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THE DENNISON KIND

"If we haven't it, we'll order it for you."

THE AMERICAN UNION

PROHIBITIVE TARIFF WOULD BLOCK IMPORTS

(Continued from Page 1)

ferred to the Committee on Banking and Currency, of which I am a member, and had the support of the President of the United States, the American Bankers' Association, the Federal Reserve Board and various powerful business interests. Now, this legislation, centralizing financial control as it proposed to do, would never have been suggested under normal conditions, but I am sure you would be surprised and interested to hear the story of the tact and diplomacy and the tireless but quiet effort required to prevent this bill from being voted out by the Banking and Currency Committee with a favorable report.

When either of the great parties comes into full power, tariff legislation is usually a first consideration. This was especially true last spring because Congress felt the pressure not only of that part of the public trained to believe in tariff legislation as a panacea for their financial ills but of the great manufacturers who had been largely free from foreign competition during the war and wanted a continuation of that beneficence.

The American people, in spite of upset conditions, would have been shocked at any substantial raise in duties, so the expedient was devised of not raising the apparent duty measurably but of changing the basis of the duty in a manner to make the actual duty in a great many instances practically prohibitive.

In all our previous tariff history, duties have been assessed upon the price of the article where manufactured, and when contracted for, which can, of course, be the only technical basis of a duty, which has come to mean a percentage of the cost price added to the cost of the imported article—in the conception of one Party in a maximum amount to raise revenue and a minimum amount to increase the price to the consumer and of the other Party in an amount based on the theory of not only raising revenue but enabling the American manufacturer to sell at a higher price than he could if subjected to foreign competition, the true theory of a tariff for revenue only being a tariff on articles of general consumption as distinguished from the protective idea of a tariff on particular articles ostensibly for the purpose of increasing American production.

Never, however, in the history of American tariff legislation has it ever before been suggested that a tariff should be so framed as to obscure its purpose and scope and result in a great many cases in making the duty on an article, instead of a proportion of its cost price, one hundred per cent of its cost price and often a great deal more than one hundred per cent of its cost price.

As a matter of fact, in some of the so-called compound rates in the proposed tariff bill, the duty is not only more than one hundred per cent. of the cost price but is more than one hundred per cent. on the American selling price, so that the article, under no circumstances, can be miported. For example, Paragraph 354 of the Tariff Bill provides that penknives, etc., valued at more than fifty cents per dozen (which under the American valuation means valued at the American selling price at more than fifty cents per dozen) selling in this country, we will say, for fifty-one cents a dozen, are to be assessed five cents each, which is equivalent to sixty cents per dozen, and in addition thereto thirty per cent. on the American selling price of fifty-one cents, that is fifteen cents, a total duty of seventy-five cents a dozen on a knife supposed to sell in this country for fifty-one cents a dozen.

Paragraph 365 provides that rifles valued at more than five dollars a piece, are to be assessed four dollars each, and in addition thereto, thirty-five per cent on the American selling price of $5.01, that is, $1.73, a total duty of $5.73 on a rifle supposed to sell in America for $5.01.

Paragraph 368 provides that clocks valued at more than $1.10 each, that is, selling for—say—$1.11 each, are to be assessed seventy cents each, and in addition thereto, thirty-five per cent. on the American selling price of $1.11, that is thirty-eight cents, a total duty of $1.08 on a clock supposed to sell in America for $1.11.

The administrative difficulties of the so-called American valuation plan seem to be so great as to render the plan impracticable from that standpoint. The appraisers at the various ports of entry have now the affidavit of the exporter and importer, their own knowledge of the cost price of the imported article based on continuous experience and more than 100 years of precedent and judicial decision. Under the proposed plan a declared valuation would seem to be unnecessary because no appraiser would be able from day to day to know the wholesale price of a given article throughout the United States, first, because the price varies somewhat; second, because the wholesale price varies according to locality; and third, because there are probably half a million articles subject to ad valorem duties under the proposed act. The other day, I looked over, with a tariff expert, the Sears & Roebuck catalog, and we estimated that in that one catalog there were probably from 50 to 100 articles subject to specific duty and probably one hundred thousand articles which would be subject to the advalorem duty, requiring the port appraised to know the American wholesale price of each of the hundred thousand.

Now, suppose, as a matter of absolute necessity, declared valuation was cided upon as an administrative policy; it is doubtful whether this valuation would be sustained by the Courts, because if the official in charge of the administration of the act should list an article at a valuation higher than the actual American wholesale selling price, the importer could very readily say—and I see no reason why he could not be justified in saying—that he could not be compelled to pay a percentage duty on a declared valuation when the law itself provided for an actual valuation.

