

TAFT SAYS WOOL DUTY HIGH

President Sends Report of Tariff Board on Schedule K to House.

REDUCTIONS ARE RECOMMENDED

Report Shows the Difference of Cost of Production and Manufacture Between United States and Abroad.

(Continued from Page One.)

ble part of the wool thus imported is the weight of the wool of this hundred pounds after scouring. If the wool shrinks 90 per cent, as some wools do, then the duty in such a case would amount to \$11 on twenty pounds of scoured wool. This, of course, would be prohibitory. If the wool shrinks only 50 per cent, and this is near to the average of the grand bulk of wools that are imported from Australia, which is the principal source of our imported wool.

"These discriminations could be overcome by assessing a duty ad valorem terms, but this method is not open to these objections: first that it increases administrative difficulties and tends to decrease revenue through undervaluation and, second, that as prices advance the ad valorem rate increases the duty per pound at the time when the consumer most needs relief and the producer can best stand competition; while if prices decline the duty is decreased, and thereby when the consumer is least burdened by the price and the producer most needs protection.

"Another method of meeting the difficulty of taxing the greased pound is to assess a specific duty on greased wool in terms of its scoured content. This obviates the chief evil of the present system, namely, the discrimination due to the different shrinkages, and thereby tends greatly to equalize the duty. The board reports that this method is feasible in practice and could be administered without great expense. The scoured content of the wool is the basis on which users of wool make their calculations, and a duty of this kind would fit the usages of the trade. One effect of this method of assessment would be that, regardless of the rate of duty, there would be an increase in the supply and variety of wool, by making available to the American market wools of both low and fine quality now excluded.

"The report shows in detail the difficulties involved in state in categorical terms the cost of wool production and the great differences in cost as between different regions and different types of wool. It is found, however, that taking all varieties in account, the average cost of production for the whole American clip is higher than the cost in the chief competing country by an amount somewhat less than the present duty.

"The report shows that the duties on wools, wool wastes and shoddy, which are adjusted to the rate of 33 cents on scoured wool is prohibitory. In general they are assessed at rates as high or higher than the duties paid on the clean content of wools actually imported.

"They should be reduced and so adjusted to the rate on wool as to bear their proper proportion to the real rate levied on the actual wool imports.

"Some Duties Prohibitory. The duties on many classes of wool manufacture are prohibitory and greatly in excess of the difference in cost of production here and abroad.

"This is true of worsted yarns (with the exception of twisted yarns of a very high grade) and of low and medium grade cloth of heavy weight.

"On tops up to 22 cents a pound in value and on yarns of 15 cents in value, the rate is 100 per cent, with correspondingly high rates for lower values. On cheap and medium grade clothes the existing rates frequently run to 150 per cent, and on some cheap goods to over 200 per cent. This is largely due to that part of the duty which is levied ostensibly to compensate the manufacturer for the enhanced cost of his raw material due to duty on wool. As a matter of fact, this compensatory duty, for numerous classes of goods, is much in excess of the amount needed for strict compensation.

"On the other hand, the findings show that the duties which, in effect, are high ad valorem equivalents are prohibitory since the goods are not imported, but that the prices of domestic fabrics are not raised by the full amount of duty. On a set of one yard samples of sixteen English fabrics, which are completely excluded by the present tariff rates, it was found that the total foreign value was \$18.81; the duties which would have been assessed had these fabrics been imported, \$26.90; the foreign value plus the amount of the duty, \$18.74, or a nominal duty of 28 per cent. In fact, however, practically identical fabrics of domestic make sold at the same time at \$6.75, showing an enhanced price over the foreign market of but 67 per cent.

"Although these duties do not increase prices of domestic goods by anything like their full amount, it is none the less true that such prohibitive duties eliminate the possibility of foreign competition, even in time of scarcity; that they form a temptation to monopoly and conspiracy to control domestic prices; that they are much in excess of the difference in cost of production here and abroad, and that they should be reduced to a point that accords with this principle.

