profit for what he raises.

Mr. FORDNEY. Would you aid the meat packers in their market in Germany by reducing the duty on sugar? Do you not believe that the beet-sugar industry has had enough bumps without giving it any more?

Mr. MILES. I think I have answered your question, sir.

Mr. FORDNEY. You said that you would destroy the beet-sugar industry, or that you would endanger it, in order to give a better market on meat.

Mr. MILES. I did not. I am not in favor of destroying any industry or materially injuring any industry in this country.

Mr. FORDNEY. But such injury as would follow from what you suggest would be the first step to destroying it.

Mr. MILES. If they had excessive rates I would make this concession. I am speaking of the 20 per cent reciprocity allowance on sugar. I am not talking of the destruction of the beet-sugar industry.

Mr. FORDNEY. Do you think it could stand a 20 per cent duty with Germany?

Mr. MILES. I am not sufficiently conversant with the subject to pass upon that, but from what I hear I believe we could.

Mr. FORDNEY. And you recommend it?

Mr. MILES. I recommend the consideration of my proposition. Mr. Spreckels was here and said that we could have free sugar.

Mr. FORDNEY. But Mr. Spreckels is a refiner of foreign imported raw sugar.

Mr. MILES. And he knows about the sugar industry, the cost of sugar and other things.

Mr. FORDNEY. But he would destroy the beet-sugar industry absolutely in order to increase his business of refining foreign imported sugar. He stated that here the other day. Do you say "Amen" to a proposition of that kind? I presume you do, because you bring in his name.

Mr. MILES. I say that I do not believe it would destroy it, and I do not know of an industry on earth that I would destroy.

Mr. FORDNEY. Then you would not recommend just what you have recommended if you knew that that was true.

Mr. MILES. I do not believe that a 20 per cent reduction on sugar will destroy that industry.

Mr. FORDNEY. The beet-sugar industry?

Mr. MILES. No.

Mr. FORDNEY. Do you know what it costs to manufacture beet sugar?

Mr. MILES. Now, if you are going to talk sugar, I will read from the report of the United States Census upon that subject.

Mr. FORDNEY. Well, you introduced the subject of sugar, and that is why I mention it.

Mr. MILES. I will talk, then, along that line. The beet-sugar wages paid in the industry are \$2,486,702. Value of product \$24,393,794, the wages being 10 per cent of the value of the product, and the duty being 75 per cent. That, of course, does not cover the cost of raising the beets, it being only the wages in the refinery. But here is an

interesting point for consideration. The entire cost of converting the beets into sugar, "including the cost of beets, and of other materials used in the operation, together with the cost of all labor involved," is only 46½ per cent of the value of the sugar. (Census, 1900, vol. 6, part 2, p. 495.) The average wholesale price per pound of sugar in England in 1905 was 2.65 cents.

In New York it was 5.26 cents, being more than double. (United States Statistical Abstracts, 1906, p. 683.)

Mr. FORDNEY. And upon that you base your argument?

Mr. MILES. No, sir. You asked me to consider sugar, and I offer this as an interesting statement. I also say that the manufacturers will be glad to come here if you will give the manufacturers a fair chance to answer. But they do not know as much about their own business with reference to the tariff as they would like to know. And they do not feel that you gentlemen have the time nor the machinery to enable them exhaustively to give information, and get it, and balance up by way of a fair and helpful conclusion.

Mr. FORDNEY. Do you imagine that anybody on earth knows more about a man's own business than he does himself?

Mr. MILES. As to the textile men, I thoroughly accept their statement when they say that their business is so intricate that it should be cared for only with the greatest exactness. Many of them tell me that they know very little about the general application of the tariff, but they do know about the making of the cloth all that they need to, we may be sure.

Mr. FORDNEY. Do you say that a man who has money invested in his industry and devotes his entire time to the production of some article does not know as much about the cost of production of that article as a man somewhere else knows about it?

Mr. MILES. Each man knows all about what is inside of his own shop, presumably, but when it comes to the tariff, and to bringing you information, to giving to you and getting nothing back from you, and to making recommendations that do not touch his own shop but relate to competitors, he is frightened.

Mr. FORDNEY. Do you think that there is anybody on earth more competent to give the cost of production of corn than the farmer who produces it?

Mr. MILES. No.

Mr. FORDNEY. Then what you apply to the farm products, would apply equally to the manufactured products, would it not?

Mr. MILES. I have given you, I think, a perfectly clear proposition here: That those who make cloth in the later stages do not know much about the earlier stages, because they do not make and are not interested in the entire process of production of cloth nor in the tariff on cloth. They say not, and it seems to me not.

Mr. FORDNEY. Well, I can see that we are drifting away from the subject that we took up in the first place. You say that you would recommend a reduction of 20 per cent duty on sugar in order to please Germany, so that Germany would take more of our meats; and you believe that the sugar industry of this country would stand a reduction of 20 per cent. What makes you believe that? What do you know about the cost of production of a pound of sugar in a beet factory in the United States? Do you know what it costs to make sugar in a factory?

Mr. MILES. No, sir.

Mr. FORDNEY. Then you do not know whether the industry could stand a 20 per cent reduction or not?

Mr. MILES. I am told so by Mr. Spreckels, and men like that.

Mr. FORDNEY. Oh, yes; we heard Mr. Spreckels here the other day, and he stated that he was a refiner of foreign imported raw sugar, and that if the beet sugar industry in this country was crushed out it would increase the business, which he would like to have done.

Mr. MILES. You bring me up to the proposition of the American manufacturer seeking an enlarged foreign market, which I was discussing. And I say that upon the proposition of enlarging the market for meat that it can only be worked out with a corps of experts—your experts—and by those who come to give you help, to learn, from you also, and work it out with you on reciprocal lines.

Mr. FORDNEY. We are asking every man in the United States to come forward and give some valuable information to the committee that we may act wisely when the time comes. Why do they not come, if there is any information that we ought to have and that we could get? That has not been so yet. Why does he not come, do you know?

Mr. MILES. I know that they feel that the committee has not the machinery with which to help them, and they feel that they might do harm instead of good.

Mr. FORDNEY. But it is the same kind of machinery that has always been used before in the preparation of tariff measures.

Mr. MILES. Yes; but heretofore the tariff has been very high, twice too high in many respects, and there was not much harm, because there was competition inside of the walls. The situation was not as it is now, with trusts everywhere.

Mr. FORDNEY. What time is that that you are referring to?

Mr. MILES. We did not have trusts until about twenty years ago, and you know that as well as I. And there have been very many new ones created within the last ten years.

Mr. FORDNEY. To what extent does the trust go in the making of the tariff schedule?

Mr. MILES. The trust uses the protective tariff by adding the tariff to its prices to domestic consumers and sells its goods abroad at low prices and small profits.

Mr. FORDNEY. Do you think the tariff alone makes it possible for a large corporation to wipe out another one, to wipe out a smaller industry making a similar product? Is that your candid opinion? Do you want the committee to understand that that is what you believe?

Mr. MILES. The tariff alone, no. I do not stand on one leg; I have two. I say that the trust can add every particle of tariff to its price, while the competitive man can not add a particle of it above necessary protection; and that fact puts 25 per cent of the manufacturers of the United States on one side of the table and 75 per cent on the other side.

Mr. FORDNEY. Mr. Miles, do I understand you to say that you believe that the tariff on imported articles operates in favor of one American producer as against another in the same line of business?

Mr. MILES. I should think not, so far as they are competitive.

Mr. FORDNEY. And the tariff permits the strong to crush out the weak?

Mr. MILES. Yes; it permits the steel trust, for instance, to crush the smaller people, because the finished product of the steel trust is the raw material of the independent competitive man.

Mr. FORDNEY. In what way do they use the tariff to crush out the smaller competitor?

Mr. MILES. I will give you a firm of steel-wire men who have written to me.

Mr. FORDNEY. But that is not the thing; I want to know what you know about it.

Mr. MILES. I will give you the names of the farm-wagon men in that business. And I will further say that I am being crushed in three of my departments by a trust.

Mr. RANDELL. The question is, in what way does it prevent foreign competition and in that way helps the big man to crush out the smaller man?

Mr. MILES. I, for one, might get recourse from abroad were the tariff not excessive. I am in the hands of a trust as it is.

Mr. FORDNEY. What do you mean by "getting recourse from abroad?"

Mr. MILES. I mean—what I started out to tell you, with regard to the steel-wire proposition, and it runs into many different trades. The steel men have an export price at which they sell wire at a profit, but at much less than the domestic price. When they sell to the steel man whose name I have given, who makes wire, they add the tariff to their export price. Their price on this raw material is very high to the domestic wire mill. Then the steel trust has subsidiary wire mills of its own where it makes wire and puts it on the market at a little more than they charge the competitive wire men for their raw material, so that the wire man has no margin. That system goes in the tanning business in the same way.

Mr. FORDNEY. Does the manufacturer of wire have to come for raw material to his competitor in the United States?

Mr. MILES. Yes; he goes to the big steel producers who are competitors of his own wire mill, and so he buys of his competitor.

Mr. FORDNEY. But the tariff hasn't anything to do with it, has it?

Mr. MILES. Yes; it puts him where he can not buy of anybody but the competitor, and he is therefore in the hands of his competitor.

Mr. FORDNEY. Well, he knows that when he goes into business?

Mr. MILES. Thank God! He went into the business when that condition did not prevail, and he made lots of money until the act of Congress in the tariff was used by the trust against him. He went in a free man, and he is not a free man now.

Mr. FORDNEY. I do not know anything about the manufacture or production of steel. You steered me off a few moments ago, and I want to get back to the question of sugar. I know something about the manufacture of sugar. I lived in the midst of a beet field where they make a great deal of sugar, in my State, and I want you to say whether or not you will substantiate your statements made a few moments ago, when you said that sugar can stand a reduction of 20 per cent and not be injured.

Mr. MILES. I never said it could. I never would do anything to injure an industry of the United States.

Mr. FORDNEY. You said a few moments ago that sugar could stand a reduction without hurting the industry.

Mr. MILES. I have been told by a member of the Government that the interests of the United States and of Germany could be furthered by a reduction in the rate of duty on sugar, and another member of the Government has told me that we would have to give the same concession that we give to Cuba in order to get our meats into Germany. I do not know whether it should be all off or half off.

Mr. FORDNEY. Then if Germany paid what Cuba pays, there would be no complaint at all; is that it?

Mr. MILES. And you might settle it still easier. You might negotiate with Germany in a way that would get our stuff in there in great volume, and still leave sugar where it is.

Mr. FORDNEY. We want to save sugar by all means; it is a great industry.

Mr. MILES. I have letters by the thousands from manufacturers stating that they do not want to stand on stilts in the present tariff, but that they want it adjusted so that the trade will be greatly enlarged. They do not know what to give off; but they have got to give something off to get those factory chimneys smoking again as they all should smoke.

Mr. FORDNEY. What factory chimneys in this country are not smoking now?

Mr. MILES. The average factories in the United States are not running 75 per cent; do you think they are?

Mr. FORDNEY. Yes; I do.

Mr. MILES. I do not.

Mr. FORDNEY. You know a great deal more about it than I do, but I differ with you very materially.

Mr. MILES. I get hundreds of letters a week from people who tell me that the American factories are not running more than 75 per cent.

Mr. FORDNEY. Do you represent the Manufacturers' Association?

Mr. MILES. Not here to-day; no, sir. I am a member of the association, connected with it the same as a good many others.

Mr. FORDNEY. You read a statement there prepared by some one man where he said he had consulted thousands of manufacturers.

Mr. MILES. On what?

Mr. FORDNEY. You read a paper a few moments ago, or that part of the statement, where he said that he had consulted and visited thousands of manufacturers—did you not say that?

Mr. MILES. I think I referred to myself as having had communication with manufacturers, as indicated by their correspondence, with regard to readjustment in some instances upward, and in many instances downward.

Mr. FORDNEY. You named one man who produced pressed glass, I think, and stated that he did not need any protection.

Mr. MILES. Yes, sir; several men said that.

Mr. FORDNEY. Plate glass and such like?

Mr. MILES. Several men on pressed glass. I have it here.

Mr. FORDNEY. Do you think that he is right about that?

Mr. MILES. I know he is.

Mr. FORDNEY. You know that he is right?

Mr. MILES. Yes; if I know anything on earth by human testimony. He has a place in London that costs him \$10,000 a year to manage, and he charges that \$10,000 up against Europe, and ships large quantities of pressed glass abroad at the American prices plus the cost of running the establishment.

Mr. FORDNEY. Is the plate-glass industry making money?

Mr. MILES. I said pressed glass.

Mr. FORDNEY. But you mentioned the plate-glass industry too.

Mr. MILES. I don't know. They had very nice profits the last I knew. I do not think anything is troubling them.

Mr. FORDNEY. There is an industry in my State making plate glass, having been in business seven or eight years. They have assessed their stockholders twice for the amount of their capital in order to keep running. I do not know anything more about it than that. I know that the stockholders of that company have twice contributed the amount of the original capital in order to keep the industry running. That does not speak well for the industry to me, although there may be something about that institution that is out of the ordinary. But I know that it is so.

Mr. MILES. I think they are making handsome profits.

Mr. FORDNEY. You say the tariff permits the manufacturer to put prices up at will. Do you believe that that is right?

Mr. MILES. If it is a trust, yes.

Mr. FORDNEY. That is a different proposition.

Mr. MILES. A great part of the manufacturing output of the United States is not upon that basis, but you do not make that distinction, and the manufacturers are lost on this.

Mr. FORDNEY. And from that proposition, any trust that controls a product has it in their power to advance prices at will.

Mr. MILES. Yes, and do advance prices, as a matter of fact.

Mr. FORDNEY. Perhaps that is so. How about the Standard Oil Company?

Mr. MILES. The government representatives say that they charge the American consumer 35 to 60 per cent more than the foreign consumer.

Mr. FORDNEY. Does the tariff permit them to put up the price at will?

Mr. MILES. Wholly.

Mr. FORDNEY. There is not any duty at all on that. What have you to say about that?

Mr. MILES. I thought you had heard of that, probably. They have been permitted since the Wilson bill passed to have 100 per cent and more of protection.

Mr. FORDNEY. But the tariff says no duty on petroleum.

Mr. MILES. But the Democrats gave the Standard Oil 100 per cent in the Wilson bill.

Mr. FORDNEY. Maybe you are right about that. Certainly they can put up the price at will because they control that article.

Mr. MILES. Oil came in at a less price, a ship load came in, but it was caught by the tariff. We would buy our oil at about one-third less if it was not for the tariff.

Now, may I say a word about specific duties and other valuations? The textile people are very much disturbed about undervaluation. You would do away with undervaluation entirely if only you would

make specific rates. I wonder if we could not do that. We are the only first-class nation in the world that has not specific rates. Take gloves, for instance. We had undervaluation on gloves until a specific duty was put on, and there has been no trouble about undervaluation since. Germany, France, and all the other big nations take a yardstick or a scale and weigh the stuff or measure it, or count the threads of the cloth, etc., and this method of specific rates does away with undervaluation.

The CHAIRMAN. It has been a study in connection with the tariff for a great many years. You mentioned the tariff on products of wool, and you claim that the products were protected by ten times the value of the wages, and upon other articles only 10 per cent of the value of the wages. Your figures would hardly be justified by the facts, yet there is an unbalanced condition in that schedule. But the principle is the same, and it grows out of this condition, I think: Congress has put a specific duty on wool, on the pound production, and an ad valorem duty for the purpose of protecting the manufactured product in their processes. The pound duties were put there to equalize the duty on raw wool. Now, the wages in making raw wool into the finished product vary according to the kind of wool. It varies all the way from a waste of 16 per cent to 75 per cent on different kinds of wool, so that when we undertook to put a specific duty on we came into those conditions of the tariff.

Some of the foreign tariffs are based largely on the weight, and some of the duties are ridiculous in their unbalanced condition; heavy articles of low price bear a very high rate of duty, and lighter articles of similar goods of high price bear a low rate of duty. I have been at work all summer on that proposition to see if we could not get a correct application, and I hope the committee will be able to work out an improvement. The study has been, from the McKinley bill down to now, to put every article that possibly could be on specific rates. It was not so much the case with the Wilson bill, but more particularly with the McKinley bill and the Dingley bill. I think you are running up against some of the difficulties which legislators have in reference to the tariff, not so much from the lack of information, or correct information, as from the nature of the problem itself. As you continue your studies on the tariff, on some of which you have got into some of the difficulties which you have not plowed so deeply, you will find these difficulties confronting you all along the line, and while the committee is obliged to you for the information which you have presented here from secondary sources, and specially for the few names which you have given of people who can come here and give us facts from first knowledge, they would be more obliged if you would give them more of these names, so that we can have these people come here. We are endeavoring to get at the facts from any help from any quarter.

Mr. MILES. You could not consider the creation of a subcommittee, or something of that kind, that the manufacturers could come to, and want so much? Some board or committee where we could come and work persistently under your direction. I understand I am not to be permitted to say a word about a tariff commission. I think you gentlemen do not appreciate what the manufacturers mean. They do not want anything excepting in your service. They say that they wish they could come and give information, and work on

the problem. Eighty or 90 per cent of the manufacturers wish that we might have some sort of a bureau of that kind where we could come and work together.

The CHAIRMAN. There are several difficulties in the way of that scheme. If you have a permanent bureau of that kind, they are all the time advocating the question of a change of rates, and there is not anything, unless it be free trade, that could cause a greater blight upon the business of the country than perpetual unsettlement as to the question of the tariff. In order to get confidence in the business future, the man who engages in business wants to know that that business shall be settled for a period of time and is not subject to agitation and change. I think it would be one of the worst things that could happen to this country to have a commission of men, or a body of men, who were constantly advocating tariff changes in regard to similar manufactures. That is one of the reasons why the committee, and I think both sides of it, and Congress on both sides of the Chamber are so largely opposed to anything of that kind. I think it is one of the wisest provisions of the Constitution of the United States that they lodged the power of levying taxes just where it was lodged, in order that changes could be made abruptly. They builded better than they knew. I think the result of the system has wrought great good to the country. I know that is opposed to your views, but I am only stating that as the view of others. I have been engaged in the work and the study of these questions, some of us, full as long as you have.

Mr. MILES. That is not in opposition to my views, however; I do not believe that it is. But 90 per cent of the manufacturers of the United States, as near as I can ascertain, both those who are standing pat in the sense of wanting the present duties to continue, and those who want reductions, and are prepared to give reductions on their own lines, plead almost on their knees that they may have a better opportunity to come and present information to you.

The CHAIRMAN. Some information that has leaked out in regard to manufacturers would seem to indicate that the majority of the association that voted in favor of the tariff commission was very thin, and that there was not a full attendance of the members, and was merely consented to by a great many of them.

Mr. MILES. Not at all. The expression was by correspondence over signatures, not in convention only, and other organizations are declaring for it every day. They ask for it only for the further assistance of yourself and themselves, and as your servants; absolutely as your servants.

Mr. UNDERWOOD. Mr. Miles, you have advocated a tariff commission. I must say that I agree with the chairman that I do not think a tariff commission is practicable for the reason that the Constitution has vested the power of levying taxes in the House of Representatives, and they placed it in a committee; and no set of men who have been given the power to decide this question are going to delegate it to somebody else and accept their conclusions. As to ascertaining facts, we can hire as many experts as we want; and for that reason I agree with the chairman upon the question of the tariff commission. But I want to ask you if this is not the trouble with the manufacturers. Is not the difficulty that they have experienced in the past, by reason of the system of changing tariff bills and writ-



ing tariff laws, due to the fact that Congress passes a tariff bill and then refuses to consider anything in reference to the question for a decade or more, and that the man whose business has got out of alignment and out of adjustment with that bill wants an opportunity to be heard, an opportunity to readjust his business affairs and the law with the conditions existing at the time. Is not that true?

Mr. MILES. At the time the tariff bill is made it is hurtful to a great many manufacturers because of lack of knowledge on the part of the framers, etc. Take the automobile people. I understand that you have been asked to raise the tariff on automobiles. I have wires from several manufacturers stating that they think it a wretched proposition; that they would not stand for anything of the kind. Two-thirds of the present duty would be very ample. I have a telegram here which I would be glad to deliver, and it is to the effect that you do not get all the testimony, but only half.

Mr. UNDERWOOD. I think you are right about that, absolutely. Right now, in writing this bill, we are not getting half the testimony we need and we haven't half time enough to digest the testimony that we do get. But is not that due to the system adopted in the past of waiting a decade and writing a whole tariff bill at one time instead of taking up separately the schedules or paragraphs out of adjustment and giving ample time to the consideration of them in detail and separately instead of considering them en masse.

Mr. MILES. I do not see how by your present arrangement you can get exhaustive testimony and consider it.

Mr. UNDERWOOD. If we took up the schedule of textiles alone, and considered it from every standpoint, and had witnesses on every proposition before the committee, and passed a bill affecting the textile schedule, don't you think it would be more effective than our present way of writing a tariff bill?

Mr. MILES. It would be more effective and absolutely satisfactory; but I beg to make a suggestion, and to clarify your statement by saying that I do not know of a manufacturer in the United States that would change the method of making a tariff who fails to appreciate the greatness of this committee and the greatness of Congress. There is no dream of infringement in any way, but simply that you should have a board of experts that would be able to collect, compile, and systematize your information. This you have not got now. Therefore you have to make your tariff without full testimony and full consideration. I can illustrate that by the automobiles. The men who came asked for an increase on the present rate on automobiles, and there were a great many manufacturers of automobiles who think that it was a shameful proposition to ask for that.

Mr. CALDERHEAD. Why did they not come and ask?

