

**UNITED STATES TARIFF COMMISSION**

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**THE TARIFF  
AND ITS HISTORY**

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**A COLLECTION OF GENERAL INFORMATION  
ON THE SUBJECT**

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**MISCELLANEOUS SERIES**





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**UNITED STATES TARIFF COMMISSION**

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## FOREWORD

The contents of this brochure are brought together under one cover in response to the many requests received by the Tariff Commission for general information on the subject of the tariff. Most of the information herein set forth is carried through the Tariff Act of 1930, which is the tariff law of the United States at the time of the preparation of this edition. Copies of the Tariff Act of 1930, which is not a publication of the Tariff Commission but a congressional document, are obtainable from the Superintendent of Documents, Government Printing Office, in this city at 20 cents a copy.

The material contained herein consists in large part of excerpts from the Dictionary of Tariff Information, a publication issued by the Tariff Commission in 1924 and now out of print. This dictionary, containing technical information and statistical data relative to commodities mentioned in the Tariff Act of 1922 and a description of tariff systems, methods, practices, and history, is a reference book to be found in most general libraries.

The Tariff Commission has no authority to devise or alter the national tariff policy or to construct the general tables of rates of duty. These powers reside in the Congress. The Commission has certain powers to advise Congress and the President, to exercise other powers and certain functions in cases falling under those provisions of the Tariff Act of 1930 which prescribe and limit what the Commission shall do. Its publications, therefore, do not contain or discuss arguments for or against any form of tariff, but are for the most part economic studies of specific articles covered in the tariff act, of industries, or of international trade as affected by our customs law. For its own use, the Commission has compiled a subject index to its publications; this index has, however, had some public distribution and may be had upon request.

There are many private organizations whose main functions are to keep informed of all activities that affect in any way the duties, or the collection thereof, on imported articles.

Such organizations as the American Tariff League, 25 West Forty-third Street, New York City; the Home Market Club, 38 Chauncey Street, Boston, Mass.; the National League of Women Voters, 532 Seventeenth Street, Washington, D.C.; the World Trade League, 366 Madison Avenue, New York City; the Rawleigh Foundation, Freeport, Ill.; the Foreign Policy Association, 18 East 41st Street, New York City; National Foreign Trade Council, 1 Hanover Square, New York City; Carnegie Endowment for International Peace, 700 Jackson Place, Washington, D.C., have literature dealing with tariffs. Persons interested in making a study of the various phases of the subject may obtain additional information from these organizations.

The customs tariff is one means of controlling the industrial and commercial life of the Nation as related to that of other countries. Each nation, in its economic life, necessarily has certain relations with others often possessing different racial, moral, political, and economic characteristics. Nations usually form more or less distinct entities predominantly motivated by the conservation of their own members, standards, and customs, or the expansion of these factors over other areas. That being so, commercial contact and intercourse between national groups necessarily involve elements not found in purely domestic trade.

Domestic trade, it is true, has its problems and its special governmental controls to meet them; but international trade possesses classes of problems peculiarly its own, some of which it has sought to meet by levying customs taxes upon, and thus impeding certain classes of foreign trade. Certain other classes of its foreign commerce may, on the other hand, be stimulated by bounties, rebates, preferential transportation rates, etc. From such hindrance and stimulation a system of regulation is evolved. In the end, this regulation may involve not merely the passage of goods, but the economic and social life of the Nation, and its cooperation with other nations in the problems of civilization.

In the following outline are listed a few of the principal questions arising in the imposition of customs tariffs, with references to titles under which some of these questions are more fully discussed.

#### QUESTIONS INVOLVED IN THE IMPOSITION OF CUSTOMS TARIFFS

(Excerpt from Dictionary of Tariff Information, pp. 721-722)

##### Influence upon foreign countries.

This aspect of the subject might, without mature consideration, seem unimportant. The stability and prosperity of foreign countries, however, are essential to national welfare.

1. As purchasers of exports from a given country, foreign countries must produce goods in exchange. As producers of raw materials required by that country foreign prosperity furnishes in part the basis of its own. In other words, the country could not entirely replace foreign by domestic industry without destroying foreign trade. It may be the study of the statesman, therefore, to ascertain the measure in which a tariff policy should avoid unnecessary hindrance to any foreign industry.

2. Furthermore the friendliness of foreign states is a matter of concern, and caution should be exercised in adopting tariff policies which may give occasion for retaliation.

3. World peace and harmony are influenced not a little by customs duties, and this aspect also requires consideration.

##### Influence upon home country

1. National finance: The relation of any customs duty to national finance is usually the object of careful attention, whether the tariff be designed for revenue or protection. There is a certain rate of duty at which every commodity will pay the maximum derivable revenue. The exigencies of Government income must be weighed against other factors.



2. Nationality: The integrity, perpetuation, and strength of the Nation as such are inevitably regarded as of primary importance. Therefore, customs duties may be imposed to stimulate or maintain so-called "key industries", and national self-sufficiency may be stressed.

3. Social factors: (a) Diversity of industry is said to contribute to a higher type of society and to greater efficiency. This argument for protection was presented by Alexander Hamilton.

(b) The physiological, moral, and psychological effects of industries whose stimulation is proposed may well be estimated. Certain American industries have been taxed out of existence because of their deleterious effects. Hours of labor and conditions of employment, for example, are everywhere recognized as qualifying the social value of an industry.

(c) Community organization is vitally affected by character of occupation. It has been said that some industries tend to create class cleavage; on the other hand, a certain amount of industrial diversity is said to be essential to a high degree of social organization. The organization of labor may here be involved.

(d) Distribution of population may be affected by tariff policy. Freedom of trade tends to concentrate population near the especially favorable natural sources of production. Protection, on the other hand, in developing less favorable resources, is said to tend sometimes toward the dispersion of population.

(e) Equality of income may be affected by tariffs. If freedom of trade is accompanied by large private concentration of property, enormous benefit may accrue to the possessors of the more favorable natural resources whose advantages are enhanced by unrestricted commerce. For example, the vast free-trade market of the United States often gives an almost fabulous advantage to the better placed agent of production. A smaller market may tend toward equality. It is probable that an unrestricted international market would lead in some cases to inequality, but protection is said at times to have the same effect.

(f) Tariffs are said to be important factors in the creation or extinction of monopolies. A too high protective tariff may create domestic monopoly. On the other hand, free trade might sometimes lead to a geographical monopoly in the production of commodities for which certain regions possess outstanding advantages; e.g., sugar. Each particular customs duty should, therefore, be examined with respect to its effect upon monopoly.

4. Economic factors may be grouped as they primarily affect (a) industry, (b) foreign trade, and (c) international finance.

(a) Industry: (1) Utilization of natural resources. This is discussed under the subject of protection. It is said, however, that in some instances protective tariffs permit the utilization of domestic resources which would otherwise remain unexploited. Free trade, on the other hand, is said to facilitate a more intense exploitation of the most favorable natural advantages.

Increased application of capital and labor to natural resources results in some cases in rapidly diminishing returns, and in other cases the opposite may be true. These tendencies are of great importance in tariff decisions. If, for instance, an industry were threatened by

foreign competition, it might be possible to ascertain whether the capital and labor employed therein could be diverted to other pursuits, as, for example, the diversification of crops in the wheat-growing States.

(2) To determine the influence of any tariff upon the most effective utilization of the country's labor resources would require investigation in each particular instance. Protection in opening new fields of industry may sometimes appear to give additional opportunity to labor, while at other times it might have an opposite effect.

If labor is scarce, the selection of industries requiring a relatively small amount of labor would be indicated; if capital is scarce, the opposite policy might be adopted.

(3) Steadiness of employment is a factor to be taken into account when the desirability of encouraging an industry is considered. Unless the labor supply of a seasonal industry dovetails into that of other seasonal industries, fluctuation in employment must be considered undesirable.

(4) An important argument for protection has been the so-called "home market" argument. According to this, the stimulation of various industries, while possibly not advantageous from the point of view of the industries themselves, might nevertheless create a home market for many products not demanded by or capable of being shipped to international markets. It would seem wise to inquire into the application of this point in considering any proposed duty. That protection may at times stimulate the development of new industries is usually admitted; it is also recognized that industries sometimes cease to be "infant." Here, again, the effects of each proposed customs duty need to be investigated.

(5) Efficiency of production, an important element in considering tariff protection for an industry, is dependent upon the following factors: (1) Organization, (2) equipment, (3) management, (4) labor (including wages), (5) raw materials. These subjects are naturally investigated under cost of production. Wages are of consequence insofar as they reflect unit labor cost. To be significant, wages should in some cases be compared with national price levels.

(6) A tariff duty upon an article should be studied in its effect upon related industries, especially upon those using the taxed article as a raw material.

(b) Foreign trade: (1) The balance of trade is affected by tariffs, bearing in mind that imports, visible and invisible, must in the long run equal exports. The nature of the balance of trade is in part a social question. The encouragement of large imports in payment of foreign investments and debts favors those who have money to invest; the discouragement of commodity imports, insofar as it increases home investment and necessitates a greater material home production, may favor the man who has only his labor to sell.

(2) The balance of shipping—the balance of the weight and bulk of cargo shipped in international trade may be materially affected by the tariff.

(3) Exports are necessary to the acquisition of raw material, and exports in turn are affected by every tariff.

(4) The problem of international trade is in large measure that of weighing the advantages of the export industries against those of

the domestic industries which compete with imports. Shall the former or the latter be encouraged? A partial abandonment of domestic fields to importation usually means a diversion of capital and labor to export industries, accompanied by a certain rearrangement of a country's economic and social system. The various advantages and disadvantages of such a course commonly receive the most interested attention of the nation concerned.

(c) *International finance*: Payments of international obligations cannot take place without foreign trade—a point of obvious importance in connection with the tariff. The relation of customs duties to the international financial system, to the distribution of gold, and to the price level demands unremitting attention.

The above outline touches only some of the most obvious questions that are presented in the consideration of tariff duties.

### CUSTOMS DUTIES

#### General classification

Customs duties may be classified (a) as to form and (b) as to economic purpose or effect. As to form the chief kinds are specific duties, ad valorem duties, and compound duties. A compound duty comprises both a specific and an ad valorem rate. There are also mixed rates; for example, a specific or a compound duty with an ad valorem minimum. As to economic effect or purpose the basic distinction is that between revenue duties and protective duties. In addition there are duties intended to meet particular situations, such as countervailing duties, antidumping duties, compensatory duties, and penalty duties.

A revenue duty, as the name implies, is one intended primarily to raise revenue. It may be merely the equivalent of an excise tax levied on a domestic product or it may be levied on an article not produced in the domestic market and not competitive with any domestic commodity. A protective duty is one intended to improve the competitive position of domestic producers by burdening imports of the competing foreign product with a charge not collected from the domestic article.

The duty which Norway levies on raw tobacco is an example of a revenue duty. That country produces no raw tobacco and it is more convenient and cheaper to levy the tax at the time of importation than to levy it at the time of manufacture. Belgium produces no petroleum and formerly had no refining industry. The tax then maintained on imported gasoline was more convenient to levy at the time of importation than to collect from filling stations, as is done in the United States. At present Belgium has a relatively small refining industry and there is a high tax, intended for revenue, on domestic gasoline, but a higher tax on the imported, which thus includes a protective as well as a revenue feature.

#### Ad valorem and specific duties

(Excerpt from Dictionary of Tariff Information, pp. 14-15)

Ad valorem and specific duties, duties levied upon commodities, the former according to their value and the latter according to their weight, gage, or other measure of quantity, or based upon or regulated by value. Ad valorem duties were customary during ancient

times and in the Middle Ages, but have largely given place to specific rates, although there has been a tendency since the World War to depart from the specific form. The principal nations making a considerable use of ad valorem duties are the United States, Canada, India, and Turkey; among those employing specific duties are France, Germany, Italy, Belgium, Austria, and Russia.

