

**EXCHANGE FLUCTUATIONS AND  
TARIFF DUTIES. HEARINGS BEFORE THE  
COMMITTEE ON WAYS AND MEANS.  
HOUSE OF REPRESENTATIVES.  
DECEMBER 9, 10, 14, AND 16, 1920**

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House of Representatives. December 9, 10, 14, and 16, 1920 by Various

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# **VARIOUS**

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TARIFF DUTIES**

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**HEARINGS**

251  
336

BEFORE THE

**COMMITTEE ON WAYS AND MEANS**

U. S. Congress HOUSE OF REPRESENTATIVES

DECEMBER 9, 10, 14, AND 16, 1920

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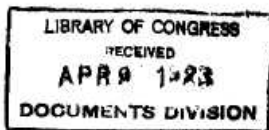
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**PART I.**

**EXCHANGE FLUCTUATIONS AND TARIFF DUTIES.**

COMMITTEE ON WAYS AND MEANS,  
HOUSE OF REPRESENTATIVES,  
*Washington, December 9, 1920.*

The committee met at 10.30 o'clock a. m., Hon. Joseph W. Fordney (chairman) presiding.

**STATEMENT OF MR. FRANKLIN W. HOBBS, OF BOSTON, MASS., REPRESENTING NATIONAL ASSOCIATION OF WOOL MANUFACTURERS AND THE SPINNERS' ASSOCIATION.**

The CHAIRMAN. The committee will come to order. We have some gentlemen here to be heard on wool and on the exchange value of imports. We will call Mr. Franklin W. Hobbs, of Boston.

Mr. GREEN. Are the wool manufacturers to be heard on anything except the matter of exchanges?

The CHAIRMAN. No; they want to be heard on the question of the serious condition of the wool industry at the present time. They are asking for some temporary relief by Congress to save them from bankruptcy prior to a general revision of the tariff.

Mr. YOUNG. Has any bill been introduced yet?

The CHAIRMAN. No. A statement has been prepared, however, which I have before me, and a copy of which was sent to every member of the committee last night. The statement was prepared by these gentlemen showing the purpose of their visit here and the reasons for asking to be heard.

Mr. HOBBS. I am one of a committee representing the National Association of Wool Manufacturers and the Spinners' Association. We came to Washington to present certain ideas with reference to the question of exchange and the effect that it has had on the domestic industries and on the question of imports. We did not come with any idea that there was to be a hearing of your committee, but yesterday we were advised by your chairman that the meeting had been called and, of course, we were only too glad to be heard and to explain and put before you the ideas that we have in mind, but perhaps not in such great detail or with as much evidence as you might desire to have presented at a later time.

It is needless to go at any great length with any of you gentlemen, into the very distressing conditions in business in the country at the present time; in the west, the wool growers; the cotton growers, and general conditions throughout the country. In the eastern part of the country, in the manufacturing districts, practically everywhere

the mills are either closed entirely or running very short time, and there is a general paralysis of business.

Among other causes that is due to a certain extent to the great increase of imports the past year, and we are fearful that when you take up, as you are about to take up, the question of the revision of the tariff, as has always been the case in the past, the imports will increase to a very alarming extent in anticipation of any increase of duties, so that having in mind the time which it would of necessity take to prepare a new bill we can see that the question of imports will be a very serious menace to the industries of the country during that period. All business to-day, as I say, is prostrated, and it seems as if there should be some sort of emergency legislation put through now that would as far as that could remedy the distressful conditions that exist, so that it might go into effect as soon as possible, to prevent the great flood of imports that will come otherwise.

One of the things that has impressed us the more we have studied the matter is this question of the effect that the foreign exchange situation has upon the imports, and I think that possibly the committee which I represent may take less of your time if I run through this very brief memorandum which we have drawn up on the subject.

Mr. GARNER. Would it not be as well to have it inserted in the record as it is and then make such comments as you wish? I think Congress ought to have the benefit of these suggestions.

The CHAIRMAN. We will insert it in the record.

(The statement referred to is as follows:)

A PLAN FOR EQUALIZING CHANGES IN TARIFF DUTIES DUE TO FLUCTUATIONS IN EXCHANGE.

When the Underwood-Simmons law was enacted, all nations were on a gold basis. At the present time, with the exception of the United States and Japan, all nations are on a paper basis, and some are on a printing-press basis.