Leaving the administration features the advocates of this plan say that under it the duties on articles from different countries exporting to the United tSates will be equalized, giving them, therefore, an equal opportunity to sell in this country. To illustrate: Under the present plan with an ad valorem duty of forty per cent, an article costing $2.00, if imported from England, would be subject to a duty of eighty cents, making the total cost of the imported article $2.80. If the cost of the same article in Germany were $1.50, a sixty cents duty would be added, making the cost to the importer from Germany $2.10. Under the proposed American valuation plan, if the selling price of this same article, costing in England $2.00 and in Germany $1.50, was $3.00 in the United States a duty of $1.20 would be placed on both the English article and the German article, making the English article cost the importer $3.20 and the German article $2.70.

It is, of course, readily seen that the American valuation brings the cost of the English and German article closer together than is done by the present law, but there is still a difference of fifty cents, which would tend to favor the German article in the American market, though to a somewhat less degree. However this may be, is there any theoretical or practical economist since the beginning of the world who would require this government to act as a commercial wet nurse between two foreign countries, each seeking a favored place at the breast of the American people?

The advocates of this new plan of valuation for purposes of duty contend also that foreign money is so far depreciated in value as to make the foreign article so cheap that the duty based on the cost price would be comparatively negligible while the cost of the imported article would be so cheap as to drive American production out of the market. As a matter of fact, foreign inflation has caused a rise in price in foreign countries much higher than enough to compensate for exchange depreciation. From no less an authority than Professor Irving Fisher we find that the average price level in France is two and one-half times higher than in 1913; the average Italian price level four times higher than in 1913; the German price level seventeen times higher; the Austrian, one hundred times; the Russian, one thousand times.

Recently the New York University Bureau of Business Research sent a questionnaire to the leading economists of the United States. Over 300 questionnaires were sent out. Of this number, 71 brought replies, representing 23 states. Among those who replied were the following recognized leaders of economic thought:

E. E. Agger (Columbia); Roy G. Blakey (Minn.), E. L. Bogart (Ill.); T. N. Carver (Harvard); R. E. Chaddock (Columbia), Olive Dale (Yale), C. W. Doten (Mass. Ins. Tech.), C. A. Allwood (Mo.), E. F. Gay (N. Y.), G. D. Hancock (Wash. and Lee), B. H. Hibbard (Wis.), J. W. Jenks (N. Y. U.), W. I. King (N. Y.), H. A. Mills, (Chicago), W. A. Persons (Harvard), J. A. Ryan (Cath. U. of America), C. O. Ruggles (Ohio), F. W. Taussig (Harvard), G. O. Virtue (Neb), M. S. Wildman (Calif.), C. W. Wright (Chicago).

The inquiry involved the following questions: 1. Will the American Valuation Plan decrease imports? 2. Will the American Valuation Plan decrease exports? 3. Will the American Valuation Plan decrease revenue? 4. Will the American Valuation Plan increase depression? 5. Will the American Valuation Plan increase unemployment? 6. Will the American Valuation Plan increase the cost of living? 7. Will the American Valuation Plan make the administration of the tariff law more difficult? 8. Will the American Valuation Plan increase uncertainty?

The answers showed the following astounding result:

1. Decrease imports; yes, 69; no, 1. 2. Decrease exports: yes, 68; no, 1. 3. Decrease revenue: yes, 46; no, 1. 5. Increase unemployment: yes, 54; no, 2. 6. Increase the cost of living: yes, 67; no, 4. 7. More difficult administration: yes, 68; no, 1. 8. Increase uncertainty: yes, 56; no, 4.

showing the overwhelming considered opinion of leaders of thought throughout the country, with each opinion formed without relation to any other opinion.

For several months past, a feeling of restrained impatience with the measure has been developing among those high up in the counseis of the majority party. On September 6, 1921, at Cleveland, Postmaster General Hayes spoke as follows:

"To thoughtful men there must be approval of a certain hesitation and disposition to be cautious and determination to be sure footed in the consideration of this subject. If I were to attempt to express a summing up of the present state of mind of Congress and thoughtful men about the tariff, it would seem to me that it amounts to a feeling that the present year is not a good one in which to write a permanent tariff bill to last for many years to come. Conditions throughout the world are too chaotic to be able to foretell exactly what is needed. The very basic condition on which a tariff is built—namely, the cost f manufacturing in various European countries with relation to our own cost of manufacture, and the value of the currency of the various European countries with relation to the value of our own currency—is at the present moment as fluctuating as quicksand and as unforseeable in the future as the weather.