In the first United States Tariff Act (1789) both ad valorem and specific duties were used, but they were mostly low. The tariff of 1816, with protection more openly in view, extended the range of specific duties.

The rates in the Tariff Acts of 1846 and 1857 were exclusively ad valorem. The Morrill tariff of 1861 restored many specific duties and in the long regime of protectionism they were largely retained. An unsuccessful effort was made in framing the Tariff Act of 1894 to substitute ad valorem rates for many of the specific duties. In the Tariff Acts of 1897 and 1909 the trend was decidedly in the direction of more numerous and more detailed specific duties. In the tariff of 1897 the principle formerly used of a combination of specific compensatory duties and ad valorem protective duties was applied. In the tariff of 1909 many ad valorem duties were replaced by specific duties. Changes from specific to ad valorem rates, however, were a feature of the Underwood tariff of 1913. In the emergency tariff of 1921 the duties were specific, with the exception of ad valorem duties on cattle, meats prepared or preserved, wheat flour and semolina, and cheese. An outstanding characteristic of the Tariff Act of 1922 is the frequency of the compound duty. This duty is used extensively in the chemical, metal, and textile schedules. The act follows somewhat that of 1909, and few ad valorem rates of the earlier act are replaced by specific rates. Many ad valorem forms of rates of the act of 1913 have been retained.

In 1894 the Senate Finance Committee asserted that "specific duties have been advocated by all our Secretaries of the Treasury, with one notable exception, Mr. Robert J. Walker, from Hamilton to the present incumbent in office." When the Fordney-McCumber Tariff Law was under consideration the American Non-Partisan Scientific Tariff Committee strongly advocated specific duties levied upon the differences in conversion costs of manufacture.

The following arguments for and against ad valorem or specific duties have been presented in the sources referred to at the end of this article.

In the preparation of the customs law the greater simplicity of the ad valorem tariff commends it to favor. Specific rates, on the other hand, require more minute classification, as the exact amount of duty upon each commodity must be fixed. It is said that in the writing of the German (specific) tariff of 1902 it was necessary to consult 2,000 technical specialists. Some commodities, such as earthen and chinaware, for example, are not adapted to this type of duty because of difficulty of classification. In spite of careful classification it is possible, under specific duties, for the manufacturer to produce goods that barely fall in the (for his purpose) more advantageous classification and thus evade the payment of higher duties.

The general effects of ad valorem or specific duties may be discussed in their relation to protection, fiscal results, trade, and consumption.

Ad valorem duties, it is argued, afford the least protection when foreign goods are cheap and when protection is most needed; on the other hand, when foreign values are high and imports therefore fall, the protection is greatest. Since the course of domestic and foreign prices is not necessarily parallel, ad valorem duties, when based, as is usual, on foreign prices, do not correspond to the needs of protection, represented by domestic prices. Especially is this true when unusual fluctuations of foreign exchange cause excessive differences between foreign and interior price levels. Home valuation has been proposed as a remedy for this condition. Specific duties, on the other hand, do not as a rule provide for a change in values. The protective effect of a specific duty becomes constantly less as the price of the commodity on which it is levied advances. In some European countries, however, specific duties are adjusted to changes in price levels by means of coefficients of value.

From a fiscal point of view it is maintained that the income derivable from ad valorem duties cannot be accurately estimated, being dependent upon changing prices, and increasing with high and decreasing with low prices. On the other hand, it is pointed out that when foreign values are low imports will be greater, and this in a measure stabilizes the revenues. Specific duties provide against a fall in the Government revenue when prices fall. Customs duties, however, are not always so large a proportion of the total Government revenue as greatly to affect by slight fluctuations the national income. In considering the application of specific duties to a commodity, the element of price fluctuation should be kept in view, as should also the effect of varying demand upon the price. As a tax, ad valorem duties are said to be more equitable. Specific tariffs frequently burden an inferior quality of goods in equal measure with better grades and thereby fall more heavily upon the poor than upon the well to do.

In their effect upon trade ad valorem duties do not always fall with equal weight upon similar goods. It frequently occurs that goods which must sell for the same price are given different values by the appraisers, or are invoiced at different prices or values. The consequent imposition of different duties may thus give one merchant an artificial advantage over another and make competition unequal. Furthermore, it is difficult for different customs offices always to maintain similar standards of values, and thus goods entering one port may be subject to discrimination. In order to ascertain fair values, customs organization for the purpose is necessary at the port of entry. Because of the expense, it is impossible to maintain such a service at all ports. Commerce may therefore be practically forced to these centers and away from other points of entry having an equal right to a fair share of trade. Moreover, because of the constant possibility of undervaluation and the ensuing advantage obtained by the sharp tradesman, the honest importer is constantly liable to be placed at a disadvantage.

In their effects upon consumption specific duties, as has been mentioned, may operate to the disadvantage of goods of cheaper

quality. On the other hand, specific duties tend to exclude worthless and inferior articles.

In administration specific duties are generally preferred to ad valorem. The chief objection to the latter is the difficulty in determining correct values. Ad valorem duties necessitate the service of a large number of experts, which increases the cost of their collection. This method of assessment is a fruitful source of dispute and litigation, and often results in delay and error. It is difficult to hold appraisers responsible for mistakes, since they can attribute errors to differences in judgment. Under ad valorem rates, "the facts to which the rate is to be applied must be gathered in places many thousand miles away and under circumstances most unfavorable to the administration of justice." Besides, a large proportion of imported goods is sent for sale at the best price that can be obtained and there is consequently no fixed value.

Ad valorem duties are peculiarly subject to evasion. "The history of United States tariffs reveals a continuous series of attempts at undervaluation, smuggling, etc." Under ad valorem duties there is great provocation to dishonesty of officials.

The specific tariff is easily understood, for everything capable of being counted, weighed, or measured is dutiable according to quantity.<sup>1</sup>

It is alleged that the system of specific duties is sometimes employed to mask the real character and burden of the tariff and to conceal prohibitive duties, since the meaning and effect of a specific duty are often known only to a few persons familiar with the details of some minute branch of trade.

#### Mixed or compound duties

(Excerpt from Dictionary of Tariff Information, pp. 486-487)

Mixed or compound duty, a duty which combines specific and ad valorem rates. An example is found in the United States Tariff Act of 1913, paragraph 185, which levies upon cigars a duty of \$4.50 per pound and 25 percent ad valorem. The principal uses of the mixed duty are as follows: (1) In connection with a compensatory duty, (2) as a means of minimizing the disadvantages of both the specific and ad valorem rates.

The mixed form used in the compensatory duty is illustrated in the Tariff Act of 1861. In that act certain types of wool were charged a duty of 3 cents per pound. This taxation of the raw material, however, burdened the domestic cloth manufacturer. To overcome the foreign manufacturer's advantage through his access to free wool, a compensatory compound rate was applied to woollen cloth. On the assumption that 4 pounds of wool were required to make 1 pound of woollen cloth, a duty of four times 3, or 12 cents per pound, was levied on such cloth. In addition to this specific duty

<sup>1</sup>Higginson, John Hedley, *Tariffs at Work*, London, 1913, pp. 47-74; Fontana-Busso, *Politique Commercial*, Paris, 1908, pp. 491-494; *Cyclopedia of American Government*; 50th Cong., 1st sess., *Senate Report* No. 2332, p. 7, pp. 51-53, including appendix, in which are given opinions on ad valorem and specific duties by 10 Secretaries of the Treasury; Report of the Secretary of the Treasury on the Collection of Duties, 1888; 63d Cong., 1st sess., *House Report* No. 5, on Tariff Bill of 1913; 64th Cong., 1st sess., *Senate Doc. No. 336*, 1916; U.S. Tariff Commission, *Information Concerning American Valuation as the Basis for Assessing Duties Ad Valorem*, Washington, 1921, pp. 28-39; Taussig, F. W., *Tariff History of the United States*, New York, 1923.

designed to compensate the American manufacturer, an ad valorem rate was charged to protect the manufacturer as such. This was, therefore, a mixed or compound duty. During the development of the tariff system in the Civil War period compound duties were levied upon an extended range of commodities, as carpets, cottons, iron and steel products, marble, mineral waters, soaps, perfumes, cigars, liquors, and wines, in order to compensate for taxes laid on internal manufactures of the same kind.

The first compound or mixed duty in the United States was levied upon certain kinds of glassware in the tariff of 1824. Of more importance was its application to wool in the tariff of 1828, when a duty of 4 cents a pound and 40 percent ad valorem was imposed. The special object of this latter combination of duties was to restrict the importation of the coarser grades of wool and thus give a larger market to the finer grades produced in this country.

The opinion that the mixed duty may unite advantages of the specific and ad valorem forms is based upon the following reasoning: Application of the specific rates to the lower-valued articles, in addition to preventing undervaluation in certain cases and establishing a minimum valuation, can be employed to eliminate very cheap and undesirable classes of materials. Equal customs as exemplified in specific rates tend to increase the cost of the cheaper goods relative to their value and hence to make them unprofitable for importation. It is also asserted by some that the specific element in the rate may, where applicable, simplify the customs administration.

In the mixed rate, while low-valued goods are usually most affected by the specific rates, the ad valorem rates are intended to apply to the higher values and to prevent the entrance of high-priced wares under the same duties as the low-priced goods under which they would be admitted if specific duties alone obtained. At the same time the specific element in the rate allows the use of a lower ad valorem rate than would otherwise be the case and prevents the absolute amount of duty from rising as much as it would under a purely ad valorem duty. Whether prices rise or fall from the level to which the duties were originally adjusted the revenue under the mixed duty remains steadier than under the ad valorem duty.

As an objection against the mixed duty it is said that it perpetuates the administrative disadvantages associated with the ad valorem duty. It is also charged against mixed duties that they are deceptive in operation, and only an expert can tell what their effect will be.

Examples of the mixed duty can be found in the tariffs of Canada, South Africa, France, and the United States. Compound duties are extensively employed in the Tariff Act of 1922, particularly in the metal, textile, and paper schedules.

A type of the mixed duty imposes both a specific and an ad valorem rate and provides that only the heavier of the two shall be collected. This is not a true compound duty, but rather an alternative duty, since each article pays only one of the two duties. New Zealand has duties of this type. When prices fall the specific duty may be applied; when they are high the ad valorem duty comes into effect. The system may mean that the specific duty is applied only

to the cheaper or inferior goods, an effect which could also be produced by differentiation and applying fixed rates to the lower-valued articles and ad valorem rates to the higher.

The mixed duty is frequently used where an article is separated into different grades, with a different rate applied to each grade. In such grades the specific element sometimes remains constant while the ad valorem rate changes, or vice versa, or both elements may change.

The enormous rise of values which has accompanied the European war, by reducing heavily the ad valorem equivalent of the specific duties in force at the outbreak of the war, and the increased need for revenue have combined to increase very greatly the adoption of compound duties in the form of surtaxes.<sup>2</sup>

#### Compensatory duties

The term "compensatory duty" is applied to that portion of an import duty on a manufactured article which is, or is intended to be, equal in amount to the duty which would have to be paid on the raw material required to make the article. If the duty on the raw materials be effective in raising the domestic price by the full amount of the duty, a compensatory duty merely puts the domestic manufacturer in the same competitive position with respect to imports that he would be in if he could freely import the raw material. If it is desired to stimulate domestic manufacture of the article, a duty in addition to the compensatory duty must be levied.

Sometimes the two elements are separately specified in the duty and sometimes not. Thus woolen manufactures may be dutiable at so much per pound (to compensate for the specific duty on raw wool) plus a certain percentage ad valorem (to protect woolen manufactures); or sweetened condensed milk, for example, may be dutiable by the pound at a single rate sufficient to "compensate" for the duty on sugar and to afford besides any degree of protection desired for the industry of preparing and canning sweetened condensed milk.