Mr. MILES. They seemed to be afraid to come.

Mr. GAINES. What would they be afraid of?

Mr. MILES. Afraid that some one man who comes and tells all he knows will be "fixed," isolated, and that the rate be reduced on him, and he will be thrown out of line. That is one reason. Also it is not fashionable to come here and talk about cutting rates.

Mr. CALDERHEAD. But I do not quite understand some of your positions. You have spent some time in showing us that the tariffs are too high on many textiles; that is, that it is too many per cent of the

cost of wages, and yet now you say that the textile manufacturers complain of undervaluation. Undervaluation is simply lowering the tariff. What harm does it do them?

Mr. MILES. That is another phase of the situation.

Mr. CALDERHEAD. Why do not these men who are interested in that come and make that complaint to the committee? What hinders them?

Mr. MILES. They had a meeting and considered that as a practical and general proposition they would not mix the thing up, but stand pat. Some are exceedingly sore at that position.

Mr. CALDERHEAD. Why should you or they complain of the present method of making tariffs?

Mr. MILES. We want it written right over your chairs, "No proof, no protection." That would give as good protection as there is on earth. That is our proposition. You get hearsay and half truths now. Men sit right back there and listen to a statement made to you that a man must have 50 or 60 per cent duty, for instance, or die financially; and they who sit back there and know that it is wrong, must be sore.

Mr. CALDERHEAD. When statements of that kind are made, why do they not walk right up and ask to be heard?

Mr. MILES. We just wish that you gentlemen had somebody that could go further into this matter; that you might question and cross-question on a single item until it was in proper shape. I will answer you further, and say that it is not fashionable to come down here and ask for a reduction in rates. When people have accorded to them rates which they are pleased to keep, they do not want to come and ask you to take them off. But you do not require one particle of proof. If anybody is willing to come and talk to you, it is very nice. But if you should tell them that this is the place to which they must come, and that they can not have protection unless they give you proof, that would be different. That is what a bank cashier wants when you go to him to get money. He must have absolute proof, and so ought you to have absolute proof.

Mr. LONGWORTH. Are these various letters written to you in some official capacity, or as an individual?

Mr. MILES. I receive a great many as an individual and I get others as chairman of the central tariff committee of thirty or forty organizations, and as chairman of the tariff committee of the implement men, and others as a member of the tariff committee of the National Association of Manufacturers. They come in different ways.

Mr. FORDNEY. Mr. Miles, you spoke of the textiles a few minutes ago. Is there a trust on those articles?

Mr. MILES. I think not, sir. They speak of the woolen trust, but I can not see it.

Mr. FORDNEY. You say that there is an excessive tax, running up to 200 per cent, on some of those articles. If there is no trust in textiles, why is not one formed under those excessively high prices and the control of the price on these articles?

Mr. MILES. I suppose the manufacture is so varied that they can not get together. That is the trouble in my business. We might do it to-morrow otherwise.

Mr. FORDNEY. You would do it if you could. You would control your article and form a trust on it, if you could, right away?

Mr. MILES. I think so, but I have not had the temptation.

Mr. FORDNEY. What are you complaining about other men's trusts for, then?

Mr. MILES. Because you have invited them, by high tariffs, into the formation of trusts, and I am against Congress going into the trust business.

Mr. FORDNEY. Congress has never thought of going into the trust business, excepting to impose them when they are unlawful.

Mr. MILES. When you give the steel combination the privilege of adding the price that they do add—

Mr. FORDNEY. Now, please let us get back to textiles.

Mr. MILES. Well, standard oil and glucose and all the rest of them. They have all got it.

Mr. FORDNEY. But do you not think it is due to some other reason than the tariff that causes those combinations to form?

Mr. MILES. I think combinations form for various reasons.

Mr. FORDNEY. A while ago you said that the tariff permitted them to do it.

Mr. MILES. The tariff permits every trust in the United States to add a third to the selling price, and each trust adds that particular third which you and the Congress permit them to add to it. That is all I say as to the trusts.

Mr. FORDNEY. I do not agree with you on that, so we will not go any further.

Mr. MILES. I can name them all right here; all of them.

Mr. FORDNEY. You spoke about automobiles a few moments ago. The general policy of Congress in arranging a tariff is to put a duty on luxuries as high as we think the people will pay and still use those luxuries. Is not the automobile a luxury?

Mr. MILES. Not any longer. They are just as necessary as a horse and buggy.

Mr. FORDNEY. Do you know of any common laborer working by the day or the month who owns an automobile?

Mr. MILES. No; nor a horse and buggy—yes; I do some. The farmers are buying automobiles. I have one, but I never ride in it excepting when I have to. An automobile is a necessity to some, if they can afford it.

Mr. HILL. All luxuries are necessities if you can afford them?

Mr. MILES. Yes, sir. The automobile has now reached the farmer, and what you might call the poor man.

Mr. FORDNEY. Will the gentleman from Connecticut (Mr. Hill), or Mr. Miles, either one, say that an automobile is not a luxury?

Mr. MILES. Mine is not.

Mr. HILL. I think it is, and it should be taxed as such.

Mr. FORDNEY. Then I misunderstood you.

Mr. MILES. Farmers are buying automobiles and are using them to go into town and to attend to their business. They are not luxuries when so used. They are used in lieu of horses and buggies. Of course you have men who pay from five to ten and fifteen thousand dollars for automobiles and use them for pleasure. In that case they are strictly luxuries.

Mr. FORDNEY. I live in a farming community, and I never yet knew a farmer that works a farm who owned an automobile.

Mr. MILES. I am told by the men in the buggy business that they can not sell the same amount of buggies that they used to in the country districts, because the people there are buying automobiles.

Mr. FORDNEY. You say that somebody tells you that. I am talking about what I know. Do you know a farmer working on a farm, driving horses, and handling the plow, who owns an automobile to run back and forth between his farm and town?

Mr. MILES. Yes, sir.

Mr. CLARK. If Mr. Miles does not, I do.

Mr. MILES. Of course you do.

Mr. FORDNEY. I would not dispute my friend from Missouri under any circumstances.

Mr. CLARK. One of the best farmers in my country bought an automobile four or five years ago, and he rides in it.

Mr. FORDNEY. One of the best; he is a rich farmer?

Mr. CLARK. He is a resident farmer, and I presume he is worth \$20,000 or \$25,000.

Mr. FORDNEY. He can afford luxuries or he would not have it.

Mr. CLARK. I would not give, myself, a horse and buggy for any automobile on earth.

Mr. RANDELL. A great many doctors are using automobiles.

Mr. FORDNEY. Mr. Miles, there is an automobile factory in the city of Detroit, in my home State, that employs over 3,000 men, and they make a high grade automobile. They are now experimenting with or making a truck machine, which could be sold at a less price, of course, but their principal product is high-grade machines. As I have said, they employ over 3,000 men, and they support a population of 15,000 people. Do you want the duty lowered on that article so that foreign automobiles may come in here and in any way injure that industry, or affect the production or the earning power of these men in the factory?

Mr. MILES. I am a Republican, and I want the rate on automobiles to be different if at all only because they have a liberal figure now, but the tariff that they have asked for is from two to four or five times the difference in cost.

Mr. FORDNEY. I am a Republican too, sir, and I want the duty made so infernal high that no foreign automobile can get into this country to destroy that labor. That is the difference between two Republicans.

Mr. MILES. The steel men like your kind of Republicanism best.

Mr. FORDNEY. How much steel goes into an automobile, and how much does the steel trust get out of that?

Mr. MILES. I am talking about the principle, of putting the wall up so high that nothing can ever come in.

Mr. FORDNEY. I see that you want to get back to steel now.

Mr. MILES. I am talking about the principle. You went over to a principle, and that made sorry work of the automobile.

Mr. FORDNEY. Well, now, again. The piano is protected by a 45 per cent duty, and last year there were between twenty-five and thirty thousand American laboring men employed in piano factories in this country. The importation of pianos is very small indeed;

very light. Do you want the duty removed on pianos so that foreign pianos can come in here and lessen the production of those instruments in this country, and therefore lessen the number of men employed in that industry and of the amount of money paid to them? Would you do that? And what would apply to a piano factory would apply to an automobile factory, my friend. They are both luxuries.

Mr. MILES. I answer you by saying that there is a principle that governs the rate of duty, and upon that principle I do not believe—

Mr. FORDNEY. It is a pretty hard question to answer.

Mr. MILES. No, sir; it is perfectly easy to answer.

Mr. FORDNEY. Why don't you answer?

Mr. MILES. I would have been very willing to have a few pianos come in rather than to raise the price excessively. I am no Chinese wall man.

Mr. FORDNEY. You would like to have pianos made by foreign countries come into our market, would you?

Mr. MILES. There is no sense in the world of having pianos come in. We make pianos here to great advantage.

Mr. FORDNEY. Well, the duty on pianos is not for revenue, it is for protection absolutely. Would you change it?

Mr. MILES. I would make it protective. I would not make it exclusive nor prohibitive. There is a difference between prohibition of imports and protection.

Mr. FORDNEY. There are a few pianos come in with that high rate of duty of 45 per cent. Would you change it?

Mr. MILES. I do not know the cost of the piano.

Mr. FORDNEY. There are many grades.

Mr. MILES. They make them here about as cheaply as anywhere in the world. One of the executive committee of the Piano Makers' Association at New York told me that the piano rate could be lowered. That is my answer. If they do not know, I do not.

Mr. FORDNEY. Do you know the cost of production of a single article that you recommend the removal of the duty on or the reduction of the duty? Do you not give your opinion absolutely from hearsay? So far do you know of a single article that you produce, excepting steel—I do not know anything about that—that you are positively informed on that could stand a reduction and that you would recommend a reduction of duty upon?

Mr. MILES. Yes, sir; I make plows and agricultural implements, and in the hurry of making that last tariff some of them were put in at 20 per cent and some 45 per cent. The tariff equals all the wage cost ever put in. The tariff on some of them is from two to fifteen times the difference in wage and absolutely prohibitive.

Mr. FORDNEY. Do you recommend the reduction of duty on plows and agricultural implements?

Mr. MILES. Those that are put in at 45 per cent could be reduced to 15 per cent. If you are going to be fair and not allow us to form a trust that is talked of, which, of course, would increase the price one-third to the consumer—

Mr. FORDNEY. Again you go back to the trusts. If a reduction of the duty on these plows should transfer the industry to a foreign country, would you like it?

Mr. MILES. You would not lower our duty enough to hurt us much on my products. You should want us to reduce our prices to the consumer, and extend our business everywhere.

Mr. FORDNEY. Do I understand you as saying that by reducing the duties, and giving the foreign countries a share in our markets here, would increase foreign exports? Is that what you mean?

Mr. MILES. Making the duty accord with the principle of protection would give us a great deal larger foreign market.

Mr. FORDNEY. Why, my friend, don't you know that we consume and ship 25 billions of dollars' worth of stuff, and the whole foreign world does not consume half of that in imports? Would you give up our markets at home; give up two dollars for one dollar?

Mr. MILES. I would not give up our markets at all, no; but I would do business with the foreigner.

Mr. FORDNEY. That could not be continued.

Mr. MILES. A great deal is imported.

Mr. FORDNEY. You would not do that by reducing the duty, would you?

Mr. MILES. I do not know to what extent.

Mr. FORDNEY. Of course the reduction of the duty hasn't anything to do with it.

Mr. MILES. Yes.

Mr. FORDNEY. You spoke of a certain article that costs 42 cents abroad and 25 cents in the United States.

Mr. MILES. No, sir; I said it costs 14 cents in England.

Mr. FORDNEY. I thought you said that it costs 42 cents.

Mr. MILES. No; I said that imported it costs 43 cents. The tariff is 29 cents and the cost of the article in England is 14 cents.

Mr. FORDNEY. Then I misunderstood you, because I thought you said it costs 42 cents to produce it here and to produce it abroad 25 cents.

Mr. MILES. No, sir.

Mr. HILL. How are you going to carry into effect the recommendation of the Tariff Commission under our system of government? Congress is delegated with the authority to fix duties, and you can not put that power on a commission. That commission can only act in an advisory capacity and recommend changes from time to time.

Mr. MILES. Its duty would be only to gather exhaustible information to present to you as your servant, so that you would have that in an intelligible form.

Mr. HILL. And after that, what would be the next movement in order to get them crystallized into specific legislation?

Mr. MILES. They would get the absolute facts and truth, and would lay them before you for action as the constituted authority.

Mr. HILL. Then the course would be to send that to the House of Representatives, under the Constitution; that would be referred to the Committee on Ways and Means, and that committee, as an honest and intelligent body, would act upon it and report a bill to the House, taking the duty off salt, we will say, if such was their recommendation.

Mr. MILES. Yes, sir.

Mr. HILL. That would go to the House of Representatives, and under the tyrannical procedure would in due time go to the Com-

mittee on Rules and that committee would report a resolution providing that after a certain day, perhaps after an hour's discussion, the bill would be taken up and acted upon and the bill passed.

Mr. MILES. Yes, sir.

Mr. HILL. And that bill would go to the Senate, in which body there is unlimited power of debate and amendment; and can you give us any information, or can there be devised any recommendation that would result in anything like specific legislation without changing the rules of the Senate?

Mr. MILES. I hope I follow you. I say that 90 per cent of the manufacturers of the United States, making fifteen billions of dollars of products and paying two and one-half billions in wages, believing in the intelligence and in the wisdom of Congress, think that Congress will enact legislation which will be helpful to the American people if only it has the underlying information. If you think that the Senate of the United States will not legislate on that basis, I presume we might have to give up the Government. But I do not agree with you on this.

Mr. HILL. But there would have to be preliminary action by the United States Senate in changing its rules upon a specific proposition of that kind, as things are constituted at the present time.

Mr. MILES. I have the hope and belief that if the Senate were confronted with such a situation as that it would legislate honestly and intelligently. I do not know anything about their rules nor their method of changing their rules, but I do believe that both branches of the United States Congress would legislate fairly and intelligently on the facts if they were clearly presented.

Mr. HILL. I want to call your attention to a sentence from the Consular Report of 1906, in which it is said that the two greatest trusts in the world to-day are the United States Steel Corporation and the German Steel Syndicate, known as the International Rail Syndicate, having the control of the output of 4,000,000 tons. If that is true that they maintain prices on the output, what would be the effect of taking off the tariff. Can not such a combination as that laugh at all tariffs in all countries? If prices are controlled under an international agreement, is it not useless to make or unmake any tariff so far as having an effect on that organization is concerned?

Mr. MILES. As to the International Rail Syndicate, I think that there is no doubt that every man that touches it pays tribute to it without regard to the tariff.

Mr. HILL. And the prices in England where there is no tariff on rails, and in America where there is a tariff, show that the tariff has no effect whatever upon prices and has not had for a dozen or more years.

Mr. MILES. That is upon rails. May I finish my reply? I hope I grasp what you mean. On rails every country of the world is a slave to that trust, and pays whatever the trust asks anywhere, whether it is high or low. They pay that price and must continue to do so.

Mr. HILL. Then the tariff would not affect the situation?

Mr. MILES. It is just the same whether prices are higher or lower.

Mr. HILL. That is your understanding of the matter as to rails?

Mr. MILES. Yes; and now may I take the subject of bars?

Mr. CALDERHEAD. If Mr. Hill has finished his line of inquiry, I would like to propound a question.

Mr. COCKRAN. Let the gentleman finish his answer.

Mr. MILES. I wanted to say that there is a very great difference between rails and many other products. The countries of the world are absolutely helpless on rails. On the article of bars there is no trust and the tariff is therefore against the American consumer. Pittsburg steel is sold to the American consumers at the foreign price plus the tariff.

Mr. HILL. You have referred to bars, and I want to direct your attention to wire nails, which is a highly-finished product, and which are made in Belgium and Switzerland where they have this agreement. The German wire nails are under this international arrangement. Then the tariff on nails has nothing to do with the price?

Mr. MILES. We are gone on that proposition.

Mr. HILL. Then the tariff on tin plate has nothing to do with the price?

Mr. MILES. A short time ago it did apply on tin terne plates, and they were sold at Pittsburg at \$11, under home prices, to Welsh buyers.

Mr. HILL. The tariff on rubber hasn't anything to do with the price, since it is generally understood that even in the Kongo they have pools, which are controlled by this international agreement.

Mr. MILES. Wherever they have an international trust we are gone absolutely. That is all there is to it.

Mr. HILL. Then we must make a complete change in order to affect the situation with such an agreement existing.

Mr. MILES. No; not altogether. I am talking about American manufacturers only. I am talking about the home trust and not the international trust. We find that Pittsburg prices are always the foreign prices plus the tariff. If Congress would act quickly we might get some benefit. Their action will not avail against the steel trust if we wait until it has the advantage of an arrangement by which there is some day formed an international trust.

Mr. BOUTELL. I would like to ask you a few questions, the answer to which will add to or will detract from the weight of your argument—and I hope it will add to the weight of your argument. You have made much use of the word "trust" all through your argument; and I believe that the universal consensus of opinion is that it is the most abused word in the English language to-day. We have now been here going on five weeks, and to all of the manufacturers who have appeared before us, I or some one else has asked the question as to whether they believed there was a trust or combination in the business, and they answered invariably that they did not know of any such thing. I believe that every member of the committee will bear me out in this assertion.

Mr. COCKRAN. No trust seems to appear.

Mr. BOUTELL. No trust has showed its face in this room.

Mr. GRIGGS. One gentleman came very near admitting that he was a trust all unto himself.

Mr. COCKRAN. But even he retracted the assertion.

Mr. BOUTELL. Two days were devoted to steel, and there were some very intelligent gentlemen who appeared before the committee, but none of them seemed to be connected with the steel trust. There



is one question that I want to ask before getting back upon the general subject. When you speak of the steel trust crushing out its competitors and at the same time raising prices to those in the United States who use steel there is confusion in my mind as to the force of your argument. All of these gentlemen who appeared before us say that they do not belong to the steel trust. If the steel trust dictated and raised prices, all of these estimable gentlemen who say they do not belong to the steel trust would at the same time get the benefit of those prices:

Mr. MILES. Yes, sir.

Mr. BOUTELL. It is your opinion that there is practically a steel trust, and that it absolutely absorbs and controls the entire product; that while it only controls a fraction of the output, still it dominates the price, because the other manufacturers who are not in the trust maintain prices up to that of the trust, and thus get the benefit of the trust prices?

Mr. MILES. Yes, sir.

Mr. BOUTELL. The mystery to me is that in that case competition does not work. Here is a man named Mr. King, representing the Jones & Laughlin Company. He said that the output on his product as to price coincided with the prices of the products of what is denominated as the steel trust.

Mr. MILES. He is a part of the steel trust.

Mr. BOUTELL. He says that he is not.

Mr. MILES. He is, just the same.

Mr. BOUTELL. The man himself says that he is not, and you come before us and make the argument that he is. If he is, then all of this argument falls to the ground. Other gentlemen, manufacturing various articles, came before us and said that they were manufacturing things that the steel trust manufactured, but that they were not part of the steel trust.

Mr. MILES. Yes.

Mr. BOUTELL. Then what you call the "steel-trust" is something different from what they consider the steel trust to be.

Mr. MILES. Yes, sir; but if we were all sitting together in a room informally we would all consider it a trust.

Mr. BOUTELL. Do you mean to say that Mr. King, of the Jones & Laughlin Company, when he made the statement that he was not a member of the steel trust, did not make a correct statement?

Mr. MILES. Not according to the accepted meaning of that term.

Mr. BOUTELL. That is what I wanted to call your attention to. What is your conception of the popular term "trust?" In what sense do you use the word? You seem to use it in an entirely different sense from the sense in which it was used by Mr. King.

Mr. MILES. The sense in which we use it is slightly different. What I call a trust is any combination or agreement that controls the product of any article as against the consumer in the matter of prices. If the representative of Jones & Laughlin and others meet in a room and in anyway agree as to selling prices, I would say that is a trust.

Mr. BOUTELL. He says that it is not.

Mr. MILES. May I tell you why?

Mr. BOUTELL. Yes, sir.

Mr. MILES. Because these gentlemen will meet and after discussion they "severally declare" what prices shall be. They do not

make a combination. They simply "severally declare" as to prices, each making the same declaration. That, in my idea, constitutes a trust.

Mr. BOUTELL. Let us now go back to my original interrogatory. Then, your argument is based upon the opinion that men who are producing steel in this country, great and small, big, little, and intermediate, who have undertaken to fix prices on their output of steel produced in the United States, are a trust. Is that a concrete image in your mind as to what a trust is?

Mr. MILES. That is a concrete image, yes; but I do not pretend to say and I do not know as to every man on the face of the earth who may be making steel.

Mr. BOUTELL. We are simply trying to get at an accurate use and definition of the word "trust." You spoke of the beef trust. Now, give us a concrete image of what is conjured up in your mind when you use the words "beef trust." You are not connected with that trust and you do not know anything more about it than we do.

Mr. MILES. It is a combination of from four to six men who fix the price of beef as against the consumer.

Mr. BOUTELL. Who are they?

Mr. MILES. You have heard, probably, of the "big four" in the packing business—Mr. Armour, Mr. Swift, and others—the International Packing Company, etc.

Mr. BOUTELL. I do not know them.

Mr. MILES. Schwarzschild & Sulzberger are in that.

Mr. BOUTELL. Your idea in reference to the beef trust is somewhat of a shadowy one, is it not?

Mr. MILES. I presume I will have to leave that to you.

Mr. BOUTELL. I do not want you to place too much responsibility upon me.

Mr. MILES. I should not say that it was shadowy to put up prices on 1,000 or more manufacturers and users of steel.