"A dependable tariff built upon such a foundation is difficult, of course. It has been thought by many that we would overcome these handicaps by a device which we called American Valuation, and which provided that all customs duties should be estimated upon the value of goods at the time when they arrive in the United States and in terms of American money. Looking carefully into this, it has been thought that this device might not overcome the handicap, and further, might have a boomerang effect on our own interests. The end of it has been that we have appropriated $100,000.00 to investigate this device and otherwise determine what might be done to help us towards writing a permanent tariff. These conditions of fluctuation and instability which make the writing of a permanent tariff so difficult at the moment may in some measure be relieved after the disarmament conference has taken place and we have accomplished steps which the President has in mind for the adjustment of our international relations."

On December 6, last, in the course of his address to the Congress, the President of the United States said:

"There is a manifest difference of opinion about the merits of American valuation. Many nations have adopted delivery valuation as the basis for collecting duties; that is, they take the cost of the imports delivered at the port of entry as the basis for levying duty. It is no radical departure, in view of varying conditions and the disordered state of money values, to provide for American valuation, but there can not be ignored the danger of such valuation, brought to the level of our own production costs, making our tariffs prohibitive. It might do so in many instances where imports ought to be encouraged. I believe Congress ought well to consider the desirability, namely, a provision authorizing proclaimed American valuatin, under prescribed conditions, on any given list of articles imported.

"In this proposed flexiblity, authorizing increases to meet conditions so likely to change, there should also be provisions for decreases. A rate may be just today and entirely out of proportion six months from today. If our tariffs are to be made equitable, and not necessarily burden our imports and hinder our trade abroad, frequent adjustment will be necessary for years to come. Knowing the impossibility of modification by act of Congress for any one of a score of lines without involving a long array of schedules, I think we shall go a long ways toward stabilization if there is recognition of the Tariff Commissioner's fitness to recommend urgent changes by proclamation."

Whatever may be our opinion as to the wisdom of the President's suggestions, there can hardly be any doubt that his statement indicates a conclusion on his part that the American valuation program as embodied in the tariff measure which last July passed the House of Representatives and is now before the Finance Committee of the Senate for consideration would, if enacted into law, be legislation inimical to the best interests of the American people as a whole.

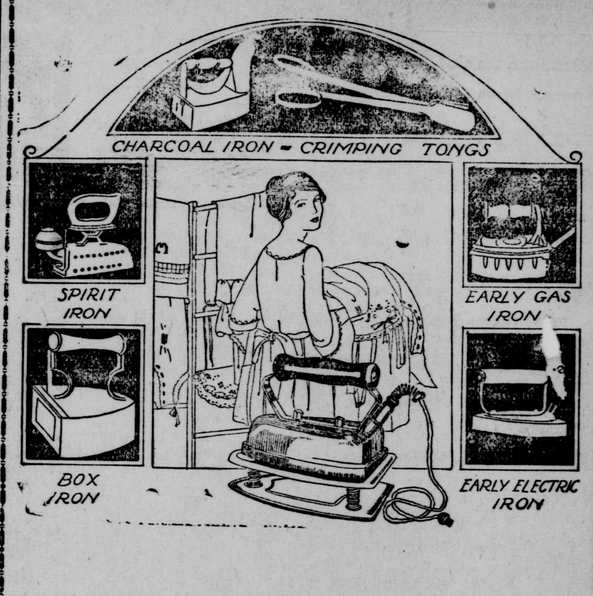
Aside from other considerations, it may be that the American valuation plan was intended to put every obstacle in the way of foreign imports, for the valuation made the basis of duty is the American value at the time of the import, and not when the foreign purchase is made, some six or twelve months before. As the importer, when he buys his goods, can not tell what their market price or the market price of similar goods will be in America months later, he can not tell what will be the cost of the purchased goods including the duty, and hence will deem it unsafe to buy at all.

I will not discuss the appraiser's difficulty or deciding what are "similar" goods. The difficulty is apparent, and serves to further illustrate the possibly deliberate attempt to formulate an unworkable law to make importing in any event as difficult as possible.

My friends, could any policy be more mistaken? We are a creditor nation. Europe can pay us with her goods. We have great surpluses of corn and wheat and cotton. Europe can buy them with her goods. We cannot sell if we do not buy, and international trade can be carried on only by an exchange of goods and commodities.

International barter will go a long way toward stabilizing the purchasing power of money, which is absolutely necessary to stimulate to business activity constructive ability and conservative capital.

In conclusion—if the purpose of this measure had been known to the American people last June, it would never have passed the House of Representatives last July; if its purport were known to them now, it would never be favorably reported out of the Finance Committee of the Senate of the United States.



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