The determination of the rate of a compensatory duty may raise many difficult problems, such as, how far the duty on the raw material is effective in raising its price, how much of the raw material is included in the different types of the finished product, and how much of the raw material has been wasted or converted into some less valuable byproduct.

#### Antidumping duties

The essential meaning of dumping is sale for export at a price below that prevailing in the domestic market. Manufacturers and cartels may be willing to make such sales from many motives, as for example, to dispose of a temporary overstock, to break into a new market, to eliminate or forestall competition in a given foreign market, or to achieve or maintain production on a large scale and thus secure the economies of large-scale production. Importers or consumers of the articles dumped derive an advantage from the lower

<sup>2</sup> Gregory, T. E. G., *Tariffs: A Study in Method*. London, 1921, pp. 127-131, 161-171; *Cyclopedia of American Government*.



price; but if the country into which the goods are dumped itself produces similar goods, the producers commonly object to such competition.

A duty intended to forestall, restrict, or offset dumping is called an antidumping duty. The amount of the duty is commonly measured by the difference between the lower price at which the commodity is sold for export and the higher price at which it is sold for local consumption. So far, therefore, as the antidumping duty is collected at the proper rate, so far as the burden of the antidumping duty falls upon the importer or the consumer, and so far as the lowered price is essential to the sale of the product, the antidumping duty offsets or nullifies the efforts of the manufacturer or cartel to dispose of goods by dumping them. On the other hand, if a manufacturer or cartel is willing not only to cut its export price, but to pay the dumping duty in addition, it may make a cut price effective in a foreign market. In this case the antidumping duty limits the amount by which the price can be cut; for if the export price should be reduced to as low as one-half the domestic price, the antidumping duty would equal the selling price and the dumper would get no net return for his goods.

The term "dumping" is frequently misused. Sometimes it is used so loosely that it has no meaning except that unusual quantities of imports are arriving at low prices. Sometimes it is used as a term of opprobrium to excite opposition to imports at a low price, regardless of the reason for the low price and regardless of the lack of price discrimination between sales at home and sales abroad.

Dumping is a practice of great industrial concerns with large investments in plant and high overhead costs, or of cartels or marketing associations. If, as is true of most agricultural products, no single producer controls the sale of more than a very small fraction of the total market supply of an article, he can have no motive for selling part of his product for export at a price below that for which he can sell it on the domestic market. Only where the sale of an agricultural product is concentrated through control by a government, or by a trade association or other organization, can it be profitable to dump.

Antidumping duties may be said to be one type of countervailing duty, using the term in its broad and general sense. If a foreign government or cartel pays an export bounty, the export price of the bountied article is likely to be lower than the domestic price by the amount of the bounty and a countervailing duty (equaling and offsetting the amount of the bounty) may be almost identical with an antidumping duty. If, however, a foreign government pays a bounty on production, the export price is likely to be the same as the domestic price; hence no antidumping duty is leviable though the product may be subject to a countervailing duty to offset the bounty.

In the United States, section 202 (a) of the Antidumping Act, 1921, provides that where the price of a commodity imported into the United States is less than its market price abroad the Secretary of the Treasury shall apply a "special dumping duty" equal to the difference between the purchase price and the foreign market price or cost of production.

### Countervailing duties

The term "countervailing duty" is properly applied to an import duty designed to offset some special advantage conferred by the government of the exporting country or by a cartel. One of the simplest forms of countervailing duty is that under which a particular commodity is subjected to an import duty of an amount equal to a foreign export bounty. The essential object of a countervailing duty is thus to nullify such special advantages and so to leave the domestic and foreign producers on the same competitive basis in the domestic market as if the bounty or other foreign aid did not exist.

Historically, countervailing duties are associated most closely with sugar. The American tariff act of 1890 inaugurated such duties on refined sugar to offset the higher bounties given by certain European governments to exports of refined sugar than to exports of raw sugar. Since 1897 the successive tariff acts have provided that countervailing duties shall be levied upon any dutiable import which has received governmental export bounties. The act of 1922 included bounties paid by persons, partnerships, associations, cartels, or corporations, and included bounties upon production as well as exportation.

The amount of the foreign bounty is ascertained and determined by the Secretary of the Treasury. Where the bounty is indirect and complicated, it may be virtually impossible to determine the net amount of the bounty upon a given article; and by the act of 1930, the Secretary of the Treasury is allowed to estimate the amount. Section 303 of the Tariff Act of 1930 reads as follows:

Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, and such article or merchandise is dutiable under the provisions of this Act, then upon the importation of any such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all such cases, in addition to the duties otherwise imposed by this Act, an additional duty equal to the net amount of such bounty or grant, however the same be paid or bestowed. The Secretary of the Treasury shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated. The Secretary of the Treasury shall make all regulations he may deem necessary for the identification of such articles and merchandise and for the assessment and collection of such additional duties.

An export tax on a raw material may have the same economic effect as an export bounty paid on manufactures in which that raw material is used; for such a tax raises the cost of the raw material to foreign manufacturers and thus makes them less able to compete even in their own country with the manufacturers in the country supplying the raw materials. If any restriction of any sort (whether an export tax or something else) is applied to the exportation of a raw material with the effect of raising its price in the country of import above the price in the country of export, this

restriction may be offset in the importing country by a countervailing duty on manufactures made from the raw material. Thus if Canada applies any restriction to the exportation of wood pulp the United States may apply a countervailing duty to imports of printing paper made in Canada so as to place Canadian and American manufacturers of printing paper on the same competitive basis as would exist in the absence of the Canadian restriction on exports of wood pulp. Nearly all countries have made legal provision for countervailing duties to protect their own industries from corresponding foreign industries receiving government aid.

#### **Penalty duties**

Penalty duties are levied for violations of the customs laws or regulations. A penalty duty is never a general duty but falls upon particular shipments of goods or upon particular importers or exporters, or upon goods shipped from a designated country or region. The term may be applied to the duty of 10 percent ad valorem levied under section 304 of the Tariff Act of 1930 upon goods improperly marked. Under section 489 of the same act furniture which is presented for free entry as antique but whose antiquity is not authenticated is subject to a penalty duty of 25 percent ad valorem in addition to the regular duty.

## THE CUSTOMS TARIFF OF THE UNITED STATES

The tariff is a law passed by the Congress and approved by the President as in the case of any other law of the United States Government. It is primarily a statement of the conditions under which imports may be brought into the United States. It contains (1) a list of charges, or duties, payable upon the importation of those articles which are subject to such duties, (2) a free list, or list of those articles which may be imported without payment of duty, (3) special provisions of law relating to the operation of the tariff, and (4) the administrative provisions of the law.

The duties are stated as specific amounts per unit (specific duties), or as percentages of values (ad valorem duties), or as the two combined (compound duties). A duty, for instance, may be 5 cents per pound or it may be 20 percent of the value, or it may be 5 cents per pound and 20 percent of the value. The rates vary according to the nature of the articles to which they relate. The law also specifies the conditions under which imports may be brought in, such as the manner of marking them, the method of calculating and paying the duties, the regulation of storage or the reexportation, and many other considerations.

There are no provisions in the statutes of the United States for the imposition of any tax or charge on exports.

The first tariff law of the United States was passed on July 4, 1789. Since that time there have been many new tariffs, each of which repealed and superseded its predecessor. The present tariff law is the Tariff Act of 1930, which became effective on June 18, 1930. The general tariff laws preceding that act were the Tariff Act of 1922, known as the Fordney-McCumber tariff; the Tariff Act of 1913, known as the Underwood tariff; the Tariff Act of 1909, known as the Payne-Aldrich tariff; the Tariff Act of 1897, known as the Dingley tariff; the Tariff Act of 1894, known as the Wilson-Gorman tariff; the Tariff Act of 1890, known as the McKinley tariff; and so on. (See p. 105 for a list of the principal tariff acts of the United States.) These laws are generally known by the name of the legislators who have been most prominently identified with their enactment.

The administration of the tariff law is committed exclusively to the Treasury Department through the Customs Service, which has agencies under the charge of collectors of the port at each place where imports come in. These are located at all coastal cities and at some interior places to which imported articles are sent for delivery direct upon importation without being previously opened. Articles arriving in the mail from foreign countries are handled by representatives of the Customs Service in the post offices. Regulations governing the Customs Service are made by the Secretary of the Treasury, but no rate of duty may be changed except by authority of the Congress or by the President in accordance with administrative provisions of the law. (See also Tariff History of the United States, p. 70.)

## TARIFF HISTORY OF FOREIGN COUNTRIES

(Excerpt from Dictionary of Tariff Information, pp. 727-751)

### ANCIENT

*Greece.*—Ancient Greece was distinguished by its colonial expansion and commerce. Its colonies extended throughout the Aegean Sea and the coasts of Asia Minor and the Black Sea. The commercial policy of Greece was at the same time liberal and narrow. Community of race and religion was recognized, alliances and a liberal administration permitted foreigners to settle in the cities of Greece, especially at Athens, and imparted a character of modern humanity to Greek commercial policy. But along with this there existed bitter commercial jealousy between competing cities. For example, trading stations which Miletus, Samos, and Aegina acquired in Egypt were closed to other Greek cities. Foreign trading centers founded by Attica were reserved exclusively for the commerce of her own citizens. With the ruler of the Bosphorus, Athens stipulated that Attic merchants should be relieved from the payment of duties and should enjoy other favors. She sought to monopolize the exportation of wheat from the Black Sea, demanding exclusive free trade with priority in the right to load her vessels. Of all the wheat which arrived at Athens two-thirds of the cargo had to remain in the city. The citizens of Attica were compelled to import all their grain through Athens. There were frequent and long commercial embargoes, which were in part a cause of the Peloponnesian war. In 445 B.C., as a result of a humiliating peace, Athens was forced to promise not to exclude Sparta and her allies from free movement. At the time of the expedition against Sicily the principal subject of conflict seems to have been the authorization or interdiction of certain cities to sell in the west, an important market, the products of their industry and to import grain therefrom.<sup>1</sup>

Customs duties are thought to have gradually developed out of the gifts which foreign merchants presented to the ruler for the privilege of trade and for protection while in the country. In later times they appeared also as a recompense for the use of harbors. It is certain that duties were collected from an early date in all commercial ports, but there is no record of their being imposed at land boundaries.

The rates were very low, ranging from 1 to 5 percent ad valorem. Indispensable domestic articles of nourishment or defense, rare or difficult to obtain, were either prohibited exportation or burdened with heavy export duties. Importation of grain and lumber was encouraged.

<sup>1</sup> Schmoller, Gustav, *Principles of Economic Politics*. (Translated from the German.) 1908, vol. V, pp. 248-249.

