

**AMEND THE GOLD AND SILVER MARKING  
ACT OF 1906. HEARING BEFORE THE  
COMMITTEE ON COMMERCE, UNITED  
STATES SENATE, NINETY-FOURTH  
CONGRESS, SECOND SESSION ON S.  
3095. MARCH 24, 1976. SERIAL NO. 94-58**

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# VARIOUS

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## HEARING BEFORE THE COMMITTEE ON COMMERCE UNITED STATES SENATE NINETY-FOURTH CONGRESS

P99-40

SECOND SESSION

ON

### S. 3095

TO INCREASE THE PROTECTION OF CONSUMERS BY REDUCING PERMISSIBLE DEVIATIONS IN THE MANUFACTURE OF ARTICLES MADE IN WHOLE OR IN PART OF GOLD

MARCH 24, 1976

Serial No. 94-58

Printed for the use of the Committee on Commerce



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## AMEND THE GOLD AND SILVER MARKING ACT OF 1906

WEDNESDAY, MARCH 24, 1976

U.S. SENATE,  
COMMITTEE ON COMMERCE,  
Washington, D.C.

The committee met at 10 a.m., in room S-407 of the Capitol, Hon. John O. Pastore presiding.

### OPENING STATEMENT BY SENATOR PASTORE

Senator PASTORE. Gentlemen, we will call the hearing to order.

The Committee on Commerce meets this morning to consider S. 3095, a bill to increase the protection of consumers by reducing permissible deviations in the manufacture of articles made in whole or in part of gold.

This legislation would amend the National Gold and Silver Marking Act, which was enacted in 1906. The legislation would eliminate current tolerances permitted for manufactured gold articles from one-half carat without solder and one full carat with solder to a realistic tolerance of three parts per thousand.

This legislation has been represented as providing the American consumer with what he pays for—under the bill, if he pays for 14 carat gold, that would be the composition of the article which he purchases.

Additionally, it has been suggested that the legislation would remove a competitive disadvantage which faces domestic manufacturers in overseas markets where the large tolerance permitted by the 1906 act does not exist.

[The bill follows:]

[S. 3095, 94th Cong., 2d sess.]

A BILL To increase the protection of consumers by reducing permissible deviations in the manufacture of articles made in whole or in part of gold

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act entitled "An Act forbidding the importation, exportation, or carriage in interstate commerce of falsely or spuriously stamped articles of merchandise made of gold or silver or their alloys, and for other purposes", approved June 13, 1906 (34 Stat. 260; 15 U.S.C. 295), is amended—

(1) by striking out "That in" and inserting in lieu thereof "(a) Except as provided in subsection (b), in"; and

(2) by adding at the end thereof the following new subsection:

"(b) In the case of articles of merchandise made in whole or in part of gold or of any of its alloys which are sold by manufacturers or importers more than five years after the date of the enactment of this subsection and are so imported

Staff member assigned to this hearing: Edward A. Merlis.

into or exported from the United States, or so deposited in the United States mails for transmission, or so delivered for transportation to any common carrier, or so transported or caused to be transported as specified in the preceding section, the actual fineness of such gold or alloy shall not be less by more than three one-thousandths parts than the fineness indicated by the mark stamped, branded, engraved, or printed upon such article, or upon any tag, card, or label attached thereto, or upon any box, package, cover, or wrapper in which such article is encased or enclosed, including all assaying deviations and all solder and alloy of inferior fineness used for brazing or uniting the parts of such article (all such gold, alloys, and solder being assayed as one piece)."

Senator PASTORE. Today we will hear from a number of experts in the jewelry industry, pro and con. We will listen to all parties concerned, and then, thereafter, the committee will take the matter under advisement and decide what to do.

We have before us today a number of witnesses. The first one is Mr. George R. Frankovich, executive director, Manufacturing Jewelers and Silversmiths of America, Inc., 340 Howard Building, Providence, R.I.

Mr. Frankovich, you may proceed.