Mr. BOUTELL. We were speaking of the beef trust.

Mr. MILES. I do not know so much about the beef trust.

Mr. BOUTELL. Do you say you do not know so much about the beef trust? But you have used language that would leave the impression or the conception that it was a trust.

Mr. MILES. Yes, sir.

Mr. BOUTELL. On your statement I think that it would detract greatly from its weight when you say that you do not know anything about it.

Mr. MILES. I know that there is but one price.

Mr. BOUTELL. How do you know there is but one price?

Mr. MILES. By buying.

Mr. BOUTELL. Do you know anything about the beef trust except what you see in the newspapers?

Mr. MILES. Yes; from association with men who are in these institutions.

Mr. BOUTELL. What institutions?

Mr. MILES. I know people who are in the Swift and Armour companies.

Mr. BOUTELL. Have they told you anything about the beef trust?

Mr. MILES. I think that those gentlemen told me that there was no beef trust.

Mr. BOUTELL. So that the most reliable information that you have in reference to the beef trust is from the very people who should know, and they say that there is no such thing as a beef trust.

Mr. MILES. Well, I read between the lines, and also I get my understanding from its effect on prices. I call that combination a trust.

Mr. BOUTELL. You say it is a trust, but the gentlemen who belong to it say that it is not. Now, to come to the final question that I wanted to ask you, and I think you will agree with me, that when you come to read your argument as it is printed, the inference will be very clear that in your opinion the imposition of the present tariff has almost automatically created certain of these trusts, and that therefore the policy of lowering the tariff would result in automatically decreasing these trusts. Is that what you believe?

Mr. MILES. I do not think I said anything of the kind.

Mr. BOUTELL. I say that that would be the inference from the reading of your testimony, that the present tariff has almost automatically created certain trusts and that the lowering or repeal of these duties would almost automatically end the trusts.

Mr. MILES. I can not say what the impression is. I have said nothing about the tariff as making trusts. I have only said it gives to trusts an opportunity to add 25 per cent or more to their sales prices because of the tariff, and of course they add it.

Mr. BOUTELL. That is very clear.

Mr. MILES. In England they have no tariff to add and therefore the price is less.

Mr. BOUTELL. Then if we lower these duties these trusts would not be destroyed.

Mr. MILES. Surely not.

Mr. BOUTELL. Very well; I am very glad to have this concise answer, because I am sure that the reading of your testimony would create a different impression from that which you intended.

Mr. MILES. I thank you very much.

Mr. BOUTELL. I think that we must apply some more heroic measure than the changing of the schedules.

Mr. MILES. Take the case of the tobacco trust. They bought a factory for \$488,000. They capitalized the factory for \$3,500,000. On that capitalization they declared dividends of 20 per cent, which was paying 140 per cent per annum on the cost price as paid for the stock, factory, and everything. They could not have done that had not the tariff been in force and prevented competition from abroad. They had the trade in their own hands and had the country under their control.

Mr. CRUMPACKER. In relation to the beef trust, the gentleman asked you what knowledge you had respecting the beef trust as to its existence. You knew as a matter of common knowledge in this country that the so-called Big Four were indicted in the federal courts, and many plead guilty to the charge of having maintained a trust, and were fined?

Mr. MILES. Yes, sir.

Mr. CRUMPACKER. One of the cases went to the Supreme Court of the United States and the judgment of conviction was upheld by a decision of the Supreme Court. It charged the Big Four with maintaining an illegal combination under the Sherman antitrust law, so

that there is not much doubt from a judicial standpoint of the fact that at least there has been a beef trust in the city of Chicago.

Mr. MILES. No, sir. As to the trust matter generally, I can speak with specific knowledge of the trust that concerns me, and I speak of others by way of illustration.

Mr. BOUTELL. The trust of which you have specific knowledge is the steel trust.

Mr. MILES. Yes, sir; I have been concerned with that because I have waited for their word after their meeting.

Mr. BOUTELL. And yet some of these men did not believe there was a trust.

Mr. MILES. I suppose we will have to act on the basis of this new trick of how to be a trust and yet not be a trust. Their proposition is to meet and "severally declare." They do not agree. I call that a trust, because they control the market. They say: "We are not a trust. You can not catch us."

The CHAIRMAN. The manufacturers thirty years ago had a habit of getting together and agreeing on prices and they would enter into an ironclad agreement with each other not to sell goods below a certain figure nor a certain discount. It usually operated about a week, when some one man would sell a little below the price agreed upon and another man would sell a little below him, and the arrangement never lasted through a season. That was an agreement between them instead of a gentleman's agreement. Generally it did not work long. I do not know but what they may have advanced in the matter of honor among a certain class of gentlemen whom I will not mention where such agreements are now kept. I know they were not kept at that time.

Mr. BOUTELL. That suggests a question which I want to put to Mr. Miles as a practical business man, as to why it is that a tariff seems to encourage combination of what are practically trusts to maintain prices. Under the old method of competition they sought profits naturally. We thought that putting a revenue tariff on a manufactured article was to the manufacturer like the discovery of a newer and cheaper method of production by which he could make a profit. Why is it that there seems to be something apparently in the tariff that leads to these combinations more compelling than any other source of gross profit?

Mr. MILES. You can make a combination to cover the United States, but you can not make a combination to cover the whole world. If you deliver 80,000,000 people to the steel trust you have done quite a good deal. You have done all you can.

Mr. BOUTELL. Here is the duty on automobiles, which you say is one-third higher than it ought to be.

Mr. MILES. Some of the makers desire it reduced.

Mr. BOUTELL. They have no trust and they have been improving them and they have been going down in price. I have ridden out on Michigan boulevard and could see 500 or 1,000 advertisements of automobiles. There is an illustration of something where it must be that by reason of the high duty there has been no trust nor combination formed. They are working naturally under competition. They are working a less number of hours and have a fair chance of a profit. From a practical point of view is there any reason why a tariff should stimulate competition or combination?

Mr. MILES. Only as the rates are excessive.

Mr. COCKRAN. Has it not been the history of the trusts that combinations have been preceded by periods of violent competition in the business?

Mr. MILES. I believe so.

Mr. COCKRAN. And then it was discovered that raising prices to the consumer was more profitable than war which resulted in lowering prices?

Mr. MILES. Yes, sir.

Mr. COCKRAN. The tobacco trust was a case in point.

Mr. MILES. Yes, sir.

Mr. COCKRAN. The larger manufacturers form a trust and certain smaller men are now engaged in a desperate struggle to prevent being crowded into the trust on the terms of the larger concerns. That is the process that has preceded the formation of all trusts in this country.

Mr. MILES. Yes, sir. There is a very desperate feeling on the part of 150,000 manufacturers that they have a right to come here and ask that you help them. Most of them ask for the maximum tariff of 45 per cent.

Mr. FORDNEY. You are opposed to the formation of trusts?

Mr. MILES. No, sir. A trust can be a good thing. I am opposed to Congress enacting careless measures in reference to the tariff.

Mr. FORDNEY. You think they are good things?

Mr. MILES. Theoretically they might be exceedingly good.

Mr. FORDNEY. You do not think they are good for the masses of the people, and yet you do not oppose them.

Mr. MILES. I am doing all I can to get back to the old competitive system.

Mr. FORDNEY. Do you say that you represent 90 per cent of the manufacturers of the United States?

Mr. MILES. No; I say that 90 per cent of them agree with me.

Mr. FORDNEY. Do you represent the lumber trust?

Mr. MILES. I think I have no association at all with the lumber trust.

Mr. FORDNEY. Do you represent the sugar trust?

Mr. MILES. No, sir; I represent the manufacturers.

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#### ADDITIONAL STATEMENT OF H. E. MILES, RACINE, WIS., RELATIVE TO REVISION OF THE TARIFF.

FRIDAY, December 11, 1908.

Mr. MILES. Do you want to swear me, Mr. Chairman?

(The witness was sworn by the chairman.)

Mr. MILES. I thank you for swearing me. It eases my conscience. A representative of an organization of 100 importers and exporters wishes to present certain evidence to the committee. He tells me he would lose his standing and be financially ruined, possibly, if he appeared in person before you; and so, with this explanation, trusting the committee to protect him fairly, I present copies of invoices from his books, concerning which I believe I can satisfy the com-

mittee by affidavits or otherwise, as the chairman may desire, as to their authenticity and propriety.

The CHAIRMAN. Did you make the copies from his books?

Mr. MILES. No, sir; he handed them to me; and I will send you affidavits as to them or advise you otherwise. I hear from the Secretary of the Bureau of Commerce and Labor and from others that he is a gentleman of very high standing, and he represents an organization, as I say, of a hundred members.

The CHAIRMAN. The difficulty with all that business is that if the committee receives a confidential communication and prepares a bill and they are asked on what basis they acted, they can only say that it is on a confidential communication of some party. We will take it for what it is worth.

Mr. MILES. Yes; of course.

The CHAIRMAN. But if the gentleman will come up here and stand behind it and make the statement, it will be worth a great deal more than when it is presented in this way, and I hope you can persuade him to come before the committee and verify it and let the world know what the facts are.

Mr. MILES. I thought it proper to bring the matter to the attention of the committee.

The CHAIRMAN. That is all right; there is no question about that.

Mr. MILES. He says his appearance here would ruin his financial standing.

The CHAIRMAN. We will hear what you have to say on the subject.

Mr. MILES. All right, sir.

The CHAIRMAN. But if we had the man himself here, it would be much more satisfactory.

Mr. MILES. I am very sure that he will satisfy the committee privately.

The CHAIRMAN. I do not know that the committee will receive any private communications from anybody, if they do not care to make them public.

Mr. MILES. A copy of the first invoice he gives me is for files, and shows a price made for export of \$193.28. The duty, if they had been imported, would have been \$248.75.

Mr. UNDERWOOD. That is the cost of files where, abroad, that you are giving the figures on?

Mr. MILES. The cost at New York or at the American factory.

The CHAIRMAN. Does that show the quantities and sizes, and so forth?

Mr. MILES. It gives full particulars, sir; it is a complete invoice.

Mr. UNDERWOOD. Will you file that in the record?

Mr. MILES. Yes, sir.

The CHAIRMAN. Hand it to the reporter and he will put it in the record in the proper order.

(The invoice referred to is as follows:)

Mill bastard files:

15	15	25	25	10	5	dozen.
6"	7"	8"	10"	12"	14"	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
7/—	8/6	10/6	15/—	21/6	30/—	per dozen.

## Flat bastard files:

<u>10</u> 6"	<u>10</u> 7"	<u>5</u> 8"	<u>5</u> 10"	<u>10</u> 12"	<u>5</u> 14"	dozen.
7/—	8/6	10/6	15/—	21/6	30/—	per dozen.

## Regular single-cut taper saw files:

<u>20</u> 3"	<u>20</u> 3½"	<u>15</u> 4"	<u>15</u> 4½"	<u>10</u> 5"	<u>10</u> 5½"	<u>10</u> 6"	dozen.
4/—	4/—	4/6	5/—	5/6	6/6	7/6	dozen.

## Slim taper saw files, single cut:

<u>20</u> 3"	<u>20</u> 3½"	<u>15</u> 4"	<u>15</u> 4½"	<u>10</u> 5"	<u>10</u> 5½"	<u>10</u> 6"	dozen.
4/—	4/—	4/6	5/—	5/6	6/3	6/6	dozen.

£143 14 —

%. 70.5. &amp; 2 per cent, 39 18 88

At 4.84 ..... \$193.28

## Duty:

115 dozen 7" or longer, at \$1 per dozen.....	115.00
85 dozen 5"-6", at \$0.75 per dozen.....	63.75
140 dozen 4½" or shorter, at \$0.50 per dozen.....	70.00

248.75

## Mill bastard files:

<u>15</u> 6"	<u>15</u> 7"	<u>25</u> 8"	<u>25</u> 10"	<u>10</u> 12"	<u>5</u> 14"	dozen.
\$3.50	\$3.90	\$4.30	\$5.60	\$7.50	\$10.70	dozen

## Flat bastard files:

<u>10</u> 6"	<u>10</u> 7"	<u>5</u> 8"	<u>5</u> 10"	<u>10</u> 12"	<u>5</u> 14"	dozen.
\$4.30	\$4.80	\$5.30	\$7.00	\$9.70	\$13.30	dozen.

## Regular single-cut taper saw files:

<u>20</u> 3"	<u>20</u> 3½"	<u>15</u> 4"	<u>15</u> 4½"	<u>10</u> 5"	<u>10</u> 5½"	<u>10</u> 6"	dozen.
\$2.10	\$2.10	\$2.20	\$2.40	\$2.60	\$3.00	\$3.40	dozen.

## Slim single-cut taper saw files:

<u>20</u> 3"	<u>20</u> 3½"	<u>15</u> 4"	<u>15</u> 4½"	<u>10</u> 5"	<u>10</u> 5½"	<u>10</u> 6"	dozen.
\$2.10	\$2.10	\$2.20	\$2.30	\$2.50	\$2.90	\$3.10	dozen.

\$1,282.50

%. 70,  $\frac{3}{10}$ , and 2 per cent, 274.90

Increase over export price, \$193.28—40 per cent.

Mr. MILES. The duty, if they had been imported, would have been \$248.75. The price against the American consumer, if they had been bought to be used in this country, on the basis of a discount from the list of 70 per cent, and 10, and 10, and 10, and 2.

Mr. DALZELL. Will you tell us what kind of files they were? I find in the tariff here provision made for different kinds of files at different rates of duty. This reads:

156. Files, file-blanks, rasps, and floats, of all cuts and kinds, two and one-half inches in length and under, thirty cents per dozen; over two and one-half

inches in length and not over four and one-half inches, fifty cents per dozen; over four and one-half inches in length and under seven inches, seventy-five cents per dozen; seven inches in length and over, one dollar per dozen.

Will you state what kind of files they are?

Mr. MILES. Yes, sir; they are of 26 different lengths and sizes. The price to the domestic consumer on this invoice would be \$274.00, or 40 per cent more than the price for export. This could be verified very easily if the committee would investigate what is called the file trust, the Nicholson File Company, said to control the file business of the United States.

He also gives me his price for export, as I understand, from the United States Steel Products Company on corrugated galvanized sheets, the domestic price being \$3.20 and the export price \$3.01 delivered in Asiatic markets, making a price for export on the basis of New York delivery of \$2.71, as against \$3.20 to the domestic consumer, or 18½ per cent more against the domestic consumer than against foreign users. Also on bar steel.

The CHAIRMAN. Right there, in connection with that, on files, I find that there are very few imported of 7 inches in length and over. The price is about, on an average, \$2.40, although it runs down to \$1.72 and up to \$2.55, but the average imported price is about that, and the duty 33½ to 36 per cent.

Mr. DALZELL. The duty is ad valorem.

Mr. MILES. On bar steel the domestic price is \$1.56. That corresponds with my books and my cost at home. The foreign price delivered at Asiatic seaports is \$1.50, which, on the basis of 30 cents for freight, would be \$1.20 export, as against \$1.56 domestic, or 30 per cent more to the domestic consumer than for export.

He promises to give me many more invoices, all indicative of the fact that steel products are sold at much less for export than to the domestic consumer. As I say, I present that evidence upon his request only.

A gentleman of the committee, as I understood, said the other day that almost everything is labor; that the value of manufactured products is mostly in labor. I thought it might be slightly helpful to suggest to the committee that the value of all the manufactured products in the United States, according to the last census, was \$14,800,000,000, and the total wages paid in the factories in the United States that year was \$2,600,000,000. In other words, the total wages in all manufacturing industries are 20 per cent only of the value of the product.

The CHAIRMAN. That is on this basis. On the manufacture of pig iron, the total product and the total wages are inserted in the census. You follow that pig iron until it gets to be cutlery, and every process is stated as a separate manufacture, and the value of material goes in and also the value of the wages in that particular line of manufacture, and that is the reason you get so small a percentage of labor to the value of the material; whereas if you took the pig iron and followed it through the cutlery, you would get a very high percentage of wages. You see the point I am getting at?

Mr. MILES. Yes, sir; and it is in a general way only that I offer the presumptive evidence that wages are not by any means the total of the product.



The CHAIRMAN. I do not see how you can furnish us any evidence on that subject, for the reason that the piece of cutlery may represent 75 per cent or 90 per cent of wages, all the way from the iron ore until it gets into cutlery, and in the census it only figures for the wage in the cutlery factory.

Mr. MILES. Yes.

The CHAIRMAN. Taking the steel as it goes in there and the goods or the raw material. That is the difficulty with it.

Mr. MILES. Yes.

The CHAIRMAN. Now, if you put on only sufficient to protect the work in the cutlery factory on that article, then you would cut out everything below them and you would stop their business; do you see?

Mr. MILES. Yes, sir. I thought, Mr. Chairman, that it might be of some interest to apply that principle to my own business, with which I am thoroughly familiar, and so I wish to say that the total wage cost in my factory on a buggy which wholesales at \$75 is, as nearly as I can determine, \$20, or 25 per cent of the selling price. The tariff is 45 per cent.

The CHAIRMAN. That is the cost in your factory?

Mr. MILES. Yes, sir. Then to that, of course, you add the cost of mining the ore and cutting down the trees and making the small piece of cloth that I use, and so forth. But I can hardly think when you add the wages for all those things you equal the tariff.

The CHAIRMAN. Yes; all those clear through must be taken into consideration.

Mr. MILES. Yes; and I come not with proof, but with evidence from my books that my wage cost is 25 per cent, upon a highly finished product, of the wholesale price, or less than 20 per cent of the retail price.

Mr. COCKRAN. You mean 25 per cent of your contribution to the product?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Because, of course, you have received the materials out of which your finished product is made.

Mr. MILES. Yes, sir. To that 25 per cent you add the cost—

Mr. COCKRAN. That is the cost. You pay out directly in wages 25 per cent of what you contribute to it?

Mr. MILES. Twenty-five per cent of my selling price.

Mr. COCKRAN. Let us follow that.

Mr. MILES. Yes.

Mr. COCKRAN. Take some particular article which you manufacture, a plow, for instance.

Mr. MILES. If you do not mind, I have taken a \$75 buggy.

Mr. COCKRAN. A \$75 buggy?

Mr. MILES. Yes.

Mr. COCKRAN. How much of that is raw material? I mean, how much of that is material that you buy, of that \$75. You mean a \$75 buggy that you sell, or a buggy that costs you \$75?

Mr. MILES. Costs me \$60 or less.

Mr. COCKRAN. Could you give us the cost? What you sell it at gives us no light at all. What it costs you to produce is of capital importance.

Mr. MILES. Fifty-five dollars.

Mr. COCKRAN. It costs you \$55?

Mr. MILES. In labor and material.

Mr. COCKRAN. It costs you \$55 altogether?

Mr. MILES. Pardon me, you asked entirely. Must I add also the interest I pay banks?

Mr. COCKRAN. Yes; I think so. I do not think you can estimate otherwise. In fixing costs you can not eliminate anything you pay out.

Mr. MILES. The total cost is what you want?

Mr. COCKRAN. Yes; the total cost would be what?

Mr. MILES. Including selling expenses, the expense of the salesmen on the road and the railroad fare of my salesmen, but not cash discount?

Mr. COCKRAN. I would put that out for the present.

Mr. MILES. Sixty dollars.

Mr. COCKRAN. Sixty dollars is what it costs you to put that buggy on the floor, ready for delivery?

Mr. MILES. Yes; in my shipping room.

Mr. COCKRAN. How much of that \$60 was paid for the materials out of which you constructed it?

Mr. MILES. Forty dollars.

Mr. COCKRAN. And then the other \$20 was what?

Mr. MILES. Labor.

Mr. COCKRAN. Labor. Well, you must have allowed something for the wear and tear in your establishment, your plant, and all that?

Mr. MILES. That would come in between the \$60 and the \$75 selling price.

Mr. COCKRAN. Then you count that? I see what you mean. You charge up to wear and tear in the use of your factory and add that to the expenses of selling?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Now, this \$40 was paid out for finished lumber—more or less finished?

Mr. MILES. Yes.

Mr. COCKRAN. And for leather and steel?

Mr. MILES. And cloth.

Mr. COCKRAN. And each of those materials in turn is a product of labor?

Mr. MILES. Yes, sir.

Mr. COCKRAN. And the labor cost of all these must be considered when you estimate the relative labor cost and material cost of that thing?

Mr. MILES. Yes, sir.

The CHAIRMAN. What you mean is that your contribution for labor to that total cost of \$60 is \$20?

Mr. MILES. Yes.

Mr. COCKRAN. Your labor cost?

Mr. MILES. Yes.

Mr. COCKRAN. But each person who furnishes one of the other materials has in turn made a contribution quite as large as yours and probably larger?

Mr. MILES. Not so large by considerable, I should say; but that is a factor that I would not for the world seem to eliminate.

Mr. COCKRAN. The point of my question is to show that the fundamental principle on which all economists agree is that the labor cost, the actual cost, is not seriously contradicted by these figures. It simply means that you have taken your contribution in the way of wages and of labor cost to this finished article, without considering the contribution made by other persons at the various stages of production through which it passed before it was finally ready for use in the community.

Mr. MILES. I am only stating definitely what is my cost, and leaving the committee to estimate those things, but I am not expecting that they will overlook them.

Mr. COCKRAN. Oh, no.

Mr. MILES. But I come nearer than any other buggy manufacturer to including the entire cost, because I make my own springs and wheels, and so on.

Mr. COCKRAN. Yes; and you know if you follow the matter out, when you come to consider the question of the cost of selling and wear and tear on the machinery, they go back to the labor cost in the long run.