The collection of duties was farmed out. The moderate scale gave small incentive to smuggling. Tariffs were purely fiscal, and reliance was placed on other measures for regulating trade.<sup>2</sup>

*Rome.*—The most important feature of Roman commercial policy until the subjugation of Italy was the constitution of the federated state. Mommsen has endeavored to demonstrate that early Rome succeeded where Athens and Carthage failed because of her own liberal methods in contradistinction to the narrow-minded commercial policy of the latter cities toward their confederates. The Roman *Fœdus Cassianum* of 493 B.C. accorded to all the members of the Latin Confederation *Commercium* and *Connubium* liberty of movement and residence in the federal territory. The commercial politics of Rome was not yet egotistical, because the ideas of a military and agricultural state predominated and also because the landholding aristocracy was chiefly interested in the exportation of its livestock, wool, and hides. Commerce, as yet, did not have great importance. After the war against the Latins (338 B.C.) the federal system was transformed into the hegemony of Rome; every Latin city was placed in an individual political relation with Rome. The *Commercium* and *Connubium* were recalled from certain cities, and all lost the right of free federation. But at first Rome seems not to have pretended to any commercial privilege. Even its extension over Samnium and Etruria was the result of a system of treaties and submissions which are full of military, fiscal, and agrarian considerations, but which do not disclose a selfish commercial policy. A liberal right of hospitality obtained; there was a system of family and communal contracts based upon this right. In details these contracts differed much, but as a whole they were liberal. They did not aim at the domination and the exploitation of the Provinces by governors, but at the creation of a just federal system. It is from this generous law covering outsiders and confederates that the *jus gentium* has come. All this changed after the Punic wars, after the conquest of Greece and Asia Minor, with the triumph of the interests of the capitalists. Henceforth it was financial and commercial interest which dictated relations with non-Romans. Henceforth, even when conquered Provinces were not incorporated (i.e., Macedonia, 168 B.C.), efforts were made to destroy their commerce. Macedonia was divided into four independent parts, among which reciprocal commerce was forbidden, and, for example, the exportation of timber for the construction of ships. Through this measure the Romans at the same time dealt a severe blow to Rhodes, an old confederate and competitor. There developed also differential treatment and advantages and monopolies of all sorts. The most important cities from the point of view of commercial competition—Carthage, Corinth, etc.—were destroyed, while the Italian confederates were refused, because of commercial jealousy, complete legal equality.<sup>3</sup>

The Empire was divided into a number of customs districts, of which Italy constituted a special unit. Frontier and interior customs, sea and land, import and export duties were imposed.

<sup>2</sup> Speck, E., *Handelsprachichte des Altertums*, Leipzig, 1901, vol. II, pp. 538-540; Valverde, Antonio, *Compendio de Historia del Comercio*, Madrid, 1915, pp. 64-67.

<sup>3</sup> Schmolzer, Gustav, *Principes d'Économie Politique*. (Translated from the German.) Paris, 1906, vol. V, pp. 249-253.

The collection of these imposts was farmed out until the second century A.D., when this function was assumed by government officials.

Tariffs were specific and ad valorem and their rates differed according to country and goods. They usually amounted to 2½ percent, but sometimes to 5 or 12½. For Arabian and Indian wares the rate was 25 percent. A few cities were allowed to collect special tariffs.<sup>4</sup>

#### COMMERCIAL POLICIES IN THE FORMATION OF MODERN EUROPE

The formation of modern Europe took place in the development, on the one hand, of cities and municipal institutions and, on the other hand, in the gradual growth of centralized states, at first agricultural but later absorbing the municipalities. The commercial policies relate, therefore, to these cities and states, which will receive consideration in turn.

##### Cities

The *Italian cities* pursued a purely selfish commercial policy, each one seeking to embarrass its neighbor, to obstruct its access to the riches of the Orient, and to retain for itself a monopoly of trade. These efforts led to constant war.

Amalfi, the leading commercial center from 800 to about 1031, was conquered by Pisa, 1135; the prosperity of the latter continued from 1017 to 1284, after which it collapsed in the struggle with Genoa. That city flourished from 1206 to 1381, when its commercial power was destroyed by Venice. Venice remained the most important commercial center until near the end of the fifteenth century, when its position was slowly undermined by the advance of the Turks, by the new sea routes to the East Indies, and by the progress of western powers.

In addition to their frequent wars with one another, the Italian cities sought various commercial advantages. For example, the Venetians as a recompense for their help against the Normans were granted free trade by the Byzantine Empire. Other cities had to pay duties of 2, 4, 10, and 12 percent ad valorem. Importation of manufactures and exportation of many raw materials as well as emigration of artisans were prohibited by Venice.

"The Venetian commercial policy may be described briefly as the maintenance of as strict a monopoly as possible in the trade east of Italy and the regulation of trade between Venice and the north and west which would give the Venetians the greatest advantage when they sold their oriental wares to other Europeans." German merchants were allowed to sell their goods in Venice, but only under strict supervision. The whole of the money they received for their merchandise had to be exchanged for Venetian articles.

The *Hanseatic League* was a federation of German and Dutch cities developed during the thirteenth and fourteenth centuries from agreements and military enterprises relating to fishing and commerce. It included in its greatest period of expansion nearly 100 cities and towns, the more important of which were Cologne, Hamburg, Bremen, Lubeck.

<sup>4</sup>Speck, E., *Handelsgeschichte des Altertums*, Leipzig, 1906, vol. III, 2 Hälfte, pp. 1028-1042.

The principal purpose of the league was to control trade conditions in Germany, England, Denmark, Norway, Sweden, and Russia. This object was in large measure accomplished through the establishment of colonies, trading centers, and the acquirement (sometimes by military force) of rights, special concessions, and monopolies. These included the privilege of using its own weights, packages, and conveyances, permission to travel without restriction, and to sell at retail. The league sometimes secured for its members exemption from local taxation as well as special privileges in regard to import duties. Certain reciprocal rights were granted to the citizens of the member cities. Such was that enjoyed by each subject of a Hansa community of sojourn, naturalization, and loading his vessel in other cities belonging to the league. Certain restrictions were also applied to nonmembers. Outsiders could not be admitted into a Hansa establishment. In the fifteenth century the league members were not allowed to sell or build ships for outsiders.

The Hanseatic League held a predominance in the foreign trade of Norway and Denmark and exclusively controlled the commerce of the Baltic Sea. It possessed an important trading center in London and a monopoly of the wool and cloth trade supplying northwestern Europe.

The downfall of the league has been ascribed to various causes, among them being internal dissensions and conflicting interests, the rise of European national units, the migration of the herring fisheries, etc. Its last meeting was held in 1669.\*

#### States

*France.*—In the period in which France was developing into a modern kingdom foreign merchants were treated generously. The Jews (regarded with hostility from 1180 and afterward expelled), later the Italians, also the Germans and Flemish, conducted French commerce during the thirteenth century. Their example resulted in the economic and commercial education of the French, and many of them were naturalized by the fourteenth century. At first the Italians exploited the French by means of large corporations. The French merchants and armorers organized against the foreigners. Governmental measures were also directed against them. Louis XI, for example, prohibited the importation of spices in foreign bottoms or by foreign merchants. But the court, the finances, and banking were dominated by Italians until the administration of Colbert, although from time to time there were adopted measures to combat this supremacy. The political policy of Colbert had as its aim the preparation of the French people for economic independence. As the Provinces and cities came under the royal power a uniform system of tariff administration was gradually adopted, though some municipal and local tariffs could not be abolished. In general, France maintained the commercial policy of Colbert from 1683 to 1786.\*

*Spain* under Charles V (1516-56) was the richest and most powerful State of Europe. In the early part of the century both indus-

\* Schmoller, *op. cit.*, pp. 253-258; Weisford, J. W., *The Strength of Nations*, London, 1907, chap. VII; Day, Clive, *A History of Commerce*, New York, 1901, pp. 93-98; Zimmer, H., *The Hansa Towns*, 1889; Worms, E., *Histoire Commerciale de la Ligue Hanseatique*, Paris, 1864.

\* Schmoller, *op. cit.*, pp. 290-298.



try and commerce were prosperous. "Then, it is said, the laborers employed in the textile industries of Toledo rose from 10,000 to 50,000 in about 25 years, and still merchants could not supply the demand and had orders for 5 or 10 years ahead. The industries based on wool, it is said, grew till they supported nearly a third of the population; Spain began to import raw silk, and export the finished product, a reversal of previous conditions; great factories were established to make soap and other wares; and the amount of business transacted in Spain made the fairs of Medina del Campo one of the important clearing houses of Europe. Over 100 ships, measuring from 300 to 500 tons, left Spain yearly for the colonies, and at least as many cleared for European ports; 50 ships or more, it is said, often left the harbor of Santa Marca together, carrying away the salt that was manufactured there."<sup>7</sup>

This favorable condition was followed by a rapid decline of national prosperity, so that in the seventeenth century the population had decreased one-third; wool manufacture consisted only of a few unimportant factories; the silk tax of Granada brought less than a quarter of what it had yielded under Charles V; and Spain had to rely on other countries to furnish the manufactured wares for export to her colonies; beggary and vagrancy became a national curse. The political power of Spain was also much curtailed.<sup>8</sup>

The economic decline of Spain has been associated with certain commercial and colonial policies which have become classic examples of methods to be avoided. It is true that a number of other measures contributed to the same result. Among these was the expulsion of the more capable of the agricultural, industrial, and commercial population—the people of Moorish blood and the Jews—the repression by the Inquisition of free inquiry, and continuous wars.

The principal colonial and commercial policies that led to the economic stagnation are said to have been as follows:

1. Spain made an effort to control a greater colonial Empire than her economic and military strength warranted. Much force was consumed in exploration, conquest, and defense of these realms.

2. The view was held that the colonies should be used as a means for the distribution of preferments and places. Completely closed to foreigners, the colonies were not accessible to Spaniards themselves without special authorization from the King.

3. The Government exercised a strict control over all branches of colonial trade.<sup>9</sup> The regulations of colonial commerce and industry were exceedingly minute. Foreigners were forbidden to settle in or conduct any trade with the colonies. All goods had to be carried to and from the overseas possessions in royal ships, which sailed in fleets. Government agents stationed in the colonial ports were charged with the duty of distributing imports to the places of consumption and of collecting metals for export. The prices were generally so regulated that the commanders of the vessels made a profit ranging from 100 to 800 percent.<sup>10</sup>

4. Import and export duties commonly amounted to about 30 percent, a very great burden considering the risks of trade at that time.<sup>11</sup>

<sup>7</sup> Day, Clive, *A History of Commerce*, New York, 1907, p. 176.

<sup>8</sup> *Ibid.*, pp. 176-177.

<sup>9</sup> Schmoller, *op. cit.*, pp. 282-284.

<sup>10</sup> Webster, William C., *A General History of Commerce*, Boston, 1903, pp. 125-126.

<sup>11</sup> Segre, Arturo, *Storia del Commercio*, Torino, 1915, p. 232.

For some commodities absolute prohibitions prevailed. These conditions led to systematized smuggling and demoralization of the customs organization.<sup>12</sup> The Government could not maintain its regulations against foreigners, who absorbed the most profitable parts of the trade and spoiled the markets for merchants who obeyed the restrictions.

5. "By centering most of her efforts upon American mines, Spain was able to procure enormous quantities of the precious metals, especially silver. From 1492 to 1500 the average annual importation of precious metals into Spain was about \$350,000; from 1500 to 1545, \$3,000,000; after the discovery of the Potosi mines (1545) and the application of more skillful methods to the Mexican mines, the annual yield increased to \$11,000,000."<sup>13</sup>

This influx of precious metals into Spain so advanced prices as compared with prices in other countries that domestic industries could not compete with foreign producers, and export of domestic goods to the colonies practically ceased. Not only all kinds of industrial products but food was imported in exchange for the gold and silver from America. These conditions added to the ruin of domestic industry.<sup>14</sup>

Finally, with the disappearance of her economic strength, Spain lost her military power, and the overthrow of the Spanish Armada (1588) broke her trade monopoly.

The *Netherlands* became an independent federation, 1570-1648, and developed a strong economic organization. In 1602 the Dutch East India Co. was founded and for several generations held the monopoly of the European spice trade, as well as a large part of the transshipment commerce of Asia. The Asian princes were restrained from selling except to that company; no ship was tolerated in Asia if it did not have a Dutch permit, costing 6,000 to 8,000 florins; no Hollander employed by foreigners might go to the East Indies. Only Dutch merchandise was allowed in the Asiatic colonies; spices were sold in Europe at 8 to 12 times their original cost. The dividends of the company ranged between 12.5 and 75 percent.