"Cost of Manufacturing. The findings of the board show that in this industry the actual manufacturing cost, aside from the question of the price of materials, is much higher in this country than it is abroad, that in the making of yarn and cloth the domestic woolen or worsted manufacturer has in general no advantage in the form of superior machinery or more efficient labor to offset the higher wages paid in this country. The findings show that the cost of weaving wool into yarn in this country is about double that in the leading competition countries; that the cost of turning yarn into cloth is somewhat more than double. Under the protective policy a great industry, involving the welfare of hundreds of thousands of people, has been established despite these handicaps.

"In recommending revision and reduction, I therefore urge that action be taken with these facts in mind, to the end that an independent and established industry may not be jeopardized.

the total value. Conversely a rate only adequate to equalize this difference on cheaper goods would remove protection from the fine goods manufactured, the increase in which has been one of the striking features of the trades development in recent years. I therefore recommend that in any revision the importance of a graduated scale of ad valorem duties on cloths be carefully considered and applied.

"I venture to say that no legislative body has ever had presented to it a more complete and exhaustive report than this on so difficult and complicated a subject as the relative matter of wool and woolsens the world over. It is a monument to the thoroughness, industry, impartiality and accuracy of the men engaged in its making. They were chosen from both political parties, but have allowed no partisan spirit to prompt or control their inquiries. They are unanimous in their findings. I feel sure that after the report has been printed and studied to the wisdom of making such a basis of permanent in order that it may treat each schedule of the tariff as it has treated this, and then keep its bureau of information up to date with current changes in the economic world.

"No Rates Proposed. It is the part of the function of the tariff board to propose rates of duty. Their function is merely to present findings of fact on which rates of duty may be fairly determined in the light of adequate knowledge in accord with the economic policy to be followed. This is what the present report does.

"The finding of fact by the board shows ample reason for the revision downward of schedule K in accord with the protective principles and present the data as to relieve costs and prices from which may be determined what rates will fairly equalize the difference in production costs. I recommend that such revision be proceeded with at once."

REPORT ON WOOL SCHEDULE

(Continued from Page One.)

"It costs 100 per cent more to make cloth from yarn in the United States than it does in England and France. The present system of fixing the same ad valorem rates of duty on different grades of fabrics is condemned as unfair. The board holds that a fair solution would be the adoption of a graduated scale under which the ad valorem rate properly assessed on goods of low value should then increase progressively according to slight increments of value, up to whatever maximum rate should be fixed.

"The board's figures would seem to show that the "prohibitory duties" do not affect the American consumer so much as would be inferred by the use of those words; for while the duties on sixteen samples of foreign cloth selected by the board averaged 184 per cent, the actual excess of the domestic price over the foreign price was found to be 67 per cent as the result of domestic competition.

"At the present time the industry in general is on a competitive basis," the report says.

"Cost and Profit of Clothes. The cost of a suit of clothes from the back of a sheep to the back of a man is computed in the report and the profits which accrue in the process are traced to their sources. For purposes of comparison the board takes a suit of clothes retailing at \$23 and wholesaling at \$16.50. This is said to represent fairly the suit of clothes worn by the average American.

"The farmer receives for the wool in such a suit \$2.23 and his profit is 8 cents; the manufacturer of cloth receives for his product \$4.75 and his profit is 23 cents; the wholesale clothing dealer receives for his product \$16.50 and his profit is \$2.15; the retail clothing dealer receives \$23 and his profit is \$6.58. The figures are aggregate.

"Extracts from the report follow. "The result of the raw wool investigation established the fact that it costs more to grow wool in the United States than in any other country; that the merino wools required in such great volume by our mills are the most expensive of all wools produced; that the highest average cost of production of such wool in the world is in the state of Ohio and contiguous territory, and that the lowest average cost on similar wool is in Australia.

"Cost of Producing Wool. "It is not possible to state in exact terms the actual cost of producing a pound of wool considered by itself for the simple reason that wool is but one of two products of the same organism.

In the western part of the United States where about two-thirds of the sheep of the country are to be found, the fine and fine medium wools carry an average charge of at least 11 cents per pound, interest not included. If account is taken of the entire wool production of the country, including both fine and coarse wools, the average charge against the clip is about 5 1/2 cents per pound. In South America the corresponding charge is between 4 and 5 cents per pound.

"Taking Australia as a whole it appears that a charge of a very few cents per pound lies against the great clips of that region in the aggregate. While the board cannot, therefore, undertake to name an exact figure in that case it is certain that Australia's costs at large fall materially below the South American.