Mr. MILES. Yes.

Mr. COCKRAN. So that I am merely suggesting that it is not very profitable to pursue what is in the nature of things a most elusive inquiry; that is, the difference between labor and material cost.

Mr. MILES. There are forty or fifty different profits in a \$50 buggy.

Mr. COCKRAN. That is the point.

Mr. MILES. Profit is not labor; that is sure.

Mr. COCKRAN. Yes. What you contribute to this discussion, and I think it is of essential importance, is this fact, entirely within your own knowledge—let us see if I understand you—that, given free steel and free leather, you can sell the finished article in the markets of the world without any protection whatever?

Mr. MILES. Yes, sir.

Mr. COCKRAN. That, I understand, is your contention.

Mr. MILES. Yes, sir.

Mr. COCKRAN. Now, that, of course, is a palpable fact that is at least, I should suppose, of great importance, and is certainly of great importance to the committee.

Mr. MILES. The gentleman, as I understood, was rather dominated by the fact, as he believed, that the total cost of the article, the selling price of the article, was 90 per cent accumulated wage, and I know that it is less than 40 per cent, and less than 30 per cent, accumulated wage on many things.

Mr. COCKRAN. I will have to differ with you on that, but I do not think it is worth while going into these speculations. The important thing that it seems to me this committee is anxious to ascertain is what the concrete effect upon your own product would be. You can testify to that with decisive effect, and you told me, as I understood, that with free steel and with free leather you would be able to furnish the plows and the buggies that you manufacture without any protective tariff whatever in this market and in the markets of the world?

Mr. MILES. Yes; and use more labor, and if anything pay higher rates for it.

Mr. COCKRAN. And that by the increased output of your factories you would employ more laborers and have more laborers, and therefore, by the increased demand for labor which would follow, there would be a tendency to increase the rate of wages.

Mr. MILES. Yes, sir.

Mr. COCKRAN. That is clear.

Mr. MILES. Yes, sir. One of the gentlemen spoke of imports in connection with automobiles, saying, as I understood, that he would put the tariff so high that you could scarcely bring any automobiles in. That was the gentleman from Michigan. I think it might be worth while to mention, on the other hand, that the manufacturers of the United States use imported articles to the extent of \$750,000,000 a year, and that one-third of that, or \$254,000,000, or thereabouts, are dutiable. We can not run our shops without great imports, and we pay duty on imports. As for exports, we export for manufacture, for further use in manufacture, and manufactures ready for consumption, \$1,082,000,000 worth, and, as I figure, \$680,000,000 worth of our exports of manufactures are crude and semicrude materials, making 63 per cent; and what the manufacturers exceedingly desire is that instead of exporting the crude material we should be relieved of the duties on crude and semicrude materials and be allowed to ship abroad very much larger quantities of highly finished products—our plows, for instance.

Mr. DALZELL. Do you mean the crude materials coming from abroad?

Mr. MILES. Shipped abroad.

Mr. DALZELL. You say you would like to be relieved from duties on crude materials entering into the manufactures here; you mean imported crude materials?

Mr. MILES. No, sir; domestic materials; and to be allowed to ship abroad manufactured stuff that has from two to five times the amount of labor in it.

The CHAIRMAN. The value of imported parts of automobiles in 1907 was a quarter of a million dollars, and the value of automobiles was \$4,000,000.

Mr. MILES. This gentleman spoke as though we had shut out automobiles. We would never have had an automobile industry in this country if we had not imported automobiles.

The CHAIRMAN. The automobile business increased very materially. In 1907 it yielded a revenue of \$1,250,000. Of course automobiles are a luxury.

Mr. MILES. I feel almost like begging your pardon for appearing before you a third time, but I can say for the gentleman for whom I appear that he offers me a great deal of evidence that our trusts are exporting large quantities of stuff at 20 to 40 per cent less than they are charging our domestic consumers, and he says, "I can not appear. You appear for me."

The CHAIRMAN. If you can do anything to bring about the appearance of this exporter before them, the committee will be obliged to you.

The list that you gave to the reporter the other day contained a number of names which were very imperfect—that is, in some cases you did not give anything except a surname, and you gave no address. If you could take this list and complete that before you go

out and add any other names that you can and hand it to me or to the clerk, I would be obliged.

Mr. MILES. I gave to the reporter at the hotel a list which I thought was complete.

Mr. COCKRAN. The chairman means that he would like to have the Christian names of these people, so that in case we want to subpoena them we can do so.

Mr. MILES. Yes, sir.

Mr. DALZELL. You have read over your own testimony, have you not, of the first day?

Mr. MILES. Yes, sir.

Mr. DALZELL. Have you furnished the names that you stated you would furnish, in answer to my interrogatory on that first day?

Mr. MILES. The stenographer called upon me at the hotel with a list, asking for certain names, and I gave him all of those, and I think this list has already been given. If it has not, I shall have to go over it with him again.

Mr. DALZELL. I just wanted to leave it to your own say so as to whether you had given the names I asked for. I have not gone over your testimony myself, so that I can not say whether you have or not.

Mr. MILES. I gave all the names that he suggested were necessary to complete the statement. I completed it so far as he suggested, and if it is not made to your satisfaction I shall have to go back to the clerk to find out.

The CHAIRMAN. If you can complete that statement and hand it in this afternoon, please do so.

Mr. MILES. Yes, sir.

Mr. COCKRAN. When you were here before I do not know whether I made it appear or not, but Mr. Boutell, speaking to you on the formation of trusts and effect of the tariff, spoke of the competition between these automobile men as an evidence that although a tariff was levied on that article of commerce no trust as yet had been formed in them. I think I asked then if it had not been the history of all these trusts that they began by just such fierce competition and then wound up with amalgamation, and I think you agreed with me that that was so.

Mr. MILES. Yes.

Mr. COCKRAN. Have you looked into the history of individual trusts—for instance, the steel trust? Do you know the circumstances that preceded the formation of the United States Steel Corporation?

Mr. MILES. Yes.

Mr. COCKRAN. Do you remember whether there was a fierce war on or threatened at that time between the producers of steel?

Mr. MILES. Yes; I think there was. We bought our steel at about half the present price, and that was supposed to be about cost to the producer.

Mr. COCKRAN. That was about the time Mr. Carnegie was projecting great works at a place called Conneaut, which never were built?

Mr. MILES. Yes; but I do not believe that keen and destructive competition exists as it used to as a preliminary to the formation of trusts. The advantages of forming trusts are so great, especially where the tariff is high, that people seize upon the opportunity without waiting for trouble, in advance, in the way of competition and low prices.

Mr. COCKRAN. There was keen competition between the steel producers?

Mr. MILES. Yes.

Mr. COCKRAN. And there was fierce competition between the tobacco producers just prior to the formation of that trust?

Mr. MILES. I think so.

Mr. COCKRAN. You remember there was an enormous expenditure for fascinating advertisements, which the police, I think, finally interfered to check in point of exuberance.

Mr. MILES. Yes, sir.

Mr. COCKRAN. And there were various other means of competition, which resulted finally in the formation of the tobacco company and the disappearance of that sort of competition?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Do you remember any other of these great combinations which were not preceded, or were they not nearly all preceded, by just such a competition?

Mr. MILES. So far as I know.

Mr. COCKRAN. And there was competition between the sugar people before the sugar trust was formed?

Mr. MILES. Yes.

Mr. COCKRAN. And among the harvester people?

Mr. MILES. Yes; and among the harvester people.

Mr. COCKRAN. So that the weapon by which the strongest of these producers has nearly always forced others into a combination has been a fierce competition. Is not that so?

Mr. MILES. Yes, sir.

Mr. COCKRAN. And has there been any such competition resulting in a trust where there was not a tariff wall, that you know of, in this country?

Mr. MILES. Not that I know of, sir.

Mr. COCKRAN. And in fact such a competition could not be effective for the purpose of forcing a combination if there was an exterior market, and if the whole world was accessible as a source of supply, anything that might be done here by producers would not be decisive as to who would control the market?

Mr. MILES. If we had an open market. A world trust is almost impossible to form, I am told, and it seems so.

Mr. COCKRAN. It is conceivable?

Mr. MILES. Yes; it is conceivable.

Mr. COCKRAN. But it is practically impossible?

Mr. MILES. Yes, sir; it seems to me so.

Mr. COCKRAN. It is certainly more difficult.

Mr. MILES. Decidedly more difficult, and beyond question it is desirable that the American Congress should require of people, if they form a trust, that they do it without the assistance of Congress and under the most difficult of circumstances; in other words, a world trust or no trust as against the American consumer.

The CHAIRMAN. Are there any further questions?

Mr. FORDNEY. You stated the other day that you represented 90 per cent of the manufacturing institutions in this country, did you not, or about that?

Mr. MILES. You asked me that question the other day, and I said no. I feel that I speak for 90 per cent, as determined by my correspondence, but I have no brief from 90 per cent.

Mr. FORDNEY. Your only authority for speaking for anybody else is through correspondence? Are you a representative, directly or indirectly, in any way by credentials that you could present to this committee?

Mr. MILES. No, sir.

Mr. FORDNEY. Of any industry?

Mr. MILES. The implement and vehicle manufacturers only.

Mr. FORDNEY. Only?

Mr. MILES. Yes.

Mr. FORDNEY. And no other?

Mr. MILES. No other.

Mr. FORDNEY. Then, simply because you wrote to the different institutions or manufacturing industries around the country and got a reply from them—in that way you claim you are their representative, is that it?

Mr. MILES. I have said several times that I am not their representative, and I have emphasized that, but I have heard from so many manufacturers that the closest approximation that I can make to their desires is that 90 per cent of them stand where I do, and I am officially and semiofficially associated with most of the large manufacturing interests through other national organizations, but I would not take a brief from any one of them in coming here.

Mr. FORDNEY. I have been in business pretty near as long as you have, and you are the only man I ever heard talk along protection lines as a protectionist as you do. I want to ask you this. I do not know as I should ask you that question, but I will, and you can answer it. I do not mean to be discourteous.

Mr. MILES. All right, sir.

Mr. FORDNEY. Are you, in your political views, a protectionist, a tariff revisionist, or a free trader, or in favor of tariff for revenue only?

Mr. MILES. I am a protectionist, according to Mr. Taft's definition, for instance.

Mr. FORDNEY. What difference is there between Mr. Taft's definition and the Republican platform adopted at Chicago?

Mr. MILES. Mr. Taft and Mr. Sherman stand for a reasonable assurance of profit to the American manufacturer.

Mr. FORDNEY. They stand on the Republican platform, do they not, and no other?

Mr. MILES. Mr. Dalzell says, as I understand, that the Republican platform means that to the difference in cost shall be added a profit to the American manufacturer.

Mr. DALZELL. I simply read the platform to you, Mr. Miles.

Mr. MILES. I asked you, if I remember, if you meant plus a reasonable profit?

Mr. DALZELL. I read the platform that way.

Mr. MILES. Mr. Taft does not read it that way, as I understand from him.

Mr. DALZELL. I understand you read it that way.

Mr. MILES. Not "plus." A liberal difference in cost, liberally estimated.

Mr. DALZELL. At the meeting of the Manufacturers' Association you made certain statements. You planted yourself on precisely the same ground as the Chicago platform, as I read it to you the last time you were on the stand. I think I have that here. There need not be any doubt about it.

Mr. MILES. There may be doubt as to the platform, but not as to what I said. I am a thoroughgoing protectionist, and believe that protection should be liberally figured in the interest of the American manufacturer. That is the position taken by the National Association of Manufacturers and by 15 or 20 other organizations whose names I will be glad to leave with the secretary.

Mr. FORDNEY. Were you present when the Manufacturers' Association voted to recommend a revision of the tariff and a tariff commission?

Mr. MILES. They have voted in that direction for six or eight years. I have not been present always.

Mr. FORDNEY. No; but at some particular occasion. A meeting of theirs has been referred to by Mr. Van Cleave, where he stated, as I saw in the papers, by an overwhelming majority that course was decided upon.

Mr. MILES. That was decided upon at a meeting in New York last May, with I know not how many voting in the affirmative. One man had 80 proxies in his pocket, so that I should say there were many hundreds voting in the affirmative and one negative. That was last May, in New York, and the year before that, in May, there was a large vote and no dissenting vote.

Mr. FORDNEY. Last year in May was the one I referred to, in New York. Now, there was a gentleman here who was in the room at the time and who belonged to the association, and he said it carried by the most narrow margin.

Mr. MILES. The records of the association and 300 men who sat in the room will tell you there was one disagreeing vote, and all the rest were in favor, so far as they voted.

Mr. FORDNEY. Maybe that one dissenting vote had the majority of proxies. Do you know anything about that?

Mr. MILES. I know he did not.

Mr. FORDNEY. You were there, and you know?

Mr. MILES. Yes; he was a man from Boston.

Mr. FORDNEY. You were there?

Mr. MILES. Yes.

Mr. FORDNEY. How many voted? How many men were present, do you know?

Mr. MILES. I could show you a photograph, something like 300 present; and, as I say, one man had 80 proxies in his pocket, and there were other men that came with other proxies.

Mr. FORDNEY. How many voted? Did all present vote?

Mr. MILES. It was a good loud shout. I do not know whether every man present voted or not.

Mr. FORDNEY. It was not a yea-and-nay vote, or a written vote?

Mr. MILES. No, sir; but it goes back to correspondence where 2,000 members said yes over their signatures.

Mr. FORDNEY. They said yes to what?

Mr. MILES. To a tariff revision on the basis I am talking about; to a tariff revision and a commission.



Mr. FORDNEY. I was not present the other day when the question was asked you, and if you will pardon me, I want to ask you again if you did not attend a conference at London, a free-trade convention?

Mr. MILES. Yes, sir.

Mr. FORDNEY. What interest did you represent there?

Mr. MILES. The National Association of Manufacturers and the principle of protection to American industries. I went over there and found us blackguarded by our best customers, the English, and by the representatives of other nations, for the excrescences, the unreasonable and unprotective features of the Dingley bill.

Mr. FORDNEY. You went there to advocate protection, and you come here before a Republican protective policy and advocate the reduction of duty?

Mr. MILES. Yes; I have advocated protection in both places, a reasonable, ample protection, as necessary. I explained in that international conference that an abominable and unnecessary duty not a protective duty, and that if they would consider the trust problem they would find what it had done to the American people. I said to them, "I thank you for permitting an American protectionist to come here before you free traders and stand up for American protection, once and forever." And I was told not to come here for the same reason, that I would not be well received. I went there to stand for an honest, reasonable, American protection, and I am here for the same purpose.

Mr. FORDNEY. And you come here now and argue for—now and forever, for once and for all, and for good—a revision downward of pretty near all schedules you have talked on.

Mr. MILES. A reasonable, fair protection to American industries on the basis of the Republican platform as interpreted by President-elect Taft and Vice-President-elect Sherman.

Mr. FORDNEY. Mr. Taft and Mr. Sherman do not construe the Republican platform any different from a Member of the House that was elected on that platform, do they? Do you know of anybody that construes it differently?

Mr. MILES. The Republican platform is construed differently by some of us here. I have one construction and Mr. Dalzell has another. Mr. Taft said in an authorized interview in Boston, which he asked me to read as expressive of his views, that he did not so understand the platform.

Mr. FORDNEY. Mr. Taft is a scholarly gentleman, and he understood it absolutely.

Mr. MILES. He did not understand the Republican platform as giving the difference in the cost and adding thereto a liberal profit; and Mr. Dalzell does understand that you add a liberal profit.

Mr. BOUTELL. Did you not state in the beginning of your testimony that your idea of the amount of protection was 150 per cent of the difference in the cost of labor?

Mr. MILES. So far as I have gone, I think it should be something like 125 to 150 per cent of the difference in cost; but you have got things that are a thousand times the difference in cost.

Mr. FORDNEY. Down, or up?

Mr. MILES. You have got 80 per cent of domestic cost on iron bars, and there is not a penny of difference.

Mr. FORDNEY. Let Mr. Dalzell read the platform.

Mr. MILES. I asked Mr. Dalzell, Does that mean "plus," and he said yes, and Mr. Taft says it does not.

Mr. FORDNEY. Let him read it, and maybe you will convert me.

Mr. DALZELL. I want to read this to you, which is reported to have been said by you at the meeting of the Manufacturers' Association, I think in May.

Mr. MILES. Yes, sir.

Mr. DALZELL. This is what you are reported to have said:

This underlying principle, which in the language of Secretary Taft requires that each tariff rate shall represent "substantially the permanent differential between the cost of production in foreign countries and that in the United States," is not to be applied in a niggardly way. Enlightened selfishness is a public as it is a private virtue. An "ample margin for safety" is as necessary in manufacturing and commercial enterprises as it is in engineering. Full allowance must be made for the contingency of bad times abroad and good times here, for "dumping," for reasonable profits, and for such stability as secures low costs and steady employment.

Is that a correct report of your language?

Mr. MILES. Yes; that is my tariff bible. I think it is fair and I think it is protective.

Mr. DALZELL. Just one word more. At the time you were a delegate to the free-trade conference in London, your fellow-delegate was A. B. Farquhar.

Mr. MILES. Yes, sir.

Mr. DALZELL. Who was an outspoken free trader, and has been for years?

Mr. MILES. Yes; I think he is. He is coming before you.

Mr. DALZELL. Were you the only two delegates?

Mr. MILES. Yes, sir.

Mr. FORDNEY. I believe I understood you to say that you were opposed to combinations of capital, corporations, trusts, rather, yet that if you could form a trust on your own product you would do it in about a minute?

Mr. MILES. I said I never had had the temptation to do it.

Mr. FORDNEY. You said the other day you would, did you not?

Mr. MILES. I do not remember.

Mr. FORDNEY. I do. It struck me as very peculiar in your position that if you had the opportunity you would form a trust on your product, but you did not want anybody else to do it.

Mr. MILES. I would not expect Congress to help me form a trust. It would be my business if I formed one without the aid of Congress.

Mr. FORDNEY. Did you ever know Congress to help to form a trust?

Mr. MILES. I never knew Congress not to help form a big trust, according to my knowledge.

Mr. FORDNEY. In what way?

Mr. MILES. By shutting out foreign competition.

Mr. FORDNEY. Then you are not in favor of a tariff?

Mr. MILES. Yes; absolutely a protective tariff. But let me tell you this—

Mr. FORDNEY. Yes.

Mr. MILES. It costs about \$1 more to make bars than to make rails, and against that dollar you give \$4 protection.

Mr. FORDNEY. I never have asked you a question since you have been here but what you switched off onto steel.

Mr. MILES. An illustration will not hurt the proof.

Mr. FORDNEY. But you might hurt my feelings on the tariff question.

Mr. MILES. But as a proof, you give \$4 as against \$1.00 that it costs.

Mr. FORDNEY. No; I never was a big enough fool to give such a thing in all my life.

Mr. MILES. The Congress of the United States has done it.

Mr. FORDNEY. You are talking about Members now who are older than I am here, but I have never known such a thing since I have been a Member.

Mr. MILES. If you will look up the iron-bar schedule, you will find that the protection is about four times the difference in cost on iron bars as compared with rails.

Mr. CLARK. To get this thing straightened out, now, politically, I understand that Mr. Fordney and Mr. Dalzell and yourself are all three protectionists; is that correct?

Mr. MILES. I do not think Mr. Fordney is from my point of view. He would shut out importations. He says he would not let an automobile come into the United States. Why should they not form an automobile trust, then? An automobile man down here was asked privately, "What do you want this increase in duty for, so that you can tax the people \$1,000 apiece more on automobiles?" The man laughed. There is no other reason, so far as I can see. That is not my kind of protection.

Mr. CLARK. I thought you were all three protectionists, differing in degree like the stars do, in glory. I am sorry you shut Mr. Fordney out.

Mr. FORDNEY. No; I am the principal star.

Mr. CLARK. That is what I thought myself. I was going to assign you that honor, but Mr. Miles does not. [Laughter.]

Another question. How do you figure it out that Congress ought to act as an insurance company—that is what it amounts to, exactly—to insure anybody a profit?

Mr. MILES. I say the Congress of the United States victimizes the people of the United States when it does that for anybody.

Mr. CLARK. I did not ask you that.

Mr. MILES. When they guarantee a profit.

Mr. CLARK. Wait a minute.

Mr. MILES. I am going to answer your question.

Mr. CLARK. I want you to answer the question.

Mr. MILES. When they guarantee a profit?

Mr. CLARK. Yes.

Mr. MILES. That is just what I am coming to.

Mr. CLARK. As I understand, if I can understand the English language at all, this tariff plank in the Republican platform undertakes to guarantee to the American manufacturer the difference of labor cost plus a reasonable profit. Now, the question I asked you, or which I have propounded to you because you happen to be here, is how do you reason it out that Congress should convert itself into an insurance company to guarantee a reasonable profit or any other kind of a profit to anybody?

Mr. MILES. It absolutely can not. If any Congress should do it, the American people would speak, and we would have another kind of a Congress.

Mr. CLARK. I have understood you twice to answer Mr. Dalzell's question that you are in favor not only of giving the difference of the labor cost abroad and the labor cost in the United States, but on top of that 25 to 50 per cent more than the labor cost, and on top of that a reasonable profit.

Mr. MILES. You have very much misunderstood me. In that article, which, as I understand, Mr. Dalzell objects to, I stated my belief in the report before the Manufacturers' Association.

Mr. DALZELL. I do not object to it.

Mr. MILES. I thought you did, by implication, as I say. If it costs 90 cents to make a thing in Germany and it costs \$1 to make it in New York, if \$1 is the New York price, you have got to give the New York manufacturer 10 per cent or he must go out of business.