With a very highly developed commerce, Holland in the seventeenth century extended her trade to the Baltic Sea and Russia. The public officers constantly served with all their means the merchants and fishers. Germany and eastern and northern Europe had to sell to Dutch merchants their cereals, hides, wood, iron, honey, etc., and had to buy from them their spices, colonial merchandise, wine, whisky, porcelain, and many manufactured articles. Amsterdam was in the seventeenth century the principal wheat market of the world. Holland conducted the main herring fisheries. All fisheries were strictly controlled by the State, and all herring had first to be taken to the Dutch markets. The exportation of special apparatus and of boats and the emigration of fishermen was prohibited.

Colbert estimated that the Dutch possessed 16,000 of the 20,000 merchant ships of the world.

<sup>12</sup> Day, *op. cit.*, pp. 178-184; Häbler, Konrad, *Die Wirtschaftliche Blüte Spaniens*, Berlin, 1888, pp. 80-81.

<sup>13</sup> Webster, *op. cit.*, p. 126.

<sup>14</sup> Oncken, August, *Geschichte der Nationalökonomie*, Leipzig, 1902, p. 188.

In the interior of the country the commercial barriers of the Middle Ages were maintained. All sorts of indirect duties and local tariffs impeded commerce. The exportation of raw wool and of fish seines was prohibited.

Holland lost her commercial preeminence largely by the navigation acts of Great Britain and France and by the wars following them.<sup>15</sup>

*Portugal*, by means of its navigation and discoveries, attained in the sixteenth century an important position. It had opened a sea route to India and the Spice Islands, where, having established a hard and oppressive commercial control it had acquired a most profitable commerce. Portugal was annexed in 1580 to Spain, and the monopoly of Lisbon was thereby made more severe. The English broke the power of the Portuguese in India, while the Dutch drove them from the eastern islands.

"In 1754 Portugal scarcely produced anything toward her own support. Two-thirds of her physical necessities were supplied by England. England had become mistress of the entire commerce of Portugal, and all the trade of the country was carried on by her agents. The English came to Lisbon to monopolize even the commerce of Brazil. The entire cargo of the vessels that were sent thither, and consequently the riches that were returned in exchange, belonged to them."<sup>16</sup>

In *England* a powerful Norman military monarchy overcame the ancient provincialism. A strong central power assured peace and a fair degree of agricultural and industrial prosperity. The old navigation had greatly degenerated, and the commercial competition of the Hansa, of Flanders, and of Italy, had become serious, especially under a royal policy favorable to foreigners.

England had in the first part of the medieval period, like other States, very severe laws against the interests of outsiders. But the king, the aristocracy, and the clergy opposed such regulations because the foreign armorers, merchants, and artisans provided better and cheaper goods, granted better credit, and offered more for the raw materials of England. The *carta mercatoria* of 1303 accorded to all foreigners the right to free retail trade and of free sojourn. This provoked prolonged opposition by the cities. As long as England remained a country producing primarily food and raw materials, chiefly wool, its trade was "passive", i.e., conducted by foreigners. But the growth of manufacturing, particularly the cloth industry, stimulated by immigration from the Netherlands and Italy, made it necessary for the English to seek their own markets. Hence the growth of "active" commerce, as manifested in the organization of the Merchant Adventurers in the fifteenth century. As the manufacturing and trading interests developed, their influence on the government's commercial policy became stronger. Under Edward IV (1461-63) efforts began to be made to restrict somewhat the privileges of alien tradesmen. Henry VII and Henry VIII sought to naturalize some of the foreigners, principally German, to escape from commercial subordination to the Venetians. They took away

<sup>15</sup> Schmoller, *op cit.*, pp. 284-290.

Other references: Diferec, Hendr, *De Geschiedenis van den Nederlandsche Handel*, Amsterdam, 1908.

<sup>16</sup> Quoted by Day, Clive, *A History of Commerce*, New York, 1907, p. 186.

from the Hansa a part of its exportation of cloth in favor of domestic merchants.

Decisive steps were not taken till 1552-97. England then became distinctly hostile to alien traders and opposed their competition by radical changes in the laws. The equality of treatment with other foreigners granted to the Hansa was revoked in 1554, and all their rights were suppressed by Elizabeth in 1579; their quarters in London were closed in 1597. This was a natural reaction against a commercial and maritime policy dominated during a period of nearly 300 years by foreigners. In the first half of the seventeenth century restrictive measures were taken against all outsiders, customs duties and taxes which they had to pay were increased, and they were forbidden all retail sale in England and Ireland.

In the thirteenth century the English kings had begun to promote the exportation of the most important raw materials of the country—wool, hides, butter and cheese, zinc, and lead. From the beginning of the fifteenth century the English cloth merchants continually extended the sale of their goods to the Continent.

As a part of the mercantile policy of increasing the domestic supply of gold the sale of English exports was confined to special English depots on the Continent. English merchants might thus receive the benefits of transportation and sale, and English ships the freights. The overseer of the merchandising house had to see that in payment for the most desirable English wares actual gold was returned to England. In connection with foreign trade there were enacted the so-called "statutes of employment", the most comprehensive of these being that of the year 1440. According to this law foreign merchants who imported goods into England had to expend for English wares the total money received; they were forced to accept the supervision necessary for the enforcement of the statute. The English merchant was also constrained, when he sold bills of exchange to outsiders, to export English goods equal to their value.

From the fourteenth to the seventeenth century much raw wool was exported to the Continent, together with undyed cloth, which received its final form in Flanders or Germany. A number of attempts were made by means of tariffs to prevent the export of wool; from 1614 to 1638 such exportation was prohibited, at first without success. By attracting skilled artisans from the Continent the home industry, however, was encouraged.

Prohibitions applied to the exportation of numerous raw or partly manufactured materials, such as unfinished cloth, wool yarn, leather, hides, certain domestic animals.

Much of the importation of important products was prohibited most of the time from 1678 to 1786. The *Poundage* was an ad valorem duty on all imports and exports. Under the Restoration it was 5 percent. About 1726-29 a complete system of drawbacks was developed.

From 1382 efforts were made to revive English shipping. Among other measures it was ordered that certain wines should be imported only in English bottoms. In 1539 shipping bounties were established, and foreigners who employed English ships were favored. Elizabeth reserved to English vessels the coasting trade and heavily

taxed merchandise imported in non-English ships; English fishing was favored by exemption from duties.<sup>17</sup>

*Belgium.*—Belgium, after her separation from Holland in 1830, continued for a few years the tariff rates that had been maintained under the latter's jurisdiction since 1822. The rates ranged from 3 to 6 percent upon goods necessary for home industry. In 1835 a protective movement was accelerated by the tariff adopted by Holland. Sliding-scale duties were imposed upon grain and a number of other rates increased.

The period from 1840 to 1847 was marked by the extension of protection. An industrial and commercial inquiry, decreed in 1840 and pursued for 2 years, was the point of departure. Agriculture obtained high taxes upon foreign cattle. Duties were placed upon textiles, metal products, chemicals, and fish. For example, the tariff upon iron was 80 percent; cotton, 50 percent; glass and glassware, 83 percent; chemical products, 100 percent ad valorem. Differential tariffs upon goods imported in domestic vessels were provided in 1844.

In 1847 the Liberal Party came into power and made a number of reductions in the tariff rates. In 1850 and 1853 all export prohibitions were removed. In 1851 a commercial treaty was concluded with England, and a number of concessions were made to Holland and later extended to Germany.

There was much public discussion at this time concerning the relative merits of free trade and protection, and several societies for propaganda were formed. The proponents of free trade gradually won public opinion. In 1856, what was left of the differential tariffs was suppressed, and there followed a law considerably reducing duties upon iron; other measures made reductions in duties upon machinery and coal, while animals and cereals had only to pay a simple duty "de balance."

In 1861 a treaty of a decidedly free-trade character was concluded with France. Under this treaty the rates on coal, for example, were reduced to 1 franc per ton; cast iron to 1 franc per 100 kilograms; raw steel to 1 franc per 100 kilograms; linen, hemp, jute, cotton, according to fineness, were lowered to 10-20 francs per 100 kilograms. At the same time specific duties were as far as possible replaced by ad valorem duties. The treaty provided mutual most-favored-nation treatment. A similar provision occurs in all the later Belgian conventions.

The treaty with France was soon followed by similar ones with England (1862) and Holland. In 1865 a liberal convention was arranged with the German Zollverein. About the same time Belgium extended most-favored-nation privileges to all countries. Until 1875 treaties with the principal remaining states of the world had a free-trade character. Conventional tariffs became the rule.

In 1872 a law provided for the free entrance of provisions. In the same year free importation was allowed for goods sent abroad for further manufacture.

<sup>17</sup> Schmoller, *op. cit.*, 1908, vol. V, pp. 273-278; Lipson, B., *Economic History of England*, London, 1915, pp. 444-508; Schanz, Georg, *Englische Handelspolitik*, Leipzig, 1881; Martin, Etienne, *Histoire Financière et Economique de l'Angleterre*, Paris, 1912.

Other references: Cunningham, W., *The Growth of English Industry and Commerce*, Cambridge, 1912; Price, L. L., *Short History of English Commerce and Industry*, London, 1900.

In 1875 there were a number of additional tariff reductions, and free entry was granted to cotton, jute, and hemp yarn. At the same time treaties were renewed with France, England, and Germany, and new treaties were concluded with Peru, Bolivia, Rumania, and Italy.

On account of a strong protective movement in France, resulting in the protective tariff of 1881, Belgium found it difficult to protect her own interests in commercial negotiations concluded in 1882, and a reaction toward protection, especially for agriculture, began in the latter country. In 1887 a number of duties were levied upon agricultural products. In 1895 the duties on many articles of industry were reduced 50 to 60 percent. On the other hand, malt, flour, and other manufactures of agriculture, including butter, margarine, and milk, were given increased duties, while prohibition of imports on sanitary grounds was extended.

The tariffs of 1885 and 1895 were codified in 1900. Modifications of this tariff were adopted in 1902 and 1903. Belgium experienced the effects of tariff changes in Germany and in 1904 concluded a commercial treaty with the latter country. Tariff treaties were also consummated with Austria-Hungary, Greece, Switzerland, and Norway, while other nations were granted most-favored-nation treatment.

In retaliation against France, which had increased her rates on certain manufactured products, Belgium in 1910 raised her tariffs on sparkling and bottled wines and other liquors. Other increases were levied in recent years against perfumery, conserves, vegetables, and olive oil.

Until the outbreak of the World War Belgium had a single tariff applied in a uniform manner to merchandise of whatever origin, excepting sugar imported from countries which granted sugar bounties.

Belgium's policy of taxing agricultural products has been extensively attacked as increasing food prices and lowering the dietary standard of the people.<sup>18</sup>

While the tariff policy of Belgium after the European war retained a certain free-trade direction, there was a tendency toward an upward revision of the tariff, largely for the purpose of counteracting the tariff policies of other countries and also, perhaps, to make up for the decline in tariff revenue owing to the depreciation of currency. The Belgian law of June 10, 1920, authorized the Government to increase up to 300 percent the specific rates of duty for a period of 1 year. The same law also provided for a change in the basis for ad valorem duties from the cost of the goods in country of origin (increased by freight, insurance, and commission) to the value (less import duty) at the time of their presentation to the customs. By the law of March 31, 1921, the limit of increase of specific duties was raised to 600 percent. The rates of duty on a considerable number of articles were increased under the above laws.<sup>19</sup>

A customs union with Luxembourg was established in 1922.