**STATEMENT OF GEORGE R. FRANKOVICH, EXECUTIVE DIRECTOR,  
MANUFACTURING JEWELERS AND SILVERSMITHS OF AMERICA,  
INC., PROVIDENCE, R.I.**

Mr. FRANKOVICH. Thank you, Mr. Chairman.

With your permission, the other proponents of this bill have arranged their testimony in sequential order. And with your permission, I would like to introduce them with a word on what portion of the testimony they will cover.

Senator PASTORE. All right, sir.

Mr. FRANKOVICH. Mr. Fred Kilguss, president of the Manufacturing Jewelers and Silversmiths of America and president of Excell Manufacturing Co., will discuss the feasibility of the act during a transition that must be necessary.

Mr. Bernie Chalson, president, Jewelers Vigilance Committee and a manufacturer from New York, will discuss the feasibility of the act in relation to soldered items.

Mr. Donald Corrigan, director of metallurgy and research, Handy & Harmon, will discuss some of the technical aspects of the act.

Mr. Herb Underwood, a retailer from Florida, will discuss the consumer aspects of the act.

And finally, Mr. William Preston, Jr., a retailer from Vermont, will tie much of the testimony together and present additional testimony.

We also have Mr. Jule Windman present who is counsel for the Jewelers Vigilance Committee for any legal aspects that the committee might question.

Senator PASTORE. All right, you may proceed.

Mr. FRANKOVICH. My name is George R. Frankovich. I am the executive director of the Manufacturing Jewelers and Silversmiths of America. This organization has some 1,300 manufacturers of jewelry, silverware, and allied products in its membership. Its members employ some 80 percent of the total industry manufacturing employment of roughly 100,000 people.

The industry I represent is the largest user of gold in the world. We use about 25 percent of all the gold used in arts and industry. Members of ours include traders in ingot gold, including several bank suppliers, processors of semimanufactured forms including sheet, wire and tubing of both carat gold and gold-filled materials and suppliers of electroplated gold solutions as well. Every segment of the American gold-processing community is represented within our association including several hundred manufacturers of gold jewelry.

Because of the nature of this industry's gold products near the turn of the last century, the industry believed its consumers needed some legal guaranties. In 1906, the National Stamping Act became law. As the chairman observed in his statement to the Senate on the introduction of this bill, it was probably the first piece of consumer protection ever enacted in America. It was then, and is now, industry initiated.

The jewelry industry's seeming altruism, however, is born of necessity. Unlike many other products, the jewelry industry must largely depend on the confidence that the buyer has in trade names, marks of quality and confidence in the seller—the retail jeweler.

None of us in this room can tell whether a gold product is 10 carat, 14 carat, or 18 carat gold by sight or feel or taste. In fact, we may not even know the difference between a carat gold piece and a piece of costume jewelry that is electroplated except for one thing—its mark.

The consumer, the retailer, all down the line, rely on that mark to distinguish the \$100 or \$500 item from the \$5 item. The existence of the industry depends on the continued public confidence in that mark.

Our forefathers in 1906 recognized the importance of quality representations when it advocated the passage of the National Stamping Act. The act, however, failed to provide a requirement that the person who represented the article as being of a certain gold or silver quality identify himself. It, in effect, allowed a guarantee to be made without requiring identification of the guarantor.

Enforcement of the act was strictly up to the Justice Department since it was a criminal act passed long before the FTC came into existence.

The result was, therefore, an act that made it difficult to identify violators and one that proved impossible to enforce. I personally attempted to get the Attorney General interested in prosecuting a case of flagrant violation. I failed. They were not interested. They had, and I am sure they were justified, higher and more important priorities.

Industry efforts to turn prosecution to the FTC were also to no avail. They indicated they would resist responsibility for any more special acts. They had budget problems trying to fulfill their primary mission of administering the Federal Trade Commission Act plus several special acts that were placed in their jurisdiction such as the Inflammable Fabrics Act. Placing the Gold and Silver Stamping Act in their hands seemed futile.

In the meantime, for 70 years of its existence, the Stamping Act was not enforced. No indictment occurred, no prosecution, no conviction.