Mr. CLARK. What do you want to give him 20 per cent for, though?

Mr. MILES. The German's price—

Mr. CLARK. Wait a minute, now. You have taken 10 per cent as the difference. What do you want to give him any more for?

Mr. MILES. If you had not interrupted me, I would have had the complete reply out by now. You have got to give him 10 per cent or he must get out of business. Now, the German has a little cheaper freight rate from Berlin to Chicago than we have from New York to Chicago. A man will dump in a foreign country stuff at a half profit, at a price at which he could not live if he made it his universal selling price. Every manufacturer must figure liberally his cost as against contingencies, mistakes, and dumping and the things Mr. Dalzell quoted from my New York report. Now, 11 per cent would be the exact difference in cost. I only ask that to that be added a fairly liberal allowance to meet contingencies. That is only the enlightened selfishness that applies to everybody in his own business.

Mr. CLARK. You wanted that, plus a reasonable profit.

Mr. MILES. I said in my statement, though, that would make the tariff on a 90-cent article about 20 per cent more, and that would make \$1.08 the absolute cost to the foreign maker of the article delivered in the United States.

Mr. CLARK. You never did answer my question.

Mr. MILES. That gives the American a handicap favorable to himself of 8 per cent. Now, if the foreigner is to make a profit, he has got to make it above that 20 per cent, above the \$1.08 cost; but to guarantee a profit by adding to the \$1.08 another 20 per cent would make the foreigner's cost \$1.30, and if he made a profit—and he would not ship goods here without a profit—he would have to ask \$1.50 for an article that costs in New York only \$1 to make, and if the New Yorker is in a trust, you have substantially a guaranty, absolute, at the expense of the American consumer, of a big profit to a trust. You might as well write on every certificate of stock and every bond issued by a trust, "The Government of the United States is behind this trust by a guaranty of its principal, of its interest, and its dividends."

Mr. CLARK. That is precisely what that tariff plank in the Republican platform proposes to do.

Mr. MILES. If it does, it is absolutely shameless from the standpoint of American protection; but Mr. Taft says it does not mean that.

Mr. CLARK. I say so, too.

Mr. MILES. That is why I am not the same kind of protectionist as some other gentlemen.

Mr. CLARK. We agree on that proposition.

Mr. DALZELL. There is no difference between Mr. Dalzell and Mr. Taft.

Mr. MILES. If you mean plus, Mr. Taft does not mean plus. Mr. Taft told me so.

Mr. CLARK. Mr. Taft has said this, and said it repeatedly, that he was in favor of the difference in cost and a reasonable profit. I have not got his speech here, but I am just as certain he said that as I am that I am living.

Mr. DALZELL. Of course he did, a number of times.

Mr. CLARK. What I wanted is to ask you a question and have you answer. You are a very agreeable and luminous talker, but what I want you to do is to answer me that question—why the Government of the United States should attempt to act as an insurance company to insure anybody in any business a profit.

Mr. MILES. It can not do it.

Mr. CLARK. That is exactly what they propose to do.

The CHAIRMAN. That is the very question—whether anybody has ever proposed that the Government should ever become an insurance company to insure profits or insure wages.

Mr. MILES. May I make a distinction there?

Mr. CLARK. Wait a minute. If that plank in the Republican platform, illumined by Mr. Taft's speeches, does not mean that, it does not mean anything. Another question: Where do you live; in Michigan?

Mr. MILES. In Wisconsin.

Mr. CLARK. You do not happen to be from Brother Fordney's district. Have you any knowledge during the recent campaign that the tariff was played both ends against the middle; that in certain districts they said it was for a revision of the tariff up, and in certain other neighborhoods they said it was what you are clamoring for, and what I am, a general revision of the tariff downward? Do you have any information on that subject or not?

Mr. MILES. No, sir; and I am not for hacking at schedules simply to get them down, by a long shot.

Mr. CLARK. I never asked you that. I asked you what was done during the campaign with the tariff plank. I would not have brought it in if the rest of you had not.

Mr. MILES. May I just say a word about this business of a guaranty of a profit?

Mr. CLARK. Yes.

Mr. MILES. If you add to a liberal difference in cost a profit, you might as well draw checks on the United States Treasury in favor of trusts, because the trust controls the domestic market, and when you say it may add it does add; there is the government guaranty, and the consumers' money is handed to them by act of Congress. But here is the distinction. You could not add to my profit by an act of Congress, by any act you could pass, because I am on the competitive

basis. I consulted the Census Bureau and others, and estimate that about four-fifths of the manufacturers in the United States are on the competitive basis; so that if you say you guarantee profits, you do not, because you can not guarantee profits to the vast majority of competitive manufacturers. They can not take advantage of your very gracious permission; the trusts alone can take advantage, and will. Consequently it is a trust proposition only.

Mr. CLARK. Now; here is the difficulty about it. Mr. Dalzell reads the Republican platform and he states what Mr. Taft says, and says Mr. Taft says the same thing that the Republican platform says. Then you come in and take that same platform and Mr. Taft's speeches, and say that he does not mean the same thing. Then you are against the trusts, and so am I. You say that the high rates make the trusts, and yet you come in here yourself with a proposition that anybody may form a trust inside of this tariff wall with. Now, if they can not form a trust when they get the difference of labor cost, as you construe it, 125 or 150 per cent of the labor cost, with this reasonable profit on top of it, I do not see what the tariff has to do with the trusts.

Mr. MILES. I stop away below you. I give them simply the difference in cost liberally figured, with enlightened selfishness, covering dumping and questionable items that you give them yourself. I do not add any "reasonable profit," and Mr. Taft does not do it.

Mr. CLARK. But you say that you are in favor of this Republican tariff plank as construed by Mr. Taft.

Mr. MILES. I do that because Mr. Taft says, "If you want to know what I believe about that, read my interview in the Boston Herald," and there he says he does not add a reasonable profit. There I stand. I am one kind of a protectionist, and not another.

Mr. FORDNEY. He told me he did believe in adding a fair profit to the difference of cost between here and abroad. Now, what have you got to say about that?

Mr. MILES. I know he means what I have said. There is a difference in understanding of his statement. But it is written in the Boston Herald, and he told me to go there and read it, and perhaps that is a pretty good place to read it.

Mr. FORDNEY. Perhaps he had not read it himself.

Mr. MILES. He told me to go there and read it.

Mr. FORDNEY. I believe Mr. Taft when he tells me a thing.

Mr. COCKRAN. You are not here to interpret Mr. Taft.

Mr. MILES. No.

Mr. COCKRAN. Mr. Taft can speak for himself.

Mr. FORDNEY. The other day we took up the question of automobiles. You were in favor of reducing the duty very much on automobiles. Here is a little pocketbook that I just purchased a few moments ago over in the House stationery room.

The CHAIRMAN. Mr. Fordney—

Mr. FORDNEY. Yes.

The CHAIRMAN. Have you any idea that you will convert Mr. Miles to your way of thinking?

Mr. FORDNEY. No; not at all.

The CHAIRMAN. Well, what is the use?

Mr. FORDNEY. I pretty near agree with you, but I think I have him in a corner on this, and I want to demonstrate it. I will not take over a minute.

The CHAIRMAN. All right.

Mr. FORDNEY. I purchased this little pocketbook over in the stationery room a few moments ago, and that is made in Germany, with a picture of the Capitol of the United States on it, and brought over here and sold in the capital of the United States. Can you account for how that happened, why it was not made in the United States?

Mr. MILES. No, sir.

Mr. FORDNEY. As a protectionist and a man who has studied that question carefully and thoroughly, as you have, and knows the difference in the cost of labor abroad, as it has been stated, who has been abroad to investigate that question, and who knows the difference in the cost of labor abroad and in the United States, could you not tell that it is the cost of the labor, when there is not 5 cents' worth of raw material in this?

Mr. MILES. No.

Mr. FORDNEY. It is the cheap labor abroad that permits it to be brought here and sold in our capital.

Mr. MILES. Very likely you bought it because it had on it a picture of the Capitol, without reference to its cost.

Mr. FORDNEY. That does not account for it being made abroad and brought over here. I bought it, as a matter of fact, just to bring it over here and show it to you.

Mr. MILES. If you bought it for that, that is the explanation. It has caught the buyer's eye.

Mr. FORDNEY. I am the buyer, and I am not dead.

Mr. MILES. No; I say that is the reason; it caught the buyer's eye.

Mr. FORDNEY. Oh, I thought you said the buyer died. [Laughter.] No; but the idea is right here: How can an article be made in Germany, which has on it as a decoration a picture of the Capitol of the United States, and be brought back here and retailed at a store in the capital of the United States when it can not be made here and sold in competition with this article at the price it sells for at the capital? Is it not because American labor is protected and demands higher wages in the market, when there is not 5 cents' worth of raw material in the article?

Mr. MILES. Why did 20 laboring men from England come to Massachusetts for work and go back because they could not stand the Massachusetts scale of wages?

Mr. FORDNEY. They had tuberculosis and were sent back, perhaps.

Mr. MILES. No; they could not stand it.

Mr. FORDNEY. But I want to ask you about this. You do not offer any reasonable explanation. This article is sold here and you can find no reason why it can be sold here in competition with the same article made in the United States, and undersell the same kind of article made in the United States?

Mr. MILES. There are twenty different reasons, any one of which may account for it.

Mr. FORDNEY. One would be enough for me. I want one from you and not twenty.

Mr. MILES. One may be the attractiveness of the article; that is German taste, and not American taste. Then you wanted to buy it. But if it costs less to produce in Germany than in the United States, you know what I would do about it; I would amply protect.

The CHAIRMAN. Your minute is up, Mr. Fordney.

Mr. COCKRAN. Let me see if I can get a little light on this. You are a protectionist, and you would have this revision downward, as I understand you?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Now, do I understand you to say that you exclude Mr. Fordney from the ranks of the protectionists because he is more than a protectionist—he is an exclusionist—that is right?

Mr. MILES. He is an exclusionist.

Mr. FORDNEY. How do you know I am an exclusionist?

Mr. MILES. Because you said you would just about shut out every foreign automobile, and I know people that are making millions on automobiles. What is the reason of raising the tariff?

Mr. FORDNEY. Now, who do you know that is making millions? How many people do you know that are making millions? Name a firm that is making millions.

Mr. MILES. Can I do that privately?

Mr. FORDNEY. No; I want you to do that here. They might not believe me if I were told privately and then went and confided the information to others.

Mr. MILES. I am told by a gentleman whom I implicitly believe—

Mr. FORDNEY. That is not the point. You said you knew. Now, I do not want to go to anybody and tell them that this was told to me by somebody else as coming to them from some other person.

Mr. MILES. Well, the proprietor of an automobile factory told me that one-half of the present duty was all that he had any use for. That was Captain Mitchell, of the Lewis-Mitchell Company.

Mr. FORDNEY. That is not the question at all. Do you know what it costs to make an automobile in this country, and how much profit he has made on that particular machine?

Mr. MILES. In general terms, yes; specifically, no. I am not an automobile manufacturer.

Mr. FORDNEY. Then do not say that you know an automobile factory where there are thousands of dollars made on a machine.

Mr. MILES. I have a telegram from D. M. Parry that 30 per cent is all he wants on automobiles, and you are here asking for 60.

Mr. COCKRAN. Let me see. I want to get a few of your answers straightened out. I think that you intend to be perfectly frank with the committee. You speak of your opposition to these high duties not as an antiprotectionist, but because you want to have the duties made reasonably protective?

Mr. MILES. Yes, sir.

Mr. COCKRAN. What you are opposed to, as I understand it, is the imposition of duties which you consider simply prohibitory. The only effect of those, you believe, is to enable them to exploit the commodity?

Mr. MILES. That is all.

Mr. COCKRAN. That is the distinction you make?

Mr. MILES. Yes, sir.



Mr. COCKRAN. When you say that the tariff is of no benefit to non-competitive manufacturers and is simply used by certain trusts for the purpose of exploitation—I mean these high tariff rates of which you complain—I suppose you mean that competition of these non-united or combined manufacturers tends to prevent the abuse of the tariff?

Mr. MILES. Yes, sir.

Mr. COCKRAN. Whereas where a combination is formed there is nothing to prevent that combination from exacting any prices that they choose?

Mr. MILES. Yes, sir; precisely so.

Mr. COCKRAN. That is the suggestion you make?

Mr. MILES. Yes, sir.

Mr. COCKRAN. I merely wanted to get some few things straightened out.

Mr. MILES. Yes, sir.

Mr. GAINES. Mr. Miles, you said a moment ago, if I understood you correctly—and by way of your answer to Mr. Fordney you indicated, at least—that a number of English workingmen had come to Massachusetts and could not stand the rate of wages, I believe you said; you indicated, as I understood you, that they got less wages than they got in England and went back to England on that account. Have you anywhere in your evidence or in the papers you have submitted given facts in connection with the transactions you have referred to, and will you give it so we can find out specifically to what extent you are correct about that?

Mr. MILES. That statement was given to me by Mr. D. A. Tompkins, a splendid high protectionist, who appeared before you a few days ago. He is at the hotel and I will ask him to give you the facts to-night.

Mr. GAINES. I wish you would do so.

Mr. MILES. It is the efficiency of the day labor, it is not the day rate; it is the cost of the piece produced.

Mr. GAINES. I understand; there is no use to submit that. The rate of wages does not absolutely determine the cost of labor. I can see the point.

Mr. MILES. I have had European labor come into my shop and they could not live there on my American scale, because my American men are so much more efficient. I have had a bunch of European laborers brought to me hungry and asked if I would not employ them. I did employ them, but there was no rate so low that I could keep them. The efficiency of the American laborer is not appreciated sometimes. Mr. Sargent, deceased, who was the head of the J. B. Sargent Hardware Company, said that he could sell abroad readily those of his products that included the greatest amount of the most highly paid American labor. This is my experience in my shop.

Mr. GAINES. What you have said about employing European workingmen in connection with what you said, you could not find the rate of wages so low that you could afford to pay them, is important in connection with the question of labor cost. Now, will you tell me what you employ those men to do?

Mr. MILES. I was asked to put them in my establishment anywhere I could.

Mr. GAINES. In this same kind of employment which they undertook, in which they were so much less efficient than similar Americans could afford whom you paid, their labor cost you more?

Mr. MILES. Their labor was in my machine shop. In those American machine shops we could not afford to keep them, and I could pay the American man two and three times the rate given the others.

Mr. GAINES. Is it not a fact that men who are not accustomed to machines and do not operate them could not operate them as well as a man who is accustomed to it?

Mr. MILES. Yes, sir.

Mr. GAINES. Just as a man who does not know how to run an automobile until he learns it?

Mr. MILES. Yes, sir.

Mr. COCKRAN. So it is just inefficiency from the lack of familiarity, or was it inefficiency that you considered inherent?

Mr. MILES. It was partly lack of familiarity and partly inherent or hereditary; their motions are slower. We have men in our shops who are just as efficient as the men behind the guns at Manila, and they would like to get a crack at foreign trade just as the gunners got a chance at Manila. I do not believe we appreciate the wonderful efficiency of the American laboring man, and I do speak for him when I say I want foreign trade and a better chance to get it in his behalf.

Mr. FORDNEY. Do you fully appreciate the American protective policy?

Mr. MILES. Cover the difference in cost amply. That is all I do appreciate in the American policy, that is sure.

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## TARIFF LEGISLATION.

### STATEMENT OF F. W. TAUSSIG, PROFESSOR AT HARVARD COLLEGE, CAMBRIDGE, MASS., RELATIVE TO TARIFF SYSTEMS.

TUESDAY, *December 15, 1908.*

(The witness was duly sworn by the chairman.)

Mr. TAUSSIG. Mr. Chairman and gentlemen of the committee, of course I can not pretend to have anything like as detailed knowledge of the particular industries concerning which you have heard as the gentlemen who are engaged in them, and I can not pretend to have as detailed acquaintance with the various paragraphs and schedules of the tariff as some of you gentlemen who have been compelled to pay attention to them. But at the same time, I have given a good deal of attention to the history of tariff legislation, and I have given some thought and inquiry to the principles of the subject, or what seemed to me to be the principles of the subject, and I venture, therefore, to say, in the first place, a few words upon the question of principle—

Mr. McCALL. Will you please state your occupation?

Mr. TAUSSIG. My occupation is professor of political economy in Harvard University.

Mr. McCALL. I understand you are at the head of the department of economics at Harvard University?

Mr. TAUSSIG. I am the senior member of that department in Harvard University, and I have written more or less on various economic subjects, and among other works I have written a history of the tariff legislation of the United States, which may have been seen by some of the members of the committee.

I wish to begin, in the way of explaining my feeling of the question of principle, by pointing out that in this country there are two great classes of manufacturing industries.

On the one hand, there is a range of industries which either are exporting products or else are carrying on their operations quite independently of competition from abroad. We know that there are exportations of all sorts of metal manufactures, household hardware and machinery, sewing machines, and electric apparatus. A list is given every year in the reports of the American Iron and Steel Association. We know there is exportation of such things as sewing silks, and some sort of pressed glassware, and so forth.

We also know that there is a great range of manufactures of which there is no importation and as to which there is no probability or danger of importations upon which the duties are moderate or low. For instance, there are boots and shoes. There are practically no boots and shoes imported into this country. There is practically no pressed glass imported into this country. There is virtually no pig iron imported nowadays, except special qualities, as the members of the committee know.

On the other hand, there is a great range of industries more familiar as to which there is danger of competing imports and as to which it is said with plausibility, and in some cases doubtless with truth, that if there were not very high duties in those industries those commodities would be imported.

Now, it is perfectly obvious that there must be a great difference in the relative condition of those two classes of manufacturing industries—that is, there must be a greater efficiency of labor in the one case than in the other. If we export pressed glass and pay high wages to the people engaged in making it (the rates of wages are general high rates of wages in this country in both classes of industry), if we sell it abroad or at home as cheap as it could be imported, it is perfectly obvious that the efficiency of labor in that industry must be great.

If, on the other hand, there is an industry such as window glass used to be, and perhaps still is, in which, notwithstanding high duties—duties of 60 or 70 per cent—importation continues, it is obvious that the efficiency of labor in that industry must be relatively low.

In the one industry you have high wages and low prices of the commodity which is disposed of. In the other industry you have high wages and relatively high prices for the commodity which is disposed of.

Let me illustrate that, if you will pardon me for continuing for a moment on that train of thought, by contrasting some of the great agricultural industries or industries closely allied with agriculture.

The bulk of our exports is of agricultural products. They must be sold in foreign countries, in competition with commodities of the same kind produced in foreign countries. They must be sold in this country at a lower price than those commodities can be produced in

foreign countries and sold here. We know that wages in these industries are higher in the United States. If wages are higher and yet the prices of the commodity are low, it follows, of course, that the efficiency of labor in those industries is great; in other words, those are industries in which the labor of the people of the community is applied to greater advantage, with greater efficiency, with greater productiveness, than in those industries which call for protection.

Now, there are some agricultural industries in which that is not the case, and some agricultural commodities which are imported into the United States. It is somewhat curious to know that a country that ranks first in the production of agricultural commodities should nevertheless import some agricultural products, such as flax and hemp. Those articles are not produced here to any extent, but they are imported, notwithstanding there is a considerable duty on them. What does that mean? That means that labor in those industries necessarily, for some reason, is inefficient—or, for fear the phrase "inefficient" may bear some implication, I will say not productive, not yielding much.

What are the causes of efficiency? Why is it that in some industries in the United States we have high wages and low prices, and in other industries we can not have high wages unless we have high prices? The reason, of course, is that the efficiency of the labor unit is different in one case from that in the other. What is the cause for the difference? Our agricultural resources are very great. Our climate is advantageous. That is one cause of efficiency in agricultural production, and the combination of high wages and low prices.

I think, however, quite as important a cause in the United States is the mode in which agricultural production is carried on. This is a community in which the use of the latest improved agricultural machinery, of intelligent modes of applying labor to the soil, are more developed than they are in most European countries—in fact, in any European countries. When, on the other hand, you find some agricultural commodities as to which the application of our machinery is not feasible—and that happens to be so in the case of hemp and flax—there you find that the usual rule does not obtain, and that there the commodity is imported instead of being exported.

Turning again to the manufacturing industries, I think the general rule can be laid down that those industries in which there is opportunity for the application of improved machinery and for the substitution of machinery for hand labor, and in which that opportunity exists to the greatest extent, are the industries in which you find that combination of high wages and low prices per unit of product which brings about the establishment of the industry within the country and its independence of duties.

I think perhaps as striking an illustration as any can be given in a phrase which I found in the tariff hearings; in the hearings which were held before you. A manufacturer of musical instruments, Mr. Pound, testified in this language:

We are just about holding our own in the better classes of instruments. In other words, where American skill, American ingenuity, and where adaptability to local conditions occur, and where there is a perfect factory organization, we have held our own, but not otherwise.

And I can use another illustration, which I found in another hearing, with reference to an entirely different subject. A manufacturer of woolen goods, especially ladies' goods, used this language:

In France the finest fabrics for ladies' wear are produced. These fabrics are of the very finest texture, decidedly light in weight, and very sheer. At that, the cost of labor entering into these fabrics is of a very minimum amount, as the work is largely done by the peasantry, who take the warps home with them and weave the fabric on hand looms, the whole family bending their energies on getting out the product, for which they receive only a few francs per week, which in American money amounts to a song. The same applies to Germany.

Now, anyone who is familiar or who has learned something—I can not say I am familiar, but I have learned something—of the difference in textile manufacturing in the United States and Europe will find that in regard to the finer quality of goods, specially those using very high count yards, automatic machinery, power looms at high speed, and with half a dozen of them attended to by one weaver, can not be used.