<sup>18</sup> Cosolu, Mihali N., *Die belgische Handelspolitik der letzten 40 Jahre*, Berlin, 1914; Mahaim, Ernest, *La Politique Commerciale de la Belgique*, in *Schriften des Vereins für Sozialpolitik*, Leipzig, 1892, Bd. I, pp. 197-238; Comitato Nazionale per le Tariffe Doganali, *La Politica Doganale Italiana*, Rome, 1917, pp. 84-85.

<sup>19</sup> House of Representatives, Committee on Ways and Means, *Foreign Tariff Legislation* (prepared by the Department of Commerce), Washington, 1921, p. 7.

In 1923 the Government introduced a new tariff bill, the principal features of which are:

(1) A more differentiated classification of articles for customs purposes.

(2) The establishment of a 2-columned tariff with minimum and maximum rates, the maximum rates being three times those of the minimum tariff. It is the intention to apply the maximum rates, or rates intermediate between the maximum and minimum duties, in whole or in part, to goods from countries which (a) do not have a treaty with Belgium and do not accord Belgian products most-favored-nation treatment or (b) which impair Belgian commerce, navigation, or industry by import or export prohibitions or restrictions or by the application of excessive duties or taxes. The higher rates may also be applied temporarily to goods from countries with depreciated currencies when domestic industries are imperiled by the effects on trade of such depreciation.

(3) Although it is proposed to retain the present system of "coefficients of increase", these coefficients may be reduced, abolished entirely, or reestablished, provided that when reestablished they shall not in any case exceed the rates fixed by the new law.

(4) For the most part the new duties are specific, but certain ad valorem duties are retained. Under a law of June 16, 1905, the Government retains the power to convert the ad valorem duties into specific duties, if considered necessary.

In general, dutiable rates do not exceed 15 percent ad valorem, except articles of luxury, although certain protective features are included.

The former alphabetical classification is discontinued and 21 sections created, each with branches and subdivisions.

In formulating the new tariff the customs administration in accord with other competent ministerial departments, principally those of Foreign Affairs, Industry and Labor, and Agriculture, examined carefully the different problems as well as each customs duty together with the various requests and memoranda received relative to the tariff. (Statement of Prime Minister.)<sup>20</sup>

The bill was under consideration in 1924.

*Bulgaria.*—When Bulgaria, in virtue of the treaty of Berlin of 1878, was made an independent state, imported foreign goods continued to pay the 8 percent ad valorem of the old Turkish tariff. Shortly afterward, however, the principal European powers concluded with the new state commercial agreements of a provisional character. Most-favored-nation treatment accorded France in 1890 was extended to the other powers.

In 1895 the tariff rates were raised to 10½ percent ad valorem, and further advances were made in 1897. Bulgaria at that time began in economic matters to follow the Central Powers, and in 1904 a new general tariff replaced the old moderate ad valorem rates with specific duties of a more protective nature. At the same time all the commercial conventions by which Bulgaria was bound to the European powers were denounced.

<sup>20</sup> U.S. Department of Commerce, *Commerce Reports*, Apr. 30, 1923.

Upon the basis of the tariff of 1904, highly protective in character, commercial treaties were concluded with France (1906), Austria-Hungary, Turkey, Italy, England, and Germany.<sup>21</sup>

Until April 1922 Bulgaria's tariff was based on the law of December 17, 1904, as amended by the laws of March 6, 1911, April 10, 1912, June 29, 1919, and April 5, 1921. The duties were doubled by the law of 1919, and, being reckoned in gold leva, depreciation of the currency necessitated a countervailing premium on payments in paper leva. The amount of the premium was periodically determined by the Finance Minister and finally, as from October 1, 1921, fixed at 1,100 percent.

Circumstances arising from the war made a radical revision of the tariff highly desirable, but this was not at first possible on account of the provisions of article 151 of the Treaty of Neuilly, requiring Bulgaria to accord for 1 year most-favored-nation treatment in force June 28, 1914, to the allied and associated powers. Regaining freedom of action on August 9, 1921, Bulgaria immediately doubled the prevailing tariffs and proceeded to a revision of the whole system, of which the law of April 11, 1922, is the outcome. Under this law duties on weight are retained and the sums calculated in gold leva, the gold premium of 1,100 percent being also continued. Where ad valorem duties are prescribed the freightage cost to the Bulgarian frontier is included with the invoice price. The original 31 classes of goods are increased to 34. The duties everywhere represent considerable increases over the previous rates—frequently very great increases—and goods formerly duty free are now taxed. There is still, however, an extensive series of goods exempt from duty, or nominally so, for even upon these a 3-percent entry due is levied; these goods are, as a class, the absolutely indispensable imports, such as raw materials, agricultural machinery, and certain chemicals and fertilizers. Articles of luxury, perfumery, alcoholic drinks, etc., carry high duties—from 1,000 leva to 10,000 leva per 100 kilograms.

A tariff commission, created to adapt the new system to the exigencies of economic life, is empowered provisionally to raise or lower any duties in order to maintain a fixed ratio between the duty and the value of the object taxed. In order to avoid excessive variability these provisional rates must run for 3 months before undergoing revision.

A special tariff exists for exports. Export duties were considerably lowered in June 1921, in some cases to one-tenth of the previous rate.

Prohibition against imports applies to only a few definite luxuries; against exports to only certain articles whose supply for home consumption must be insured.

In April 1922 Bulgaria established an export tax of 33 $\frac{1}{3}$  percent ad valorem on some of her most important products, including cereals, potatoes, eggs, honey, butter, cheese, fats, cattle, meats, fowls, fruits, vegetables, hides, skins, tobacco, wool.<sup>22</sup>

<sup>21</sup> Comitato Nazionale per le Tariffe Doganali, *La Politica Doganale Italiana*, Rome, 1917, pp. 93-94; Ströbl, *Die Handelspolitik der Balkanstaaten*, in *Schriften des Vereins für Socialpolitik*, Leipzig, 1902, Bd. III, pp. 52-61; Schterbanoff, Ivan, *Le Commerce Extérieur et la Politique Douanière de la Bulgarie*, Paris, 1909; Konstantinoff, P., *Der Aussenhandel Bulgariens*, Zürich, 1914, pp. 70-82; *Die Zollpolitik Bulgariens in Weltwirtschaftliche Nachrichten aus dem Institut für Weltwirtschaft und Seeverkehr*, in *Kiel*, 2 July, 1922.

<sup>22</sup> *Commerce Reports*, June 12, 1922.



*Canada.*—In the early part of the last century certain preferential trade relations existed between Canadian Provinces and Great Britain, whereby British products enjoyed the protection of differential tariff rates in the Canadian market. In the forties, under the influence of free-trade views in England, these trade advantages gradually began to be modified, and by 1885 they had disappeared.

With the acquiescence of the English Government, Canada in 1847 proceeded to reduce the tariff on manufactures of the United States, and to raise the rates on British manufactures in the hope of securing closer commercial relations with the United States. But the American duties on Canadian products were not lowered in response to the Canadian action.

In 1854 a reciprocity treaty was negotiated between all the British North American colonies and the United States.

In 1859 Canada enacted a law which levied considerably increased duties on manufactures without discrimination between British and foreign goods.

When, in 1867, the Dominion of Canada was formed by the confederation of Quebec, Ontario, New Brunswick, and Nova Scotia, the common tariff adopted was, on the whole, an average of the former different provincial tariffs. "Canada", before 1867, means the two Provinces of Upper and Lower Canada; i. e., Ontario and Quebec.

In 1870 the tariff underwent some revision. In 1879 it was remodeled on protective lines. The duties on manufactures were raised from an average of 17½ percent to an average of 30 percent, and many articles which had previously been on the free list were made dutiable. There were a number of provisions which operated either directly or indirectly to establish a preference on British imports.

In 1896 the Liberal Party gained control of the Government and a new tariff was adopted in 1897. On the whole, it did not impair the policy of protection. Some important reductions and remissions of duty were provided, but the new tariff was substantially the same as the old.

In one respect, however, the new tariff was different from any of its predecessors. It provided for a "reciprocal tariff", the rates of which were to be 12½ percent lower than the rates of the general tariff until June 30, 1898, and 25 percent lower than the rates of the general tariff after that date. These reduced rates were to apply to any country admitting the products of Canada on terms as favorable as the terms of the reciprocal tariff. All dutiable articles were included in the reciprocal tariff, except alcoholic liquors, tobacco, and its products, and sugar and molasses.

Because of treaties guaranteeing most-favored-nation treatment and for other reasons most of the important commercial nations were able to obtain the reciprocal rates. The United States was an exception in being subjected to the duties of the general tariff.

In 1897 Great Britain terminated the treaties through which Canada's reciprocal tariff was generally extended. Canada then took advantage of the new status by substituting for her former general offer of lower rates to all countries whose terms were sufficiently favorable, a provision for the grant of preferential duties to the products of Great Britain, the British West Indies, and British

Guiana, and for their extension to any other British colony or possession the customs tariff of which was, on the whole, as favorable to Canada as the preferential duties were to such colony or possession. In accordance with the act of 1897 the amount of preference was increased after June 30, 1898, to 25 percent of the rates specified in the tariff. In 1900 the preference was increased to 33 $\frac{1}{3}$  percent.

In 1903 Canada, failing to secure most-favored-nation treatment from Germany, imposed a surtax of 33 $\frac{1}{3}$  percent of the general tariff rate on imports from that country. The tariff war with Germany lasted 7 years, with loss of trade to both countries. It was terminated in 1910, when, in return for the removal of the surtax by Canada, Germany granted her conventional rates on a list of the most important items of Canadian exports to Germany.

In 1904 the Canadian Government reduced the British preference upon some products whose competition was thought to be injurious to Canadian industries.

In 1906-7 another tariff revision was adopted. Extremely protective, this substituted many specific duties for former ad valorem duties, although of 711 items about 500 remained in the latter category. This tariff possessed three separate scales, i.e., general, preferential for British products, and intermediate. The Dominion maintained, amplified, and regulated the regime of preference already conceded to the United Kingdom and the colonies.

The intermediate tariff, with rates lower than those of the general tariff by 2 $\frac{1}{2}$  to 10 percent ad valorem, was intended to serve as an instrument of negotiation with foreign countries. Finally, the tariff continued the provision for a surtax of one-third the general rates, to be imposed on the merchandise of any country which treated Canada less favorably than it treated other nations.

The following years, until defeat of the Liberals in 1911, were marked by negotiations with foreign countries for better commercial relations, by the repeal of the surtax on German goods, and especially by an attempt to find in the United States, through reciprocity, the favored market for Canadian exports which was not obtainable in Great Britain.

An agreement was made with France, extending generally the intermediate rates; while Italy, Belgium, and the Netherlands were accorded the intermediate tariff in part and these concessions became applicable to all most-favored-nation countries, including Spain, Switzerland, and Japan.

The Conservatives, on their accession to power in 1911, announced that the Canadian tariff was to be examined by a newly appointed tariff commission, and that until it had made its report no change in the tariff was to be expected. The commission had not submitted its report at the outbreak of the war, and in the meantime there was no change of any importance in the tariff. In 1915 an act was passed providing for special import taxes for war revenues. This act was repealed in 1919 and 1920.

A strong agitation for lowering of the tariff has been under way in Canada since 1917. The tariff commission held meetings in all the Provinces to procure information on which to base the next revision of the tariff. Although the commission completed its hearings in 1920, the revision of the Canadian tariff was postponed to

allow the Government to study the new situation resulting from the revision of the tariff of the United States.<sup>23</sup>

The Canadian budget of 1922 provided for certain reductions in the preferential scale of import duties as well as some others and repealed the "marking of origin" act of 1921, although making its application to particular articles permissive at the option of the governor. The budgets of 1923 and 1924 further increased the preferences accorded imports of British origin, the reductions in the latter year being chiefly upon agricultural implements and industrial machinery.