"The board finds that the present method of levying the duties upon raw wool is defective in that it operates, by reason of the varying shrinkage of the different kinds of wool, to prevent the importation of many heavy conditioned sorts, which, if imported, would add substantially to the stock of sound staple available for the manufacture of woollen fabrics. There is no valid reason for the discrimination that now exists as being the wools of class I (Merino and cross bred) and class II (English medium and luster) and that these two classes could properly be consolidated.

"The present duty of 33 cents per pound on scoured wool is prohibitory, preventing effectually the importation of clean graded foreign wools of the lower grades that would be exceedingly useful for the manufacture of woolsens in this country, and if so might displace in large measure the cheap substitutes now so frequently employed in that industry. The fact that such cheap wools are of such heavy shrinkage that they cannot be imported in an unscoured state emphasizes all the more the prohibitive character of the present scoured pound duty.

"Objection to Ad Valorem Rate. "That an ad valorem rate is open to grave difficulties from the point of view of administration and revenue, in the case of a crude, bulky commodity like wool, produced in many remote regions and finding its way into the markets through so many various channels of trade.

"That, furthermore, an ad valorem rate would give a high duty per pound when prices are high; that is, when the consumer most needs relief and the producer is most able to bear competition. With a low price of wool the duty per pound would be low; that is, at the time when the consumer has less need of competing wools and the producer is least able to bear competition.

"The rates of schedule K are based on the assumption that wools in the grease shrink an average of 65 per cent. While it is true that considerable quantities of wool do shrink that amount the average is well below that figure. Certain very heavy wools grown at the South African cape and in certain districts of Australia, South America and the western United States shrink as high as 70 to 75 per cent.

"The cost of manufacturing woollen yarns and cloth in the United States is much higher than in Europe. The main elements of cost of production are cost of erecting and equipping both woolen and worsted mills is much higher in this country than in England.

"Effect of the Duty. "The material is increased in price by the duty on raw wool. The manufacturer who imports his wool must pay the full amount of the duty. Wools grown in the United States are increased in value by the duty, but not by the full extent of the duty. Wages are much higher in the United States, but wages are in themselves no necessary indication of relative cost of production. Frequently it is found that high wages and low labor cost go together.

"It appears that this particular industry is one in which the high elements of costs in this country are not in general offset by any particular advantage or any marked superiority in the efficiency of labor. To a certain extent, European countries have the advantage of us in this latter regard.

"It may be said then, that, taking the industry as a whole, the American manufacturer practically has no advantage in efficiency of labor and equipment over his foreign competitor. On certain specialties the largest and most efficient American mills are able by skillful organization materially to reduce the difference in cost."

"The investigation was begun in 1910 and has been pursued at home and abroad. In the United States expert investigators visited 1,200 wool growers in nineteen states and 173 counties. Special agents worked in Australia, South America, England and on the European continent. Figures were gathered from mills also. A large portion of the report is devoted to wages, efficiency and employes. A large proportion of machinery used is made abroad. Of the 26,000 people employed in the industry in this country 62 per cent were born in foreign countries and more than 83 per cent had no previous experience in mechanical industry.

"Honor Comes to Wilson. CRESTON, Ia., Dec. 20.—(Special.)—A. Letimer Wilson of this city, who has been selected as one of the judges for the International Stock show held in Chicago

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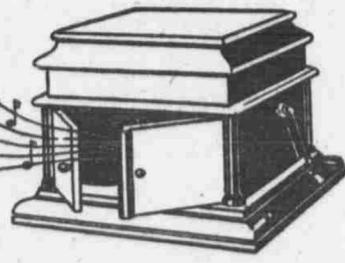
Hayden Brothers

for several years, was last week elected as one of the directors of the English Horse association, and was made a member of the Belgian Draft association, both of which met last week in Chicago during the live stock show. Mr. Wilson and his partner are among the largest importers of horses in the United States.

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PORTLAND, Ore., Dec. 20.—Nathan H. Harvey, a man of some prominence and wealth, has been arrested for the murder of the four members of the Hill family here last June. The arrest was made at Oregon City. The crime created great excitement and was that of a degenerate.

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