Where power looms can be used the weavers turn out a great deal per day, and those are the conditions under which American ingenuity is applied to advantage, and those are the conditions where the product is turned out in the United States, notwithstanding higher wages, at as low price as it is turned out in foreign countries.

Now, that leads me to say a word on the general question, which has been thrashed out doubtless before your committee, and still which I will refer to for a moment. We have a generally higher rate of wages in the United States. I think that higher rate of wages is generally due to the higher productiveness of industry in the United States, the generally higher productiveness of industry, which is another word for the higher efficiency of labor, which is due partly to great natural resources, chiefly to greater intelligence, greater skill, better machinery, carrying on of the processes of production under those conditions which are favorable to American conditions.

On the other hand, in those industries where those conditions do not obtain, you will find a demand for protective duties appears. Now, I think I state the opinion of all such persons as myself—students, teachers of economics—when I say that that is the fundamental cause of the maintenance of high wages in this country.

Those high wages appeared before we had any protective system. They maintain themselves, even although there is a protective system, and would maintain themselves if the protective system were done away with, although necessarily under that proposition, with changes in the distribution of labor, there would very likely be greater disturbance than the eventual result would justify.

But, as I have said, our belief is that the general contention that the general high rate of wages in the United States is due to the protective system is unfounded. Where you have industries in which the efficiency of labor is not great, in which you have high wages, and yet do not turn out much per man, then, of course, you have to have the high price of the product in order to maintain the high wages. Those industries will not be maintained unless you have the protective system.

I wrote down as I heard the very interesting testimony of Mr. Schwab, a memorandum of a statement of his, which exemplifies,

perhaps as well as anything, the situation. Mr. Schwab was comparing the pig-iron furnaces in the United States and England. In the United States he said he had a better plant, he had one-half as many laborers, he paid those laborers twice as much, but the output per unit of labor was twice as much, and, therefore, he was able to sell his product as low as the Englishman.

He stated also that in Germany great improvement had been made in recent years, and he said, in his opinion, the technical conditions in Germany were not inferior at this time to those in the United States, to which the obvious answer is, I think, that it is time for the people of the United States to adopt those improvements where they have not done so.

Now I wish to add one word more as to a state of things, or a possibility, which has played a large part in the discussions of the academic economists, and which has been of importance in the outcome of protection in the United States during the last twenty years.

Some industries which may not seem to be adapted to American conditions, that is, industries which do not seem to be amenable to the machine process, to the development of labor-saving machinery, may possibly be made so by being stimulated in this country through protective duties. In other words, the argument for protection to young industries, for developing young industries, may be applied, and I think there is ground for supposing that in the starting and development of the iron industry, which took place between 1880 and 1900, there was an outcome of that kind.

I think the silk manufacture, which has been established by protective duties in this country, presents another illustration of the same kind.

When, however, you have an industry which has had a high range of duties for a series of years and is constantly clamoring for still higher duties, as well as a maintenance of the existing protection, and protests against any reduction of duties, then there is a prima facie case that no development is taking place or is likely to take place. Of that I think there is no more striking illustration than the case of the woolen manufacturers. As you know, in 1867, when the present tariff on woolen goods was established, the woolen manufacturers said they would be satisfied with a net protection of 25 per cent. There was a compensating duty then, and the duty in fact was 35 per cent, of which 10 per cent was to compensate for dyed stuffs and internal-revenue taxes, leaving a net protection of 25 per cent. That duty has been steadily increased, and the compensating duty has been increased, although, as is doubtless familiar to the members of the committee, that compensating duty contains a large element of protection.

The ad valorem duty has gone up from 35 to 40, from 40 to 45, to 50, to 55, and it is now protested that 55 is not a bit too much.

Now, that seems to me prima facie indication that the object which is said to be the object to be eventually attained, namely, the ability of the home market to supply the commodity at as low a price as it could otherwise be obtained, is not in prospect in such a case.

I suppose all those who talk about protection to young industries will admit that ultimately the consumer is entitled to his dividend. But in this case there seems to be no such ultimate object in view.

My point of view, therefore, is that the aim of all legislation should be to get the industry of the community directed in those channels where it is most advantageous, in those channels where you have the combination of high wages and low prices. That is the one indubitable piece of evidence of great efficiency of labor, and unless you have that you are not going to have a high range of real wages.

From that point of view, I venture to lay before the committee some specific suggestions.

In the first place, I believe certain raw materials should be admitted free, partly because natural geographical conditions determine their advantages in production and partly because in the case of raw materials there is no such possibility of development of the protection to young industries—of introducing the application of American industry in its most advantageous way.

Therefore I believe certain raw material should be admitted free, such as coal and iron ore. If up in the wilds of Maine there had been suddenly discovered deposits of iron ore, such as have been discovered elsewhere in the United States, of course we would have considered it a great blessing. It happens that such deposits are found in Cuba, and then for some reason we suppose that discovery is disadvantageous to the United States.

Up on the Pacific coast, on the other side of the border, there are good coal mines. If in 1840—was it 1840 or 1842? Anyway, the time of the Oregon controversy, when we claimed that country for our own—if our claim, our contention, had been decided in our favor, we would have thought it a great blessing to have those coal mines. But, for some mysterious reason, when the coal happens to be on the other side of the border it is a disadvantage to bring it in; the mines are a disadvantage to us.

Now, coal, lumber, iron ore, hides, flax, and hemp should, in my opinion, be admitted free. I think, also, certain nominal duties might as well be swept away, which I conceive to be of no importance except for a slight trade across the border. We have duties on wheat, corn, barley, and oats. Those are commodities which are produced by American labor, and we have duties on them. I think they occasionally fetter a little border trade. I see no reason why those duties should not be swept away.

Mr. FORDNEY. Will you name anything you would like to see a protective tariff maintained on?

Mr. TAUSSIG. May I finish first?

Mr. FORDNEY. Yes.

Mr. TAUSSIG. I will take up the case of wool. I do not believe there is any sound economic reason for maintaining a duty on wool, I think, in principle, wool should be admitted free. At the same time the woolen industry of the United States and woolgrowing in the United States has adapted itself to so great a degree to the present duty on wool that I should not now advocate the immediate sweeping away of the duties on wool. I think the wise policy in regard to the duty on wool is to reduce the duties on clothing and clothing wool from their present rate, and I think no substantial harm will be done to the woolgrowers of the United States, not enough certainly to offset the advantage to the community by reducing those duties one-third, from 12 to 8 cents a pound.

I think the duty on carpet wool has less justification, especially the duty on the lowest grade of carpet wool. I believe there is a different duty on different grades of carpet wool, 12 cents a pound on certain grades and 7 cents a pound on other grades. I think the cheaper grade of carpet wool, which is not produced in this country at all, ought not to have any duty at all; the duty might as well be abolished at once. I myself believe that no substantial interference would come if all carpet wool were admitted free.

Doubtless it is true that there is some of the better grade of carpet wool which might be used in the manufacture of clothing. I think no harm would come, on the contrary, if some clothes were made a little cheaper thereby; it would be so much the better for the people of the United States.

I think the duty on sugar should be reduced. The duty on sugar is an extremely burdensome one to the consumers of our country. It is, moreover, a duty in which the large part of the burden, while it falls upon the consumers, produces no revenue to the Treasury, as we know the duty on sugar is virtually a gift to those that produce it in Hawaii and the Philippines, and there is also a slight advantage to the producers in Cuba. I think it is slight.

Our beet-sugar producers, I think, would be very little affected by a reduction of the duty on sugar to 1 cent a pound. I think that would be a reasonable reduction, would be an alleviation of the burdens of the consumers, and would produce no excessive disturbance with domestic conditions.

I think there is no reason why pig iron should not be free. Mr. Schwab has testified to-day in regard to the cost of production of pig iron. I have listened to him with much interest. I think he is trying to be as frank and as honest as he possibly could be. I suspect, however, that the same sort of watchfulness should attach to his testimony here as should attach to that letter of his which he wrote to Mr. Frick about the cost of production of pig iron in 1899. At that time he had a little bias one way, and to-day I suppose he has a little bias the other way.

Oral statements of that sort had better be checked very carefully and carefully examined. In any case, I think it is admitted on all hands that the bulk of the pig iron in the United States would be produced in the United States under any circumstances largely under the same conditions, that the only difference would be some fall in price to the consumer on the Atlantic seaboard, and some gain accrue to him in that way, although I believe no appreciable disturbance to the industry.

I think the duties on steel products, ingots, bars, plates, wires, should be reduced correspondingly.

There are a number of textile commodities, and especially cheaper textile commodities, upon which I think radical reductions could be made. The cheaper wools, the cheaper cottons, the cheaper silks. Linens are, I believe, practically not made in the United States at all, except some towelings, and the duty upon those is virtually a revenue duty, and I should think the question of the rate of duty upon linen would be governed by the question of what produced the largest revenue.

When it comes to cottons, woollens, silks, the duties upon all those commodities in their cheaper grades are now prohibitory. They are



very, very high indeed. I think a very considerable reduction could be made with a very slight increase in importations, and yet with an occasional increase in importations which would redound, upon certain qualities, to the advantage of the consumer.

The duties upon the higher grades of textiles suggests precisely the problem to which I ventured to call the attention of the committee at the outset, namely, that it has been wholly disadvantageous to the community that we should endeavor to make within the country commodities as to which it can be fairly said American labor and capital are not applied to the best advantage.

I think the finer woolen goods, the dress goods particularly, supply as good an illustration as any. The duties on those are extremely high. The *ad valorem* is 55 per cent. The compensating duty is very much more than compensating, as I believe is freely admitted. The compensating duty on worsteds in 1867 was purposely made more than compensating from the circumstance that combing wools washed were admitted at the same rate as unwashed, whereas in 1867 you will remember that combing wools have paid a greater duty if unwashed than if washed. Yet the compensating duty has been adjusted upon the supposition that they paid full duty on the washed article. In addition, as you know, the compensating duty on those finer goods has always been a duty per yard, and the question as to how much is compensating depends upon refined calculations, in which the word of the producers has been taken, with the result, as I believe is admitted on all hands, that the compensating duty is more than compensating, and the net protection, instead of being 55, is 60, 65, or 75; who knows what it is?

That duty has been maintained for a long series of years, and notwithstanding the existence of that duty, importations steadily come in. I believe the explanation is that those are commodities in which American labor and capital are not applied to their best advantage, and as to which there is no prospect that at any reasonable time in the immediate future they will be applied to advantage.

I wish to qualify that statement, or rather I wish to add to that statement by way of supplement something in regard to the situation in reference to silk goods. As you know, during the civil war we imposed a duty of 60 per cent on silk goods, and a great silk industry grew up in the way of manufacture. I think there has been—unexpectedly, it is true, because the duty was originally imposed for revenue purposes and not with a view of protection—but there has been a remarkable development of that industry, I think some development which brings some parts of that industry now within sight of the attainment of the object of protection to young industries. That is true in regard to ribbons and some other articles of silk manufacture—

Mr. HILL. I understood your previous proposition to be that the protection did not affect the wages of labor. In view of the fact that the raw material is free, where does the protection go except to the laborers?

Mr. TAUSSIG. I am not quite sure that I quite understand the question. I do not believe I said protection does not give protection to the laborer. The laborer who is engaged in those industries necessarily gets the high American rate of wages. Otherwise, he would not be engaged in that industry. The question is whether it would

be turning American labor into industry where it is advantageously applied. In those industries where the labor can use machinery you have high wages and low prices.

Now, I would not advocate the immediate taking away of duties on silks or finer cotton, or woolen goods, or upon those articles which are now subject to protective duties. It would seem unreasonable and undesirable that there should be any sudden sweeping away of protective duties, and indeed I think there are some branches of the silk industry in which there is a reasonable prospect that in time they will be made amenable to American conditions, and the object of protection to young industries; and that object may be obtained. There are others in which I think there is no prospect, such as the manufacture of laces, for instance, and silk goods of the finest weave.

Anything that can be made advantageously on the hand loom we had better not try to make, because those are not the conditions under which American labor can be applied to advantage.

On the other hand, in those industries where you have high duties, and an apparent need of high duties in order to maintain protected industries, I should strongly—I will not say protest, but I should certainly say feel, against any increase of duty, and I think in a great many instances a reduction of the duties could be made without serious disturbances, and with advantage to the consumer, we know.

Mr. HILL. Is not the silk industry the absolute product of the protective system in this country?

Mr. TAUSSIG. Entirely so. Not entirely so, no; I will not say that, since silks were made before the war; but in the main that is true.

Mr. HILL. Do you think it would have been wiser to have depended upon the hand loom of foreign countries than to have established the industry by the system of protection?

Mr. TAUSSIG. I think whether it has been worth the price we have paid for it is extremely difficult to say; but in that case you have an example of long-continued protection, and I think it is time that the consumer should have his innings.

Mr. FORDNEY. I understood you to say that in your opinion the protective tariff had nothing to do with the high price of labor in this country?

Mr. TAUSSIG. Yes, sir.

Mr. FORDNEY. Well, is it not a very strange thing that wages have ranged higher under the protective tariff than under tariff for revenue only?

Mr. TAUSSIG. Is it not a strange thing that wages in the United States were higher before there was any protective tariff?

Mr. FORDNEY. When have wages been so high as in the past ten years; can you point out a time, except during the civil war?

Mr. TAUSSIG. You are referring now to money wages?

Mr. FORDNEY. Yes.

Mr. TAUSSIG. Of course, the rise in money wages which has taken place in the last ten years has been part of a world-wide phenomena, accompanied by a general rise in prices.

Mr. FORDNEY. The same abroad as here?

Mr. TAUSSIG. The same abroad as here. Money wages in Germany have advanced, money wages in France have advanced, and money

wages in England have advanced, and that has been due, the most of us think, to the extraordinary increase in the gold supply.

Mr. FORDNEY. You say you would remove the duty on certain agricultural products?

Mr. TAUSSIG. Yes, sir.

Mr. FORDNEY. From 1893 to 1896 there was no duty upon potatoes. Do you think that that industry needed any protection at that time?

Mr. TAUSSIG. I think if the American farmer can not produce potatoes as cheap as the Canadian farmer in the long run—I do not know what may have been the special circumstances in that particular year—

Mr. FORDNEY. I know that that is the fact.

Mr. TAUSSIG. The American farmer has abundant opportunities for turning his labor into channels where it yields large returns. He exports large quantities of things he produces at low cost and with large returns to himself, and those are the best things to which he can turn his attention.

Mr. FORDNEY. You spoke about sugar. Do you know what it costs to make a pound of sugar from cane or beets in the United States?

Mr. TAUSSIG. I have read the testimony of Mr. Adkins—

Mr. FORDNEY. Oh, he is a purchaser abroad and a refiner here.

Mr. McCALL. I suggest that the witness be allowed to complete his answers.

Mr. FORDNEY. You may ask your questions as you see fit.

The CHAIRMAN. Professor Taussig will finish his answer if he has not done so.

Mr. McCALL. He said he had read Mr. Adkins and somebody else—

Mr. FORDNEY. Let us try to get along together, Professor, and let these other gentlemen leave us alone.

I asked you, do you know what it costs to make a pound of sugar either from cane or beets in the United States? I asked you that for this reason: You have stated that you believed the tariff on sugar ought to be reduced and that it could be done without injury to the industry—

Mr. TAUSSIG. Without great injury to the industry, as a whole. I think it possible that it might be with some injury to the industry in Michigan. The great bulk of the beet sugar production in the United States is in the arid and semiarid regions and under conditions which are peculiarly favorable to the growing of the beets.

Mr. FORDNEY. The State of Michigan produces pretty nearly one-fourth of all the sugar that is produced from beets in the United States.

Mr. TAUSSIG. I have before me the figures for 1896-7, from which it appears that there were produced in the United States 433,000 tons of beet sugar, of which the State of Michigan produced 79,000 tons. It also appears that the State of Michigan produced more in that year than in any other previous year. From 1901 to 1905-6 the production of beet sugar in Michigan was about stationary. In that year—1906-7—the production was about 80,000 tons, about one-fifth.

Mr. FORDNEY. The United States or Michigan?

Mr. TAUSSIG. The United States, Michigan compared to the total in the United States. I have not the figures for the year 1907-8.

Mr. FORDNEY. You base your argument on a statement made by Mr. Adkins.

Mr. TAUSSIG. I am not aware of that.

Mr. FORDNEY. I think you said you did.

Mr. TAUSSIG. I beg your pardon. I said I read what Mr. Adkins said—

Mr. FORDNEY. But I understood you to say that Mr. Adkins said so and so.

Mr. TAUSSIG. I will withdraw that then. I did not mean to say that.

Mr. FORDNEY. To get back to the question. When you say you believe the sugar industry can stand a reduction, do you know what it costs to produce sugar either from cane or beets in the United States?

Mr. TAUSSIG. No; I have no information upon that subject that would be worth anything to the committee; what information I have is simply secondhand.

Mr. FORDNEY. You would not, then, recommend a reduction of the duty if you thought it would injure the industry?

Mr. TAUSSIG. Oh, yes; I would without hesitation. If I thought it would mean a considerable disturbance to the whole of the industry of the United States I should be extremely chary of making a recommendation of that kind. If I thought, for instance, that the abolition of the duty on pig iron would have the same consequences as it would have had, say in 1870, I should be very chary of making that recommendation. The abolition of the duty on pig iron now would leave most of the pig-iron industry of the United States about where it is; it would be a gain, however, in certain parts of the country. The reduction of the duty on sugar now would leave most of the beet-sugar industry of the United States little affected, perhaps not affected at all. The circumstance that it happened to affect the State of Michigan—that is one part of the country where, so far as I can make out, the production of beets is not carried on under the most advantageous conditions or under conditions which, upon the whole, it is desirable to promote.

Mr. FORDNEY. Where do you get your idea that beets can not be cultivated profitably in Michigan?

Mr. TAUSSIG. There has been a good deal of discussion of the relation of agricultural conditions to beet-sugar production. The production of beet sugar has a good many of the earmarks of what we call intensive cultivation—that is, trying to cultivate a good deal on a few acres of land, instead of doing what the American farmer usually does—

The CHAIRMAN. I would like to know whether you and Professor Taussig have converted each other yet?

Mr. FORDNEY. I am not going to try to.

Mr. COCKRAN. They are illuminating each other.

Mr. FORDNEY. I would like to know whether you know what it costs to produce a thousand feet of lumber or a pound of sugar, and if you do know what it costs to produce either one, would you still favor the reduction of the duty?

Mr. TAUSSIG. If the members of the committee will permit me, I would like to say that I come here not on my own accord, but that I have been asked by the chairman of the committee to come here.

Mr. FORDNEY. I am glad to see you here.

Mr. TAUSSIG. Thank you, sir.

In regard to the cost of a pound of sugar or a thousand feet of lumber, it is obvious that if the production of a pound of sugar or a thousand feet of lumber in the State of Michigan can not take place unless there is a duty so that the prices of sugar and lumber can be raised, that, therefore, lumber and sugar are not produced in the State of Michigan under the same advantageous conditions as those things are produced which the State of Michigan can raise and turn out at low prices.

Mr. FORDNEY. On the other hand, anything that can not be produced without protection you would not approve of producing here?

Mr. TAUSSIG. That rises the question whether, in the long run, this country is worse off or better off by the application of the protective system—the application of protective duties—and that raises, of course, political and economic and social questions. I believe in the period from 1800 to 1840 there was certain reasonable ground for the application of the principle of protection to young industries. I believe since the civil war there have been some directions in which the community has gained by the application of the principle of protection to young industries. I believe when there is reasonable grounds to believe that ultimately the object to be sought by protection will be gained that it is proper to apply the principle. I believe that so far as sugar is concerned that the duty imposes a large burden upon the consumer, and that the present burden is made more undesirable by the circumstance that a large part of it goes to communities and modes of production which are not advantageous to the United States. It goes to the planters of Hawaii and the Philippines and Cuba.

If it is really desirable to protect the beet-sugar producers, it will be cheaper to pay them a bounty.

Mr. FORDNEY. Did I not understand you to say that sugar was not a revenue producer?

Mr. TAUSSIG. Oh, no; I did not say that. Sugar is a very large revenue producer. If we reduce the duty 1 cent a pound, there would be some slight increase in importation and not a very considerable loss of revenue.

Mr. CLARK. In some of these suggestions you make you seem to, without saying so, advocate a certain thought that was incorporated in the tariff bill of 1833, for a sliding scale, looking to ultimate free trade, or approaching free trade; is that so?

Mr. TAUSSIG. No. That device in the act of 1883 never seemed to me a wise one.

Mr. CLARK. And you made another remark, that the tariff on corn and other agricultural products served no other purpose than to interfere with a little trade on the border. That is precisely what those tariffs are put in the tariff bill for.

Mr. TAUSSIG. Very likely.

Mr. CLARK. Now, another question. If it turns out that under the Dingley rates, prevailing since 1897, domestic potatoes sold one year as low as 4 cents a bushel in Wisconsin, and, maybe, in Michigan, and another year sold as high as 60 or 70 cents, then the inevitable conclusion would be that the tariff did not have anything to do with the price of potatoes, would it not?

Mr. TAUSSIG. I do not know much about potatoes, but I believe seasonal changes are very important; and I am sure there is a common practice to ascribe all sorts of things to the tariff, when, as a matter of fact, the tariff has nothing to do with them. As, for instance, the panic of 1873, the panic of 1893, and the panic of 1907 have all been ascribed to the tariff—

Mr. CLARK. Another thing. If corn sold for 20 cents a bushel, which it did in the field, and lots of it for 15 cents a bushel in 1893, under the rate then prevailing, and 15 cents a bushel on a tariff, as well as for 60 cents a bushel in the field now, with the same rate, then that proves it has nothing to do with corn; that the tariff has nothing to do with the price of corn?