The United States import tariff is built on the assumption that exchange conditions with the chief trading countries will remain comparatively stable. Neither by law nor by regulation are the present unstable conditions adequately provided for. The currency of some countries is now almost worthless in American money, and that of even such important commercial countries as England and France shows marked depreciation. There is no ground for expectation that normal or even steady rates of exchange will be restored for several years.

The plan proposed herewith is designed to restore purchases in foreign money to the same relative value in American dollars that they had in 1914. The two parts of the plan are as follows:

1. The present regulations by which duties are assessed on the basis of the foreign purchase values in depreciated currencies should be rescinded, and all duties provided in the present tariff schedule should be collected on the basis of the foreign cost of normal rates of exchange, or if the foreign invoice is in United States money, the difference between the current rate of exchange of the country of origin at the time of purchase and the normal rate of exchange should be added to the invoice, and the duty collected on the total. In this way there would be restored the amount of duties intended to be collected under the present tariff law.

2. In order to correct the present alarming possibilities for dumping huge quantities of raw and manufactured products from countries with depressed currencies, it is proposed that in the case of all foreign purchases, whether dutiable or not, the Federal Government shall collect in the form of an equalizing charge on all imports, in addition to any duties provided by the tariff law, the difference between the amount paid the foreign seller figured at the current rates of exchange and the same amount figured at the normal rate of exchange. The equalizing charge thus provided for might be limited to say 30 per cent of the foreign value of the merchandise at par of exchange.

Under the present distressing conditions of business in this country, with the increasing amount of imports now coming in, and with the impossibility of tariff revision before the lapse of many months, some immediate action is imperative in order to save certain industries from destruction. Some emergency legislation should be passed immediately, and we believe the suggestions made offer more general and more certain relief than any other plan thus far proposed.

We also call your attention to the fact that in the making of any tariff bill for protection of American producers, or to prevent the dumping of foreign goods into the American markets, the current rates of exchange of the different countries will have to be considered. Otherwise the tariff bill would have its effectiveness impaired by every important change in the value of foreign currencies.

Concrete examples of the operation of the plan are given as follows:

1. Purchase of merchandise in England duty free.

Current exchange, \$3.49.  
Normal exchange, \$4.8665.

<i>Cost under prevailing system.</i>	<i>Cost under proposed plan.</i>
Purchase of mdse. in England amounting to £1,000, exchange at \$3.49.....	Purchase of mdse. in England amounting to £1,000.....
\$3,490.00	\$3,490.00
Duty, none.....	Charge necessary to bring value of exchange to par....
	1,376.50
<hr/>	
Cost of mdse. to American purchaser.....	Cost of merchandise to American purchaser.....
3,490.00	4,866.50

The equalizing charge in this case is equivalent to a duty of 39.44 per cent ad valorem.

2. Purchase of merchandise in England dutiable at 35 per cent.

<i>Cost under prevailing system.</i>	<i>Cost under proposed plan.</i>
Purchase of merchandise in England amounting to £1,000, exchange at \$3.49....	Purchase of merchandise in England amounting to £1,000 at current exchange..
\$3,490.00	\$3,490.00
Duty, 35 per cent.....	Charge necessary * to bring value of exchange to par....
	1,376.50
<hr/>	
Cost of merchandise to American purchaser..	Value at par of exchange
4,711.50	4,866.50
	Duty, 35 per cent.....
	1,703.27
	<hr/>
	Cost of merchandise to American purchaser..
	6,569.77

The equalizing charge and duty in this case are equivalent to 88.24 per cent ad valorem.

3. Purchase of merchandise in France dutiable at 35 per cent.

<i>Cost under prevailing system.</i>	<i>Cost under proposed plan.</i>
Purchase amounting to 10,000 francs, exchange at 6 cents.....	Purchase amounting to 10,000 francs, at current exchange..
\$600	\$600
Duty, 35 per cent.....	Charge necessary to bring value of exchange to par.....
	1,330.00
<hr/>	
Cost of merchandise to American purchaser.....	Value at par of exchange.
810	1,930.00
	Duty, 35 per cent.....
	675.50
	<hr/>
	Cost of merchandise to American purchaser..
	2,605.50

The equalizing charge and duty in this case are equivalent to 334.25 per cent ad valorem.