The Canadian preferential rates are granted to all products of the British Empire, excepting only Australia, with which negotiations are under way for an exchange of preferential rates.<sup>24</sup>

An act of June 30, 1923, provides for a discount of 10 percent of the duty on most goods dutiable under the preferential tariff (conceded to products from all parts of the British Empire, except Australia) when conveyed without transshipment into a sea or river port of Canada.

The same act also provides:

If the President of the United States, under authority of the United States Tariff Act of 1922, determines to reduce the duties imposed by such an act on the following articles; cattle, wheat, wheat flour, oats, barley, potatoes, onions, turnips, hay, fish \* \* \* the Governor in Council may by Order in Council make such reductions of duties on such articles imported into Canada from the United States as may be deemed reasonable by way of compensation.<sup>25</sup>

*China.*—The origin of the Chinese customs tariff dates back to the fourteenth century, but the administrative system continued to be of such a nature that constant friction arose with foreign merchants engaged in trade with that country, and culminated in an acute controversy relating to the smuggling of opium, sometimes known as the opium war of 1839-1842.

The controversy ended in 1842 with the treaty of Nanking between China and Great Britain. This treaty marked the beginning of Chinese relations on a recognized legal basis with the countries of the western world, and is likewise the commencement of China's present tariff system.

By the treaty of Nanking it was agreed that five ports should be opened for foreign trade, and that a fair and regular tariff of export and import customs and other dues should be established.

In a subsequent treaty (Oct. 3, 1843) a tariff schedule was adopted for both imports and exports, based on the general rate of 5 percent ad valorem.

In 1844 the first treaty between China and the United States was concluded. The tariff upon which China had agreed with Great Britain was made an integral part of this convention, and most-favored-nation treatment was secured for the United States in the following terms:

Citizens of the United States resorting to China shall in no case be subject to other or higher duties than are or shall be required of the people of any

<sup>23</sup> Digested from U.S. Tariff Commission, *Colonial Tariff Policies*, Washington, 1922, pp. 659-726.

<sup>24</sup> *Commerce Reports*, June 12, 1922.

<sup>25</sup> Other references: Porritt, Edward, *Sixty Years of Protection in Canada*, London, 1908; the same author, *The Recolt in Canada*, London, 1911; McLean, S. J., *The Tariff History of Canada*, Toronto, 1895.

<sup>26</sup> Canada, Department of Customs and Excise, *Memorandum No. 26, July 1923*, p. 3.

other nation whatever, and if additional advantages or privileges of whatever description be conceded hereafter by China to any other nation, the United States and the citizens thereof shall be entitled thereupon to a complete, equal, and impartial participation in the same.

In the same year there was concluded a similar treaty between China and France, and in 1847 with Sweden and Norway.

In 1858 China concluded what was known as the Tientsin Treaty with the United States, Russia, Great Britain, and France.

The British treaty, which was the most comprehensive and embraced the tariff and rules of trade, was signed on November 8, 1858. By this agreement a schedule of rates was provided to take the place of those previously in force. Most of the duties were specific, calculated on the basis of 5 percent of the then prevailing values of articles.

The tariff schedule thus adopted in 1858 underwent no revision except in reference to opium until 1902.

The beginning of foreign administrative supervision of the Chinese maritime customs dates back to the time of the Taiping rebellion, when, in September 1853 the city of Shanghai was captured by the Taiping rebels. As a consequence the Chinese customs were closed and foreign merchants had no legal place to pay customs duties.

In order to meet the emergency, the foreign consuls collected the duties until June 29, 1854, when an agreement was entered into with the British, American, and French consuls for the establishment of a foreign board of inspectors. Under this arrangement such a board was appointed and continued in office until 1858, when a tariff commission met and agreed to rules of trade. These provided that a uniform customs system should be enforced at every port, and that a high officer should be appointed by the Chinese Government to superintend the foreign trade, and that this officer might select any British subject whom he might see fit to aid him in the administration of the customs revenue, as well as to assist him in a number of other matters connected with commerce and navigation. In 1914, just as the World War was breaking, there were 1,357 foreigners in the Chinese customs service, representing 20 nationalities, among a total of 7,441 employees.

In the period of 1896 to 1901 a series of conventions established special tariff privileges with various powers respecting movements and overland trade. In 1896 an agreement was made between Russia and China for the construction of the Chinese Eastern Railway. Under this arrangement merchandise entering China from Russia by railway was allowed to pass the border at one-third less than the conventional customs duties. Afterwards, similar reductions were granted to France, Japan, and Great Britain, where the merchandise entered China across her land borders and not by sea.

In 1902, in accordance with the terms of the Boxer protocol, a commission met at Shanghai to revise the tariff schedule. The revision applied only to the import duties and to the free list. Most of the duties were made specific in character, and the remainder were placed at 5 percent ad valorem. Nonenumerated goods also carried a 5 percent rate. All the duties remained subject to the restrictions of the earlier treaties, and those export duties which were still in force were the specific duties contained in the schedule of 1858.

In 1902 a treaty was concluded between China and Great Britain which laid a basis for the subsequent treaties between China and the United States and China and Japan in 1903. In the preamble of the British compact the Chinese Government undertook to discard completely the system of levying likin and other dues on goods at the place of production, in transit, and at destination.

The British Government in turn consented to allow a surtax on foreign goods imported by British subjects, the amount of this surtax on imports not to exceed the equivalent of one and one-half times the existing import duty. The levy of this additional surtax being contingent upon the abolition of the likin did not go into effect, but remained nevertheless the broad basis upon which the general schedules of Chinese tariff duties could be increased.<sup>26</sup> Provision was made for a further revision of the tariff every 10 years.

Because of the rise in prices subsequent to 1902 the specific duties provided in the earlier treaties failed to yield the 5 percent ad valorem rate allowed. In 1917, therefore, the treaty powers agreed to have the Chinese tariff revised and brought up to an effective 5 percent. In 1918 the revised tariff was adopted by the members of the commission, subject to the approval of their respective governments. The new rates went into effect in 1919.<sup>27</sup> The commission further agreed to another revision within 2 years.

The treaty negotiated by the Washington Limitation of Arms Conference, 1921, represented by the United States, Belgium, the British Empire, China, France, Italy, Japan, the Netherlands, and Portugal, provided for a commission to revise the customs rates to make them an effective 5 percent, and also for a conference to prepare the way for the abolition of likin. This conference had the power to authorize the levying of a surtax equal to 2½ percent, and as much as 5 percent on luxuries. A further revision is provided for after an interval of 4 years, and subsequent revisions every 7 years. The treaty also provides that "in all matters relating to customs duties there shall be effective equality of treatment and of opportunity for all the contracting powers." The principle of uniformity in the rates of customs duties levied at all the land and maritime frontiers of China is recognized.<sup>28</sup>

Ratification of the Washington Treaty of 1922 was delayed, and there was convened in Shanghai, upon the insistence of China, a commission authorized by the 1918 agreement to revise the import duty rates. Official valuations were recast to give China an effective 5 percent ad valorem rate, but questions of policy were deferred for a special conference. The revised tariff went into effect January 17, 1923, and is now (August 1924) in force.

The specific duties to which most imported goods are subject have been calculated as 5 percent of the Shanghai market values for the 6 months, October 1921 to March 1922. Goods that do not lend themselves to official valuations and those not specifically listed are to be assessed at the rate of 5 percent ad valorem, to be based upon

<sup>26</sup> U.S., 67th Cong., 2d sess., Doc. No. 125, *Conference on the Limitation of Armament, Pacific and Far Eastern Questions*, Washington, 1922, pp. 60-62. Statement of Senator Oscar W. Underwood, presented to the conference.

<sup>27</sup> U.S. Dept. of Commerce, Misc. Series, no. 84, *Commercial Handbook of China*, Washington, 1920, vol. II, p. 83.

<sup>28</sup> U.S., 67th Cong., 2d sess., Doc. 125.

the domestic wholesale market value of the goods less the amount of the duty and 7 percent of the duty-paying value.

Special rules are established for appeal and adjustment in cases of questionable classification or value of imported goods.<sup>29</sup>

*Denmark.*—The tariff system based upon the law of 1797 underwent in the early part of the nineteenth century a number of progressively liberal modifications. In 1820 the export tariff on grain was discontinued; in 1827 that upon cattle was lowered; in 1838 and 1844 many prohibitions were removed, export duties were restricted to a few articles, and import rates were reduced.

In 1853 work was begun on a general revision, but did not materialize in law until 1863. By this law export duties were completely removed. Import duties remained the rule, although very low. Unenumerated wares were subject to an ad valorem duty of 10 percent. Agricultural products (cheese excepted), cattle, and fodder were free. Many kinds of raw materials, such as cotton, stone, oak wood, firewood, were free, as well as a number of rough industrial products, as alum, charcoal, chloride of lime, brick products, soda, cement, lime, sulphur, manure, etc. Industry, however, had a certain protection, since nearly all industrial products were dutiable.

This tariff remained 45 years with the exception of slight changes made at various times. A measure of significance was the establishment of the free port of Copenhagen in 1894. In 1895 a commission made a study of tariff revision, but no action was taken by the legislature.

In 1904 work upon tariff revision was begun by government officials. Not until 1908 was a new tariff law finally enacted. Some of the characteristics of this tariff were as follows: Most articles were dutiable. Unenumerated wares paid 7½ percent ad valorem. Of the 301 schedules of the new tariff 51 were free. Among the latter were many of the common articles of consumption, such as milk, butter, eggs, grain, animals, meat, fish, petroleum, salt, uncleaned rice, fat; also the most important raw and partly manufactured materials for industry and agriculture. Articles of luxury were dutiable. Some purely revenue rates, such as those on coffee, cocoa, rice, and sago, were also lowered. A certain protection was maintained on manufactures. Customs income was reduced by this tariff about 20 percent.<sup>30</sup>

An emergency tariff law went into effect on November 26, 1921. It covered mainly articles of luxury on which the duties were assessed generally on an ad valorem basis, at increased effective rates, instead of the specific rates formerly in force. With some amendments, these luxury duties were enacted as a permanent law of the Danish Rigsdag in June 1923.

On February 1, 1924, there was passed a temporary tariff law, with the declared object of improving the country's trade balance

<sup>29</sup> *Commerce Reports*, Jan. 29, 1923.

Other references: Chu, Chin, *The Tariff Problem in China*, New York 1916; Tommas, Shutaro, *The Open-Door Policy and the Territorial Integrity of China*, New York 1919; see Chong Su, *The Foreign Trade of China*, New York, 1919; Overlach, T. W., *Foreign Financial Control in China*, New York, 1919; Morse, H. B., *The Trade and Administration of China*, London, 1913.

<sup>30</sup> Gerlach, Kurt Albert, *Dänemarks Stellung in der Weltwirtschaft*, Jena 1911, pp. 86-105.

and the exchange value of the Danish crown. The articles affected by the increases in customs duty, varying from 40 to 1,150 percent of the rates previously in effect, are chiefly fruits, canned and dried, silk, tobacco, and carpets. The law was scheduled to expire on June 30, 1924.

*England, modern.*—England entered the nineteenth century under a highly protective regime. She had inherited from the past a confused mass of tariff regulations from which only the most prominent excesses had been removed by statesmen like Walpole and Pitt. Customs laws had accumulated for 500 years to the amount of 1,500 statutes. Scarcely any imported commodity escaped the duties levied under these laws. The tariffs were heavy and enforced with unmitigated severity. As a consequence of their unreasonable nature, smuggling had become an extensive profession with a regular scale of its own somewhat lower than the official duties.