Mr. TAUSSIG. I think the tariff has nothing to do with the price of corn.

Mr. CLARK. Not a particle, excepting in this roasting-ear trade on the Canadian border.

Mr. TAUSSIG. A little bit, perhaps.

Mr. CLARK. Now, did you ever consider about this flax and hemp business, that they are crops that are exceedingly exhausting to the soil?

Mr. TAUSSIG. Hemp is said to be.

Mr. CLARK. And so is flax?

Mr. TAUSSIG. Yes, and so is cotton. I do not think that affects the situation one way or the other. Cotton is an exhausting crop and flax is an exhausting crop.

Mr. CLARK. What was the first crop you named?

Mr. TAUSSIG. Cotton.

Mr. CLARK. Tobacco is exhausting to the soil, I know, but the reason I asked you that question was that I was raised in Kentucky, where the hemp industry is a large one, and since then I have lived in Missouri. When I first went there hemp was one of the largest farming crops in the northwest part of the State. The farmers have quit raising both flax and hemp there, and the reason they always assigned for it is that it wore the land out so fast.

Mr. TAUSSIG. Nevertheless, if it had been profitable, as profitable as cotton crops, they would have continued to raise it.

Mr. CLARK. If you are not in favor of a sliding scale, then how are you going to get at this result you desire gradually, of, for instance, reducing the duty on silk that Mr. Hill was asking you about?

Mr. TAUSSIG. I think by carefully considering changes from time to time, not too often repeated and not too menacing when you go at it. The extent to which the tariff affects the whole industrial system of the country seems to be greatly exaggerated. The extent of the change from any reduction in duty is not going to be so great. We are not going to ruin in either case, and I believe the proper method is by making gradual changes, and when we make a change let it alone for a while.

Mr. FORDNEY. You said you would put iron ore on the free list and pig iron on the free list, and you would reduce the duty on steel correspondingly. Did you mean that you would put steel on the free list also?

Mr. TAUSSIG. Well, I think I should put ingots and steel rails on the free list.

Mr. FORDNEY. Why?

Mr. TAUSSIG. Because, I am free to say, I believe that in regard to the pig iron, iron ore, steel rails, and ingots, the time has passed by when the change would be of great consequence to the community. It will probably affect somewhat the extent of the rise of the prices of steel products when another period of great demand comes in. If that period of great demand is one that shows itself simultaneously in all countries of the world, in England and France and Germany as well as the United States, it will not make any difference whatever. If there should be a condition, as has occurred before, when there is a period of great activity in this country and no corresponding change in other countries of the world, then the free admission of those commodities would somewhat moderate the rise in prices that would take place here.

Mr. FORDNEY. Did you hear what Mr. Schwab said, that by reducing the duty on steel American producers could maintain this market, but would be compelled to reduce the cost of production, and that labor entered into the cost of production more than any other thing, and, therefore, in order to reduce the cost of production wages would have to be reduced?

Mr. TAUSSIG: Yes; I heard him.

Mr. FORDNEY. What do you believe about that; what have you to say about that?

Mr. TAUSSIG. Well, labor enters into the cost of production of everything—

Mr. FORDNEY. Well, how about iron and steel?

Mr. TAUSSIG. Of course, in the long run, notwithstanding the extraordinary advances that have been made in the discovery and exploitation of coal and iron ore in the United States, notwithstanding the great improvements in production, notwithstanding those puttings of new capital into plant, which Mr. Schwab has so carefully described, and which is familiar to everybody who has followed the course of the iron and steel industry, if the time has come when we can not make iron and steel as cheaply as we can get it from foreign countries, I think we had better go abroad for it. In the main we can make it, and I must say that I distrust his figures. You will remember that Mr. Schwab admitted that he had a bias in the statement he made in the letter to Mr. Frick. So, I say, he probably has some bias now. Of course I do not mean to reflect at all upon his frankness or sincerity or honesty. I think he has tried to tell the truth, just as he did when he wrote that letter to Mr. Frick. If the committee really wishes to obtain the cost of the production of iron and steel, however, I believe that you ought to appoint men to make a careful and unbiased investigation of the facts. All this information that you are getting from the steel corporations and other companies is necessarily somewhat biased.

Mr. FORDNEY. Do you believe it would reduce the price of steel rails in this country if steel was put on the free list?

Mr. TAUSSIG. Now you are asking about steel rails. I doubt it very much. I thought you referred to steel.

Mr. FORDNEY. Say steel, then.

Mr. TAUSSIG. Steel ingots and billets are somewhat different. The price of steel rails, as Mr. Schwab has pointed out, has been a very even price since 1901. Anybody that has watched the reports of the Iron and Steel Association will see that that price has been kept

steady at \$28 a ton. I doubt if that price would be changed if steel rails were admitted free of duty. I wish to say also that I have watched with interest and—if it does not seem a patronizing term—with approval the policy which the United States Steel Corporation has followed in that regard. I think the policy has been to temper the great fluctuations of industry, which are one of the curses of modern times.

The price of steel rails has been about as high in England—

Mr. FORDNEY. Say structural steel, then. Do you think it would lower the price of steel generally?

Mr. TAUSSIG. Yes; I think on the Atlantic seaboard and very likely on the Pacific coast, which can be reached by water, it would lower the price slightly.

Mr. FORDNEY. Then, if this statement were true, that the price of production would have to be lowered in order to maintain the markets, he was correct when he said wages would have to be lowered?

Mr. TAUSSIG. Yes. If it be true that such reduction in price as would take place in times of great activity, or such prevention of rising prices, of those commodities as to which the policy of a steady price has not been developed, and if he can not stand that, then I think he has got to take the consequences.

Mr. FORDNEY. You would not advise it being done if it would lower the price of labor?

Mr. TAUSSIG. If it brought about a curtailment of the output of those works or a discontinuance of the operation of these modern plants, I should say yes. Why not?

Mr. COCKRAN. I would like to ask you a question or two.

First of all, I think we have had a good deal of confusion of terms about this question of prices. Now, do you regard high prices for commodities as an evidence of prosperity?

Mr. TAUSSIG. No.

Mr. COCKRAN. On the contrary, would you not rather regard low prices as a sign of abundance?

Mr. TAUSSIG. Low prices combined with high money income; yes.

Mr. COCKRAN. For instance, take the case of a farmer producing corn. He is certainly better off producing a hundred bushels, we will say, and selling it at 50 cents a bushel than he would be producing 40 bushels and selling it at a dollar a bushel. Do you agree with that?

Mr. TAUSSIG. Yes; I think your arithmetic is right.

Mr. COCKRAN. Well, in the one case he would get \$40 and in the other case \$50.

Mr. TAUSSIG. Assuming he can produce it with the same labor.

Mr. COCKRAN. I mean, as a matter of fact, under normal conditions of production low prices are evidence of abundance and of prosperity, are they not? I just ask you to return to that question of wages about which Mr. Fordney has questioned you, concerning which Mr. Schwab has undertaken to give us some enlightenment. You were asked by Mr. Fordney if there ever was a time when wages were as high in this country as they were during the last ten years. I ask you if wages, measured by the purchasing power of a day's work, were not actually higher under the Walker tariff, from 1846 to 1857, than they are to-day?

Mr. TAUSSIG. Nobody knows, but I think not. The world has improved immensely since that time. Great improvements have taken



place the world over, and I imagine the workingman in the United States, and, in fact, in all other countries, is better off than he was fifty years ago; but I think that has nothing to do with the question of free trade or tariff.

Mr. COCKRAN. Since wages are assigned as the basis for this protective legislation, it is very necessary that we should understand the conditions which govern wages. It is for that reason I am questioning you, Professor. As I understand it, your answer to Mr. Fordney is that you would be quite prepared to favor the abolition of a tariff on sugar?

Mr. TAUSSIG. The reduction of the duties upon sugar, I mean.

Mr. COCKRAN. The abolition, I understood you to say, if it were clear that attempts to produce sugar in this country merely resulted in diverting capital from fields where it would be productive to fields where it is unproductive.

Mr. TAUSSIG. Where it would be less productive.

Mr. COCKRAN. But that is your position?

Mr. TAUSSIG. That is the long-run result, I should say; yes.

Mr. COCKRAN. Exactly; and when you state that, so far as Michigan is concerned, you would be prepared to inflict even on Michigan the necessity of going into some profitable business instead of continuing in the unprofitable business of raising sugar, you are governed by regard for the community, are you not?

Mr. TAUSSIG. Yes.

Mr. COCKRAN. And it is the want of the community you are considering here, as distinguished from Mr. Schwab, who said he did not consider the necessities of the community at all. You heard him say that?

Mr. TAUSSIG. I answer for myself, sir. I will not answer for Mr. Schwab.

Mr. COCKRAN. Now, Professor, you have given us some striking instances of cases where wages are higher in unprotected industries than they are in industries that are highly protected.

Mr. TAUSSIG. As high.

Mr. COCKRAN. In some you said higher; did you not?

Mr. TAUSSIG. I did not mean to.

Mr. COCKRAN. In other words, you mean the standard of wages is about the same everywhere?

Mr. TAUSSIG. Yes.

Mr. COCKRAN. And that you can not get persons to work in one industry rather than in another unless you pay them the general standard of wages?

Mr. TAUSSIG. The going rate; yes.

Mr. COCKRAN. Now, I would like to ask you, Professor Taussig, this: Is it your understanding that wages can come from any other source than the product of the laborer?

Mr. TAUSSIG. No; from the product of all industry.

Mr. COCKRAN. They must come from the product?

Mr. TAUSSIG. Yes.

Mr. COCKRAN. If the laborer gets more than the value of his product, the employer will soon go broke, will he not?

Mr. TAUSSIG. Yes.

Mr. COCKRAN. So that, in the last analysis, the conditions that make for high wages are not protection or taxes, but the volume of production?

Mr. TAUSSIG. Yes; I think that is true.

Mr. COCKRAN. Very good. And when you answered Mr. Fordney you meant that under conditions which restricted production—that is, where a tariff operated to restrict production you would abolish it—you would divert the employment of capital from a field that is unproductive to one that is more productive?

Mr. TAUSSIG. In the long run, that is what I would like to do.

Mr. COCKRAN. I understand you to have testified here really from the protectionists' point of view. I mean to say your testimony was really testimony in favor of a protective system; which imposes protection duties with a view to developing industries that will be self-supporting. That was the theory on which you gave your testimony, was it not?

Mr. TAUSSIG. I think I said that the case of protection to young industries was that in which protection was mainly advantageous in developing production.

Mr. COCKRAN. I understand that. That is to say, you have approved the levy of duties upon industries where there was a prospect that these enterprises might be developed to a point where they could become self-sustaining?

Mr. TAUSSIG. Yes.

Mr. COCKRAN. Now, take the case of the textile you mentioned. We have had cases of steadily increasing protection levied by law, to which you have called attention, followed by a demand either for still higher duties or for the maintenance of existing. Your favor, as I understand it, a reduction of all these on the ground that maintaining the system is simply maintaining a system of doing business at a loss.

Mr. TAUSSIG. I think in the case of those textile industries in which there seems no reasonable prospect of advance, improvement, gain, they mean a net loss to the community; and while it would not be wise to advocate, and no one would advocate, the immediate abolition of those duties, it seems to me it is time that the process of increasing them should be stopped and that a beginning of reduction should be made.

Mr. COCKRAN. If they can not get along with less tariff than they have now, any reduction would mean their immediate extinction, of course.

Mr. TAUSSIG. Not necessarily.

Mr. COCKRAN. Do you think there would be any way by which you could gradually extinguish them?

Mr. TAUSSIG. I do not know. I think in a good many of those cases those who are engaged in them are making a good deal of money, and a very considerable reduction could take place without any great change in the industry and without any effect upon wages, especially in those cases where there are a comparatively small number of establishments carrying on operations on a large scale, and not subject to very serious competition.

Mr. COCKRAN. There, your answer is based on a different conception of the facts. The reduction of the tariff would simply affect their profit?

Mr. TAUSSIG. Yes.

Mr. COCKRAN. But take the case which we have had testified to here again and again, that any reduction of the tariff will operate to destroy them, although the tariffs have been increased, as you have pointed out, steadily now for over a generation. In that case, where any reduction of the tariff would mean their total destruction, would you hesitate to apply it?

Mr. TAUSSIG. Their total destruction? Yes, I should.

Mr. COCKRAN. Why?

Mr. TAUSSIG. Because I think that a sudden change in industrial conditions is disadvantageous.

Mr. COCKRAN. I want to get just what you propose. Of course, any change in general industrial conditions would be disadvantageous, but I understood you to testify on your direct examination that where an industry shows it can not be made self-supporting, you are in favor of cutting it out, on the ground that there can be no justification for doing business at a loss?

Mr. TAUSSIG. Yes.

Mr. COCKRAN. Even if the loss be made up by taxation?

Mr. TAUSSIG. Yes.

Mr. COCKRAN. Now, take one of those cases where the tariff has been increasing steadily for a generation or two generations and is now high, as you describe, and they say they can not stand any reduction whatever. Would you hesitate to reduce the tariff?

Mr. TAUSSIG. No; I think I should reduce the duties and see what they would do.

Mr. COCKRAN. You do not believe it is wise policy to encourage doing business at a loss, even if the loss is made up by taxation?

Mr. TAUSSIG. No.

Mr. COCKRAN. You believe it is better to invest the money of the country at a profit and employ it where it is employed profitably than to do business at a loss, even if the loss is made up by taxation?

Mr. TAUSSIG. I should not use precisely that language, but I think I mean the same thing. I should not say profit and loss, but modes by which it would produce a larger or more advantageous output.

Mr. COCKRAN. I thought you made the distinction that you are perfectly willing to continue protective duties on any industry that gives promise of becoming self-sustaining, independent of taxation, some time or other.

Mr. TAUSSIG. Yes.

Mr. COCKRAN. And you are not even, as I understand it, very niggardly as to the length of time within which it shall become self-sustaining. What you want is a prospect.

Mr. TAUSSIG. Yes.

Mr. COCKRAN. But where there is an industry that shows no prospect of becoming self-sustaining, but comes in here again and again asking additional tariff taxation or else the maintenance of taxation that has already been greatly advanced, there you consider that industry gives no hope of being self-sustaining, and you do not think it is wise to continue carrying it on at a loss through taxation?

Mr. TAUSSIG. Yes; eventually I should agree to that.

Mr. UNDERWOOD. I would like to ask a question of the professor. You stated in your opening remarks that a great many of the present tariff duties were prohibitive.

Mr. TAUSSIG. Yes, sir.

Mr. UNDERWOOD. I would like to ask you what effect, in your opinion, a protective tariff duty has on the question of making labor and capital work to the best advantage.

Mr. TAUSSIG. The prohibitive duty, of course, means the complete cutting off of importation. Where a duty is completely prohibitive and importations entirely cease, you have no certain clue as to the relation between supply by importation and supply by domestic production. It is quite conceivable that your domestic producer is not supplying you as advantageously as importation would supply you, but you do not know it, because there is not the test of competing imports. Under those circumstances it seems to me it is wise to bring the duty down to the point where at least there is some possibility of importation, and in the cases where the domestic supply is as cheap as the foreign supply—and there are such cases—I see no reason why the duty should not be reduced once for all. There would then be no considerable change in domestic production and yet there might be some subordinate importation of particular qualities of goods which can be produced less cheaply at home than abroad, and they might as well come in. Under those circumstances there is not likely to be any marked change, any considerable disturbance of existing relations, and yet there is some gain to consumers. I suspect that is the case with cotton goods, for example, which are produced, in the main, as cheaply in the United States as they are in foreign countries. I mean the commoner grades of cotton goods, as to which there would be no importation even if there were no duties, but as to which there are probably some sporadic qualities, fashions, kinds, that could come in advantageously, and they may as well come in.

Mr. UNDERWOOD. For the development of an industry of any kind do you not think it is necessary to have some competition in order to make the industry attempt to reach the highest ideal of production?

Mr. TAUSSIG. I think it is desirable, and for that reason I think the duty upon pig iron might as well be reduced. Mr. Schwab said the German pig-iron producers had taken the lead in the utilization of by-products and in the application of their technical modes of manufacture. I think it is a good plan for Mr. Schwab to be put to his trumps, to see if he can not do as well, or even better.

Mr. UNDERWOOD. Then, where you find the present duty is prohibitive, you think it wise, for the development of the country and for the development of the manufacturing interests of the country, to reduce that duty to at least a competitive basis?

Mr. TAUSSIG. It seems to me quite essential—distinctly so.

Mr. UNDERWOOD. As to the question of wages, I understood you to say that in the last decade, although wages have greatly increased in this country, they have correspondingly increased in foreign countries?

Mr. TAUSSIG. It is extremely difficult to say whether the increase has been corresponding, because statistics of wages are very difficult to measure and very difficult to make out, but the general rise in money wages and money prices has unquestionably been world-wide. I think it has taken place a little more rapidly, both as to wages and prices, in this country than in Germany or England.

Mr. UNDERWOOD. You do not attribute that at all to the tariff increase?

Mr. TAUSSIG. Not in the least.

Mr. UNDERWOOD. You think it is due entirely, the world over, to the increased production of gold?

Mr. TAUSSIG. I myself believe that is the main cause, but some economists think that other causes contribute also.

Mr. COCKRAN. Professor, the rate in wages, you say, has gone up very much during the last ten years?

Mr. TAUSSIG. The money rate of wages.

Mr. COCKRAN. Do you not think the cost of living has gone up even in higher degree?

Mr. TAUSSIG. There are statistics upon that subject published by the Bureau of Labor to which I can refer you.

Mr. COCKRAN. You do not start out in your general discussion with the assumption that the net rate of wages, by which I mean what a man gets for a day's work, has appreciated much in the last ten years?

Mr. TAUSSIG. I think I said money wages and money prices have both gone up. Therefore, wages have not gone up in proportion to money wages.

Mr. UNDERWOOD. Did you consider the question of this tariff bill at all from a revenue standpoint, Professor?

Mr. McCALL. I was just about to ask that question.

Mr. TAUSSIG. I have, somewhat; yes, sir. I think such reductions of duty as I have suggested would probably mean a net reduction of revenue, provided the importations in general did not increase. Now, it is one of the great defects of our general revenue system that the revenue is absolutely incalculable. No predictions of any Secretary of the Treasury laid before you now are worth anything as to the revenue which is going to come in during this fiscal year, for the reason that it is impossible to say what the general course of industry is going to be, how large importations are going to be. All the indications are that trade will revive somewhat, that imports in this fiscal year will be greater than they were in the last fiscal year, and therefore the net revenue from the tariff will be greater than it was before.

I wish, however, to lay before the committee one consideration which it seems to me might be borne in mind in connection with the revenue aspects of the tariff. The United States now has on deposit in national banks \$120,000,000 over and above the amounts to the credit of disbursing officers. The exact figures are given in the last Treasury report. The net cash balance was something over \$158,000,000. Of that, \$100,000,000 was deposits in national banks. That represents surplus of previous years, and that surplus is now available for spending. I think it is bad policy for the Treasury and bad policy for the banks that great sums of public money should be in the hands of the banks without their paying any rate of interest and under conditions where the withdrawal of that money is virtually not looked for. I think it is a great inducement to the banks to make loans in ways in which they would not make them if the money were not virtually put gratis at their disposal, and I think the existence of those very large deposits has been one of the factors which promoted the excessive speculative activity of the years 1905, 1906, and 1907, and also contributed to the crash of 1907. I think it is desirable that the United States should maintain a working balance, but should

not maintain a permanent surplus in the banks, and I should not be sorry if as a result of a decline in customs revenue or increase of expenditure the existing surplus in the banks were drawn on for a year or two and got rid of. The United States Treasury has that, so to speak, to draw upon, and ought to draw upon it, in my judgment.

Mr. UNDERWOOD. I want to ask you a question on this question of revenue. Looking at it from an economic standpoint, an equitable distribution of the burdens of taxation, I want to ask you whether when we put goods on the free list and remove the tariff duties entirely that does not have a tendency to prevent the equitable distribution of the burdens of taxation?

Mr. TAUSSIG. Of course we rely, and are likely for long to continue to rely, mainly upon customs as a source of revenue. It is desirable that those commodities should be made the source of revenue which cause the least undesirable change in domestic products. It is desirable that those commodities should be made a source of revenue which can be allowed to compete in a healthful and stimulating way with domestic producers. I think the woolen industry, for instance, would, upon the whole, be managed in a better way for the community if there were more wool imports and if they furnished the healthy stimulus of having foreign competition. That would bring an increase of revenue.

Mr. UNDERWOOD. I quite agree with you on that line, but I do not think you understand my proposition.

Mr. TAUSSIG. Perhaps I did not, sir.

Mr. UNDERWOOD. I was looking at it from the standpoint of raising revenue and an equitable distribution of taxation among the people, so that the burdens of taxation could rest somewhat equitably. When we have a large number of commodities on the free list and limit our scope of revenue-producing articles to a few, do we not then narrow the basis of taxation to fewer people?

Mr. TAUSSIG. That depends entirely upon the character of those articles. It seems to me, for instance, if the duties which you maintain are duties upon the finer silks and finer woolens and finer cottons, those as revenue duties are pretty good kinds of duties. The maintenance of the duties upon sugar means the maintenance of a duty which is a bad kind of duty, because the same tax is levied upon the poor man in much larger proportion to his income than upon the rich man. For the same reason, the duties upon tea and coffee are socially disadvantageous. The duties upon wool, it seems to me, are socially disadvantageous. They bear more hardly upon the man with small means than upon the man with large means.

