

DISCUSSION OF SHOE MACHINERY: THE REAL ISSUE

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Discussion of Shoe Machinery: The Real Issue by Anonymous

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ANONYMOUS

**DISCUSSION OF
SHOE MACHINERY:
THE REAL ISSUE**

DISCUSSION
OF
SHOE
MACHINERY

The Real Issue



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INTRODUCTION

The reading matter in this book is reprinted from the issues of **THE WEEKLY BULLETIN** (of Leather and Shoe News), beginning May 28, 1911.

It is believed that the value of this **DISCUSSION OF THE REAL ISSUE IN SHOE MACHINERY** contained in these pages is greatly increased, from the fact that what was first intended to be conservative and accurate has now stood the test of months of wide circulation without any answers to the principal arguments coming to our attention. In fact, we have been repeatedly informed that the arguments are true to facts and unanswerable.

Commendation for the attitude of these articles has repeatedly come to the publishers; while criticism has, from our knowledge, been slight and partisan.

For these reasons, and the great importance of the subject, we consider it worth while to make these reproductions.

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[Reprinted from the issue of May 27, 1911.]

CHAPTER I.

"FREE" BOOTS AND SHOES VS. "TAXED" SHOE MACHINERY.

[*Special Correspondence.*]

To the Editor of "The Weekly Bulletin":—

The recent action of the House of Representatives in placing boots and shoes on the free list continues to be, naturally, a matter of concern and discussion in the trade. Previously, when this issue has arisen, it has been urged that the cheaper wage-rate obtained by foreign shoe manufacturers demanded a tariff protection for American boots and shoes. While this reason against free shoes is still being strenuously advanced, another consideration is brought forward to show an additional advantage which would be enjoyed by the foreign producer of shoes over his American competitor in the event that the former was allowed to seek the American market with no tariff restrictions. It is claimed that the foreign shoe manufacturer has a distinctive advantage in the matter of his most important and essential machinery because he is able to operate it on a non-royalty basis, while the American manufacturer is obliged to use the same type of machinery under rental, paying for such use royalties which in some instances, it is claimed, are equal to a satisfactory profit on his product. It is urged that, even if it be admitted that the American manufacturer has some advantages in superior skill and ability of his operatives which offset the lower scale

of wages enjoyed by the foreigner, the favorable situation of the latter with respect to his machinery would be a serious handicap to the American producer in his home market under free shoes.

A gentleman with an extensive experience in shoe machinery, both at home and abroad, recently returned from Europe where his duties required that he visit practically all the leading shoe factories in England and on the Continent, being asked his opinion as to the effect of free boots and shoes on the American shoe manufacturer so far as it related to the shoe machinery conditions existing in the United States and Europe, stated:—

“In my opinion the effect would be very serious. To the best of my knowledge and belief forty per cent. of the European shoe production is turned out on independent, or non-royalty, machinery (and from my observation this percentage is rapidly increasing), while substantially all the machine-made boots and shoes in the United States are produced by machinery which the manufacturer does not own as to the most important machines, but is obliged to rent on a royalty basis, and under restrictions and conditions which the foreign manufacturer with his non-royalty machinery avoids, to his substantial advantage, in my opinion. I will illustrate the difference between the American manufacturer with his rented machinery and the European producer with his non-royalty machinery by taking a Welt Sewing Machine on which the basic patents have expired and which in its results in quality and quantity of work is substantially the same in both instances. The manufacturing cost of one of these machines is, approximately, \$300, and shoe machinery companies in Europe are selling them outright for \$1,000 or less. The first year's cost of operation of this machine to the foreign manufacturer may be stated: initial cost,

\$1,000; interest, \$60; depreciation (10%), \$100; total, \$1,160. At the end of the year the manufacturer owns the machine, valued at \$900. Second year's operation: interest, \$60; depreciation, \$100; total, \$160. At the end of the second year the manufacturer owns the machine, valued at \$800.

"The cost to the American manufacturer for operating one machine of the same type may be stated as follows: first year: initial cost, nothing; minimum rental, or royalty, \$1,200; total, \$1,200. The manufacturer does not own the machine. Second year's operation: minimum royalty, \$1,200; total, \$1,200. The manufacturer does not own the machine. This rental, or royalty, will continue during the term of the contract under which the machine is rented, or leased,—usually seventeen years. It will be observed from this illustration that at the end of the second year the cost to the American manufacturer for operation for that year will be \$1,040 greater than the cost to the foreigner. If this illustration be applied to an American and European manufacturer, each requiring ten Welt Sewing Machines, it will be noted that the cost of operation for the second year, and thereafter, to the American would be \$10,400 greater than to the foreign manufacturer in each year for this one step, or operation in manufacture. It is to be recalled that at all times the foreign manufacturer *owns* his machines, while the stated cost to the American manufacturer represents *rent*, or royalty, and at no time does he own his machines. The foregoing illustration is exclusive of the matter of spare parts and repairs. Both the American and foreign manufacturer have to pay for these items. The difference is that the American manufacturer is obliged by the terms of his contract, or lease, to leave the determination of the necessity of spare parts and repairs to the owner, or lessor, or his rented