Mr. UNDERWOOD. What do you say about the duty upon iron?

Mr. TAUSSIG. It is impossible to say. That lies at the base of all industries, like the duty upon lumber. Its ultimate incidence is in a slight increase, and in the present case, the duty upon iron, a very very slight increase in the cost of certain kinds of plant. It seems to me all you can say is that the likelihood is that that benefit would be distributed fairly equally among the whole community. It is like an increase in the price of steel rails or a decrease in the price of steel rails. That filters through all the processes of production. It is finally very widely distributed, and I should say social considerations can be pretty well left out there.

Mr. UNDERWOOD. Looking at it from the question of taxation and an equitable distribution of the burdens of taxation, do you think it advisable to have a large free list or a small one?

Mr. TAUSSIG. It seems to me it is desirable to have a large free list of those commodities which are consumed in large quantities, like tea, coffee, sugar, wool. It is desirable to supplement that, if it can be done, by some processes of direct taxation. I think we have not enough of direct taxation in this country. That is, however, entering upon a very large field.

Mr. UNDERWOOD. I am inclined to agree with you upon that proposition personally, but as the Supreme Court stands in the path of this committee I do not think we need discuss that proposition.

Mr. McCALL. Do you consider, Professor, the great amount of direct taxation that we have locally?

Mr. TAUSSIG. Of course, most state and local taxation is direct.

Mr. McCALL. We are raising perhaps three times as much taxation in Massachusetts per capita for local purposes as we contribute per capita to the National Government.

Mr. TAUSSIG. That is true. That should be taken into account.

Mr. McCALL. The State is confined practically to direct taxation and can not resort to customs duties.

Mr. TAUSSIG. That raises the whole question of the distribution of taxes between the state local authorities and the United States. I do believe, however, the United States might judiciously make use of direct taxation in some larger degree than it does.

Mr. COCKRAN. You differ, then, from those English economists who think that the taxing of a few articles of general consumption is at once the fairest method of imposing the tax and the most abundant in its results?

Mr. TAUSSIG. It is not the fairest method of imposing the tax. It is the one much the most convenient to administer. It is vastly cheaper to get a revenue from taxes on a few articles, like tea and coffee—

The CHAIRMAN. I hope we are not going very far into a discussion of the British taxes.

Mr. COCKRAN. He is giving us here his idea of the best method of taxation.

The CHAIRMAN. I want to get down to some practical tariffs.

Mr. COCKRAN. This is very practical, because it will give you the experience of the country that raises the largest revenue from the fewest number of articles.

The CHAIRMAN. Other gentlemen are waiting here.

Mr. LONGWORTH. Professor Taussig, do you think taking off the duty on lumber would have the effect to stop deforestation?

Mr. TAUSSIG. A slight effect, yes; and "every mickle makes a muckle." It is worth while.

Mr. LONGWORTH. There is one other question. You favor the abolishing of the duties on objects of art?

Mr. TAUSSIG. Yes; I do.

Mr. LONGWORTH. Would you suggest a definition of art which would enable us to accomplish that purpose?

Mr. TAUSSIG. I am sorry to say I can not; no. I wish I could.

Mr. LONGWORTH. Are you in favor of a maximum and minimum tariff?

Mr. TAUSSIG. I think, considering the present stage of legislation in Germany and France, if the minimum tariff be not made too high, there are probably advantages in negotiation. I think if the result is to bring about a lower economic tariff in the United States and a lower economic tariff in Germany and France it would be advantageous. I regret to see that stage of commercial warfare between the civilized nations, but it seems to be one which we have to face.

Mr. RANDELL. Professor, taking off the duty on lumber and sugar, or at least on sugar—it is off lumber—would kill those industries in Michigan, would it not?

Mr. TAUSSIG. I do not believe it would.

Mr. RANDELL. What other industries do you speak of that they could build up?

Mr. TAUSSIG. I do not know enough about Michigan to be sure; but when I look at Massachusetts, and go through the deserted country regions and see how farm after farm has been given up, how the population has moved to the town or gone west, and how the industrial conditions of Massachusetts have mightily changed, I say to myself that is one of the inevitable accompaniments of progress.

Mr. RANDELL. I did not know but what you had something in your mind, some particular things, that could be developed in Michigan.

Mr. TAUSSIG. No; I have no advice to give to the Michigan people.

The CHAIRMAN. I guess that is all, Professor. I would like to talk to you about an hour myself, but I do not think it would make any difference in your views.

Mr. TAUSSIG. And perhaps not in yours.

The CHAIRMAN. I think I could point out to you the practical difficulties of your position if I did.

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## VALUE AT EXPORTATION.

### FULTON BAG AND COTTON MILLS, ATLANTA, GA., WISHES DUTIABLE VALUE FIXED AT DATE OF EXPORTATION.

ATLANTA, GA., *November 12, 1908.*

HON. SERENO PAYNE,

*Chairman Ways and Means Committee,  
House of Representatives, Washington, D. C.*

DEAR SIR: Understanding that Congress will very early in the session consider the revision of the tariff, we, as importers of jute cloth, desire to place before you certain views.

The Government has been assessing the ad valorem duty on the value of the article on day of exportation or on the invoice price, whichever is higher. Importers having an office in Calcutta have an advantage in that their foreign office can average the various lots bought at different times, but shipped at one time, and in this way probably bring the price to such a figure that it does not exceed the value on day of exportation.

It appears to us that it would be only fair to make the dutiable value more determinate, and that the value on the day of exportation would be the proper one to apply. This would eliminate the present discrimination in favor of the importers having offices in Calcutta.



Besides, it hardly seems proper that the Government should exact duty on a value higher than the actual market, which would mean the value on exportation date, or that the Government should in this way increase the speculative risks to the importer.

We understand that the dutiable value has been a matter of determination by the customs authorities, but in equity to the importers the method of deciding this value should be incorporated in the tariff.

We trust that you will give this matter consideration, and remain,  
Yours, truly,

FULTON BAG AND COTTON MILLS,  
BENJ. ELSAS, *Second Vice-President.*

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### WHEAT MILLING IN BOND.

HON. JOHN J. ESCH, M. C., FILES LETTER OF THE LISTMAN MILL COMPANY, OF LA CROSSE, WIS., RELATIVE TO PROVISIONS FOR THE MILLING OF WHEAT IN BOND.

LA CROSSE, Wis., *November 18, 1908.*

HON. JOHN J. ESCH, M. C.,  
*La Crosse, Wis.*

DEAR SIR: Canadian wheat movement by Minnesota mills (among which we include ourselves) for export is a question which will doubtless have consideration in the next Congress. The maximum wheat growth acreage in the three spring wheat States, Minnesota and North and South Dakota, has been reached. If the millers of the United States are to obtain a share, or a reasonable control again of the export business, it will be possible only through a more comprehensive and liberal arrangement for the milling of Canadian wheat in bond than is permissible under present Treasury rules and regulations. Already a noticeable movement for building up larger milling capacity in Canadian Northwest is under way, and unless Congress pursues a more liberal policy toward the mills of the United States the opportunity for milling Canadian wheat in this country will have escaped us and the result will be the dismantling of a large portion of the milling capacity in the Northwest, as the present capacity was built up during a time when there was a fair volume of export business assured the Northwestern mills, together with an abundant supply of wheat.

Our idea is that a simple, workable arrangement that would permit milling Canadian wheat without necessitating the miller paying the import duty and waiting indefinitely for a refund should be put into effect.

The Canadian wheat is of the same character and quality as our own spring wheat. On this account it would be preferable, if it were permitted, to mix the wheat with our own, the millers being required to export quantities equal to that imported.

The subject of jute bags is also something that should be taken into consideration. Inasmuch as there is no jute raised in this country, and it has not been possible to encourage this industry after several years' imposition of import duty, it would seem the duty should be removed from jute cloth. The jute cloth is used for packing of feed

which is sold to farmers and dairymen as well as for putting up flour for the large use of the United States bakery trade. This duty, therefore, comes directly out of the pocket of the United States farmer and dairyman and consumer. It seems that no amount of encouragement in the way of import duty will establish the jute industry in this country, and therefore the imposition of the duty can not be put under the head of protecting the American workmen or growers. It is true the millers are obtaining a refund of the duty on jute bags exported, but by far the larger percentage of the jute cloth imported is used in supplying the requirements of the home market, only a very small percentage of that imported being used for export.

We have had no conference or interchange of ideas with our competitors bearing upon the above subject, but we believe that their views coincide with ours, and we are prompted to write you, feeling that movement looking to the revision of the tariff schedules will be opportune for consideration of a subject which is vital to the interests of one of your largest constituents as well as the interests of a great industry very important to the Northwest.

Yours, very truly,

LISTMAN MILL Co.,  
G. M. HEATH,  
*Secretary and Manager.*

**HON. F. C. STEVENS, M. C., SUBMITS BILL AND TREASURY DEPARTMENT LETTER RELATIVE TO IMPORTATION OF WHEAT INTENDED FOR EXPORT.**

WASHINGTON, D. C., *December 19, 1908.*

HON. H. S. BOUTELL, M. C.,  
*House of Representatives.*

MY DEAR SIR: I inclose copy of bill introduced by me relative to importation of wheat for export in bond. There was a very strong report made on this by Secretary Shaw to your Committee on Ways and Means a few years ago. I would be pleased if you would have this resurrected if possible and printed in your record. It would be a valuable contribution.

Very truly,

F. C. STEVENS.

[H. R. 11590, Fifty-eighth Congress, second session.]

A BILL To segregate the products of wheat imported into the United States for the manufacture of flour in bonded manufacturing warehouses.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That whenever wheat is imported into the United States to be manufactured in bonded manufacturing warehouses into flour, and intended to be exported in the form of flour under the provisions of section fifteen of "An Act to provide revenue for the Government and to encourage the industries of the United States," approved July twenty-fourth, eighteen hundred and ninety-seven, the bran and other by-products of such process of flour manufacture, manufactured from such imported wheat, not exceeding in weight twenty-five per centum of such imported wheat, may be withdrawn for domestic consumption upon payment of the duties that would have accrued thereon had such bran and other by-products been imported into the United States, the same to be appraised at the prices of such bran and other by-products prevailing in the foreign country whence the wheat from which they are produced is imported, under such regulations as the Secretary of the Treasury may prescribe.

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, March 28, 1904.

HON. SERENO E. PAYNE,  
*Chairman Committee on Ways and Means,*  
Washington, D. C.

SIR: Referring to your letter of the 15th ultimo transmitting, for an expression of my opinion as to the merits thereof, a copy of H. R. 11590, providing for the withdrawal for domestic consumption, upon payment of duties thereon, of the bran and by-products resulting from the manufacture of flour in bonded manufacturing warehouse under section 15 of the act of July 24, 1897, I have the honor to state that the subject has been fully investigated by the department, and from such investigation I am of the opinion that the said act is meritorious and should pass, for the following reasons:

It appears that Canadian wheat can not be profitably milled in this country under the provisions of law now in force, for the reason that the exportation of the entire product of such milling is required. It seems to be the consensus of opinion, however, that such Canadian wheat can be milled in bond in this country, if exportation of the flour product only is required, and the by-products are permitted to be withdrawn for domestic consumption, with profit to millers, and without injury to any interests concerned.

It is said to be axiomatic that the price of wheat in the United States is controlled in the main by the price in the European markets, that being the general market of the surplus-producing countries, and so long as the product of the United States shows a surplus over domestic requirements we must offer such surplus in competition with other countries, and that the home demand for wheat can not materially affect the price until such surplus is disposed of. To illustrate this proposition, I inclose herewith a chart market "A," in which the fluctuations in the prices of wheat in the northwestern and English markets during the last two years are shown. It is urged that the effect on prices is the same whether the Canadian surplus goes to the foreign markets directly or indirectly, and as wheat or manufactured products, and that the proposed bill will give to the domestic miller who bonds his mill under its provisions precisely the same privileges as are now at the command of the Canadian miller, who markets his flour abroad and, if he wishes so to do, can export his by-products to the United States by paying duty thereon, assessed upon Canadian values, upon which basis the American miller will withdraw his by-products for home consumption.

The capacity of the mills of the United States is sufficient to grind a crop of a billion bushels of wheat, whereas the average crop of the United States is between six and seven hundred million bushels. The Canadian Northwest is already an enormous producer of wheat and bids fair to be still more of a factor in the next few years, the supply being far in excess of the present capacity of the Canadian mills to grind. The Canadian wheat must therefore go abroad in the raw state to depress the price in European markets and furnish cheap raw material for European millers. The proposed legislation would tend to turn a portion of this wheat through the American mills and thence to foreign markets in the form of flour instead of the raw

material. It would also "set a price on the Canadian crop and prevent it from going forward in large quantities at low prices during the season following harvest to glut foreign markets, drive out American wheat, and depress the price in this country to the detriment of the farmer and allied interests."

Practically the only objection to the bill on the part of the country miller is that he can not bond his only mill and hold it exclusively for such use. His market will be improved, however, by the bonding of mills now in competition with his. A country miller states: "We are of the firm opinion that an arrangement enabling spring-wheat mills in the United States to grind Canadian wheat would not only be a good thing for the milling industry, but it would help the farmers. There is just so much grain produced and whether it goes to England and foreign countries in the flour form, or in its native condition, it affects the market. On the other hand, we believe that cheap wheat exported from Canada does more to depress our wheat prices than the exporting of an equal amount of flour from Canadian wheat."

It is urged that if the fast increasing crop of Canadian wheat should go to Europe on a basis that will develop the capacity of the English miller to supply the United Kingdom with flour, the American miller would be cut off from that market and be obliged to sell more at home. This would tend to make our milling unprofitable and to restrict that industry and the home market for wheat, affecting the price unfavorably.

On March 3 in each of the years from 1893 to the present the prices of by-products and cash wheat were as follows, as shown by the files of the Minneapolis Daily Market Record:

*Prices per ton in bulk on cars.*

	Bran.	Shorts or standard middlings.	Cash wheat, per bushel.
March 3—			
1893.....	\$10.25-\$10.75	\$11.00-\$11.25	\$0.66
1894.....	10.50-11.00	10.50-11.00	.60
1895.....	11.50-11.75	13.50-14.00	.59½
1896.....	6.75-7.00	6.50-6.75	.61
1897.....	6.25-6.75	6.25-6.50	.73½
1898.....	10.00-10.50	9.50-10.00	1.00½
1899.....	10.75-11.00	10.75-11.00	.70½
1900.....	10.75-11.00	9.75-10.00	.64
1901.....	12.75-13.00	14.00-14.25	.74½
1902.....	13.75-14.00	13.75-14.00	.73½
1903.....	15.00-15.25	15.00-15.25	.77½
1904.....	15.25-15.50	15.00-15.25	.98½

It will be seen that the prices of so-called millstuffs—bran and shorts—are not governed by the prices of wheat. They are controlled by the demand and the price of hay. They are unsuited for exportation because of their light weight and great bulk and tendency to lose grade and condition in transit. The by-products of the American mills are used by the dairy interests of the United States, and the demand is steadily increasing. The foregoing figures show that the prices of bran and shorts have almost trebled in the last seven years, and the increased supply that would result from milling Canadian wheat in bond would greatly benefit the American dairy-

man. The rapid development of cattle and dairy industries is creating an increased demand for "mill feeds" in the country districts that can hardly be supplied by the local millers.

It has been well said that if the Canadian wheat crop in part is milled in bond in this country, the millers and their employees will be benefited; the mills will run more days in the year, increasing the supply of bran and middlings for domestic consumption. In addition thereto, the Government will gain in revenue in duties paid thereon; this increase of business will occur not only in the employment of more men in the flour mills, but also in the employment of more men to handle the wheat, more men to handle the freight, and more men to manufacture sacks and packages, and will have the same generally diffused beneficial results that come from any increase to the industries of a given section of the country.

Canadian wheat milled in bond in 1902 and 1903 yielded products as follows:

	Per cent.
Flour .....	71.5
Bran, middlings, and feed .....	27.3
Shortage or absolute loss .....	1.2

During the periods of such milling the prices of such by-products per ton in Winnipeg and Minneapolis were as follows:

From July 10 to 28, 1902:

Winnipeg—	
Bran .....	\$14.50
Shorts or standard middlings .....	16.50
Minneapolis—	
Bran .....	14.50—13.00
Shorts .....	17.00
Flour middlings .....	19.00

From December 16, 1902, to April 7, 1903:

Winnipeg—	
Bran .....	13.00—14.00
Shorts .....	15.00—16.00
Minneapolis—	
Bran .....	13.00—10.00
Shorts .....	13.00—11.00

Advices from various millers show that the flour product obtained in the mills varies from 65 to 76 per cent of the weight of the wheat ground, the by-products from 22 to 29 per cent, and the absolute waste or loss from  $1\frac{1}{2}$  to  $2\frac{1}{2}$  per cent. These figures undoubtedly vary with the quality of the wheat, whether harvested in dry or moist season, the presence of foreign seeds, and the character of the mill machinery and its supervision. In the larger mills the flour product obtained is about 73 per cent of the weight of the wheat consumed; 25 per cent consists of by-products and 2 per cent of absolute loss. It would, therefore, appear that the provisions of the bill limiting the amount of such by-products which may be withdrawn for consumption to 25 per cent of the weight of the imported wheat is just, and inasmuch as the milling of said wheat, the exportation of the flour, and the withdrawal of the bran and other by-products for consumption will be under the supervision of customs officers and under regulations prescribed by the Secretary of the Treasury, the bill appears to be sufficient to safeguard the interests of the Government.

Respectfully,

L. M. SHAW,  
Secretary.

**THE NORTHWESTERN COOPERAGE AND LUMBER CO., MINNEAPOLIS, MINN., URGES ENACTMENT OF PROVISIONS FOR MILLING OF CANADIAN WHEAT IN BOND.**

MINNEAPOLIS, MINN., *January 23, 1909.*

HON. SERENO E. PAYNE, M. C.,

*Chairman Ways and Means Committee,*

*Washington, D. C.*

DEAR SIR: You will note from our letter head that our business is contingent upon the prosperity of flour millers in this part of the country. That is the writer's excuse for troubling you in regard to a matter which is very important to the success, and even the continued life, of some of our flour mills.

We refer to the present condition which makes it impossible for northwestern mills to grind Canadian wheat to advantage. Inability to do this restricts the mills to United States domestic trade almost entirely, and as a result a good percentage of the milling capacity stands idle a considerable portion of the time.

The duty of 25 cents per bushel on foreign wheat is not objectionable as applied to the selling of flour made from it in the States. What we need is an arrangement whereby the millers can grind the Canadian wheat, exporting the equivalent amount of flour, but have the privilege of selling the bran, etc., at home, as conditions do not often permit the exporting of the bran and by-products.

We write you in the interest of the millers, and the argument for the northwestern millers would also apply to those in other territory contiguous to other countries. In this connection we need hardly remind you of the benefits which will come to all milling communities from the steady running of the mills and the employment of the labor. The avenues into which the milling capital will distribute itself are many and various. These and kindred benefits must be apparent to you without argument.

One or two other features may not have presented themselves to your minds. One would be the benefit to dairy and other farmers in milling communities from an augmented supply of mill feed obtainable by the steady operation of the mills.

Another pertains to the large industries employing thousands of men in the manufacture of bags and barrels. We are especially concerned with the latter.

There are in this city alone hundreds of men who have the savings of their lives invested in cooperative cooper shops for the sole purpose of supplying flour barrels to the mills. These men look to their people in Congress to afford consistent relief to the situation by a readjustment of the law whereby the grinding of wheat from across the border is now prohibited.

The grinding of such wheat for export only could not in any way have an adverse effect upon the price of wheat grown by the American farmer. Under the arrangement requested, the flour from the foreign wheat would not be sold in the United States, where the home-grown product finds its market. It would go to foreign markets, where American-ground wheat is not now finding an outlet at all. To repeat, the flour from the American wheat would still supply the domestic markets, while the flour from Canadian and other outside

wheat would enable the American miller to get into the markets abroad, from which he is now excluded.

Our own industry would naturally share in the reasonable prosperity afforded the flour millers under this new arrangement.

This would benefit such people as ourselves and thousands upon thousands of workmen and timber owners in our manufacturing districts. The latter are necessarily in the timber districts where land is being cleared and farms made. Our business enables the settler to make a good income while he is clearing his land. He can sell us his logs. He could also sell logs to sawmills, but by selling to us he can bring in logs which are crooked and otherwise defective, such as could not be marketed to sawmills or such other industries at all. He can also make bolts from the small timber and can get many of them out of the tops of trees.

In short, our business not only gives good employment to the men connected directly with the manufacture, but it furnishes a market to the settler for millions of dollars' worth of bolts, etc., which would otherwise go into the brush pile for burning. It thus means the creation of merchandise at a reasonable profit to all concerned, instead of the making of ashes and smoke from a good deal of the stuff in the woods, at about the same cost of labor and trouble, but at no profit to the settler.

We would be glad to answer any questions which you might see fit to dictate to us. We have endeavored to give you a brief but comprehensive idea of the situation from a logical standpoint.

We ask that you use your influence and persistent endeavor to get such legislation as will relieve this obviously unnecessary situation.

Hoping that you will see to it that the matter is vigorously pushed and brought to a successful issue, we remain,

Yours, very truly,

THE NORTHWESTERN COOPERAGE & LUMBER Co.

By G. W. CRITTEN,

*Minneapolis Manager.*





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