The tariffs on food products were especially oppressive to the common people. Grain had been protected since 1660. Prohibitive tariffs had largely prevented its importation for a century and a half, while free exportation was usually allowed. After 1689 its cultivation was encouraged by bounties. These were paid when the price fell below \$1.50 per bushel. An abundant supply was favored in the first half of the eighteenth century by an almost uninterrupted succession of good crops, and no evils seemed to result from the prevailing tariff policy. But in the second half of the century there occurred a rapid increase of population not balanced by a corresponding enlargement of grain production. After 1765, therefore, exportation became infrequent, and England was often compelled to resort to importation. This source of supply, being partly cut off by the continental wars, the landed proprietors were able to obtain excessive prices. The value of arable land increased markedly, and less fertile fields were brought under cultivation. An attempt to arrange the laws to keep the price of wheat steady at about \$1.50 per bushel did not succeed in preventing violent fluctuations.

With the end of the great wars imports from Prussia and Poland lowered the price 50 percent. At the demand of the landed interests in 1815 the import of foreign wheat was prohibited so long as the domestic price did not exceed 80 shillings a quarter (\$2.86 per United States bushel). Landlords received high rents as a result, but farmers who leased their land did not profit and consumers were forced to pay excessive prices. The working classes were brought to the verge of starvation in 1817, when the value of wheat rose to about \$3.50 per bushel. The injustice of this system was recognized even among those who profited thereby, and Canning demanded the repeal of the corn laws. In 1820 numerous riots and sanguinary repression aroused the people.

A new campaign was begun against the system when petitions from the London and Edinburgh merchants were sent to Parliament asking for a repeal of all protective duties and the reduction of the tariff to a strictly revenue basis. Parliament appointed an investigating committee, which made a report favorable to the petitions. At that time William Huskisson was president of the board of trade, and he proposed the reduction of certain import duties and modifications of the navigation acts. Gradually, after much opposition, cer-

tain liberalizing measures were adopted by Parliament. In 1822 the corn laws were slightly modified and the navigation acts changed so as to allow Spanish-American countries to ship their goods to England in other than English vessels. The following year Huskisson's reciprocity of duties bill was passed, authorizing the Crown to make reciprocity treaties relating to shipping.

In conformity with this authority, such treaties were at once concluded with Prussia, Sweden, Denmark, Hamburg, and, during the next 20 years, with nearly every important country in the world. About 1825 additional tariff reform was effected, having the following scope: (1) The simplification and condensation into manageable form of the customs laws; (2) reduction or removal of the duties on raw materials; (3) reduction of the duties on manufactures, generally to 30 percent or less; (4) the removal of most of the restrictions on export. In 1827 and 1828 there were enacted highly developed forms of sliding-scale tariffs.

A succession of bad harvests raised the price of wheat until it reached \$2.20 in 1839. Various investigations revealed the miserable condition of the people, but the House of Commons, even after the electoral reforms of 1832, afforded but little representation to the manufacturing and mercantile classes. Under the leadership of the Anti Corn-Law League, founded in 1838, headed by Richard Cobden and seconded by John Bright, influence from the outside was brought to bear upon legislation. The wealthy manufacturers, desirous of decreased labor costs, became interested and aided the movement. Extensive propaganda was maintained, and in 1841, when Sir Robert Peel came into power, the country was sharply divided on the issue of the corn laws and was threatened with a profound political crisis. Peel, although representing the Tory Party, resolved to impose some heavy sacrifices upon the Tory landlords and farmers. Accordingly, in 1842, aided by Gladstone, he substituted another sliding-scale tariff for the tariff of 1828 and reduced or abolished the duties on several hundred articles, food products, raw materials, and manufactured goods. At the same time he protected the treasury against the changes thus made in the revenue by reestablishing an income tax for 3 years. A period of prosperity followed these measures, and in 1845 many more duties on imports and all the duties on exports were removed and others lowered. In 1846 the corn laws were finally repealed, with a provision that a slight protection which remained should be altogether removed in 1849, although a nominal duty of about 3 cents per bushel was still to be collected.

In 1854 the last vestige of the navigation acts was repealed.

Under Gladstone, in 1853 and in 1860, free trade was fully adopted in the sense that protective tariffs were discontinued and a purely fiscal tariff for revenue maintained on such articles as tea, tobacco, liquors, coffee, chocolate, etc.<sup>21</sup>

<sup>21</sup> Cunningham, W., *The Rise and Decline of the Free Trade Movement*, Cambridge, 1912, pp. 28-74; Holland, Bernard, *The Fall of Protection*, London, 1913; Trumbull, M. M., *The Free Trade Struggle in England*, Chicago, 1892; Day, Clive, *A History of Commerce*, New York, 1920, pp. 365-372; Webster, William Clarence, *A General History of Commerce*, Boston, 1903, pp. 247-263; Segre, Arturo, *Manuale di Storia del Commercio*, Firenze, 1915, pp. 143-155; Martin, Etienne, *Histoire Financière et Economique de l'Angleterre*, Paris, 1912, vol. II, pp. 270-276; Fuchs, Carl J., *The Trade Policy of Great Britain and her Colonies since 1860*, London, 1905.



In the beginning of the twentieth century there was considerable agitation for protection and preferential tariffs. In the elections, however, unfavorable judgment was rendered upon these policies.

The protectionist movement in Great Britain was greatly stimulated by the World War and the discovery of the close relation between industrial and military preparedness. As early as 1916 the subject of special encouragement for certain industries on account of their close connection with military preparedness was receiving considerable attention, and official statements were made committing the Government to special protection for the dyestuff industry. Later on the list was expanded to cover certain so-called "key" industries, such as the manufacture of optical and chemical glass. The McKenna duties, forming part of the finance act of 1915, included a duty of  $33\frac{1}{3}$  percent ad valorem on passenger automobiles, watches and clocks, and all musical instruments, also a specific duty on cinematograph films. This action was supposed to be based partly on the need of revenue and partly on the desire to discourage the importation of luxuries and nonessential commodities, a measure made necessary by the exchange and tonnage situation.

The finance act of 1919 contained a provision for imperial preference. Upon the products of any part of the British Empire the rates were reduced by one-third or one-sixth. Tea, sugar, cocoa, tobacco, alcoholic beverages, and motor cars are the articles chiefly affected.

The dyestuff (import regulation) act, 1920, which became effective on January 15, 1921, represents an attempt on the part of the British Government to carry out its promise of special protection for the dyestuff industry. The act prohibited the importation of all synthetic organic dyestuffs and intermediates, except under licenses to be issued by a special commission.

Another important post-war measure passed by Parliament is the "safeguarding of British industries" act, which provides for the imposition of a duty of  $33\frac{1}{3}$  percent ad valorem on the products of so-called "key" industries, which include optical glass, laboratory apparatus, scientific instruments, magnetos, arc-lamp carbons, hosiery-latch needles, metallic tungsten and its compounds, and ferroalloys and synthetic organic chemicals. Imports of these "key" articles constitute much less than 1 percent of Great Britain's total imports. The same law includes also an antidumping provision and authorizes the imposition of a duty up to  $33\frac{1}{3}$  percent ad valorem on goods of any kind, other than food or drink or the products of any part of the British Empire, which are sold or offered for sale in the United Kingdom at prices below cost of production or at prices which, by reason of the depreciation of the currency of the country of origin, are below the prices at which similar goods can be profitably manufactured in the United Kingdom.<sup>32</sup>

The British Government held that these provisions could not be enforced against countries which were entitled to most-favored-nation treatment, and the various restrictions contained in the law had resulted in the issuance of only five orders when the Labour government came into power.

<sup>32</sup> House of Representatives, Committee on Ways and Means, *Foreign Tariff Legislation* (prepared by the Department of Commerce), Washington, 1921, pp. 12-17.

The first order (effective Aug. 19, 1922) under the antidumping clause of this act was on fabric gloves, glove fabric, and certain domestic glassware, certain illuminating glassware, and aluminum and enameled hollow ware manufactured in Germany.<sup>33</sup>

On October 9, 1922, a similar order was applied to mantles for incandescent lighting if manufactured in Germany.<sup>34</sup>

In 1922 and 1923 there was a strong movement on the part of Nottingham lace and embroidery manufacturers to induce the British Board of Trade to schedule these industries under the "safeguarding of industries act", whereby a duty of 33 $\frac{1}{3}$  percent ad valorem would be imposed upon foreign laces and embroidery, but the board of trade decided adversely on the petition.

In the autumn of 1923 the Imperial Economic Conference recommended a further development of the imperial preferential tariff system.

Partly under the influence of this movement the Conservative leaders in control of the Government decided to present to the electorate the question of an extension of protection in the mother country.

The Conservative tariff program was stated in a manifesto by the Prime Minister, Mr. Stanley Baldwin, as follows:

What we propose to do for the assistance of employment in industry, if the nation approves, is to impose duties on imported manufactured goods with the following objects:

(a) To raise revenue by methods less unfair to our own home production, which at present bears the whole burden of local and national taxation, including the cost of relieving unemployment.

(b) To give special assistance to industries which are suffering under unfair foreign competition.

(c) To utilize these duties in order to negotiate for a reduction of foreign tariffs in those directions which would most benefit our export trade.

(d) To give substantial preference to the Empire on the whole range of our duties with a view to promoting the continued extension of the principle of mutual preference which has already done so much for the expansion of our trade, and the development, in cooperation with the other governments of the Empire, of the boundless resources of our common heritage.

It is not our intention, in any circumstances, to impose any duties on wheat, flour, oats, meat (including bacon and ham), cheese, butter, or eggs.

For agricultural encouragement a bounty of £1 an acre was proposed on all holdings of arable land exceeding an acre.

In reply the manifesto of the Liberal Party contained the following statement:

Trade restrictions cannot cure unemployment. Post-war conditions do not justify such restriction; they merely render it more disastrous. High prices and scarcity can only lower the standard of living, reduce the purchasing power of the country, and thereby curtail production.

The Labour Party in the following official pronouncement was more vigorous:

The Labour Party challenges the tariff policy and the whole conception of economic relations underlying it. Tariffs are not a remedy for unemployment. They are an impediment to the free interchange of goods and service upon which civilized society rests. They foster a spirit of profiteering, materialism, and selfishness; poison the life of nations; lead to corruption in politics; pro-

<sup>33</sup> *Commerce Reports*, July 24, 1922.

<sup>34</sup> *Ibid.*, Nov. 20, 1922.

mote trusts and monopolies; and impoverish the people. They perpetuate inequalities in the distribution of the world's wealth won by the labour of hands and brain. These inequalities the Labour Party means to remove.

The election was fought principally upon the tariff issue, and the results of the vote on December 6 were as follows (figures in parentheses indicate seats obtained in the House of Commons): Conservatives, 5,359,690 (259); Liberals, 4,251,573 (155); Labour, 4,348,379 (191).

As a consequence of the above results the Labour Party assumed control of the Government on January 22, 1924. One of the most important actions of the new Government was to include in its first budget, presented April 29, the abandonment of the McKenna duties. Under the terms of the finance act of 1915, referred to above, these were renewable annually, but they expired on August 1, 1924. In 1923-24 they produced a revenue of £2,590,000. The Government had previously (Apr. 8) announced its decision "not to introduce legislation to extend the provisions of part II of the safeguarding of industries act, which deal with the making of orders on the ground of depreciation of foreign currency. These provisions, and the duties which have been imposed under them, will accordingly lapse on August 19 next." The net amount of duty collected to March 31, 1924, under the orders made under part II of the act, was £479,437.

*France.*—France did not achieve national economic unity until the Revolution of 1789. Until that time interprovincial commerce was hampered by obstacles of local customs, tolls, prohibitions, and diversity of provincial tariffs upon foreign products. These impediments were swept away by the constituent assembly. In 1790 internal tolls and provincial tariffs were abolished, and in 1791 a uniform foreign import tariff established. The new duties ranged from 5 to 20 percent on manufactured articles, while most raw materials were admitted free. From the inception of foreign war in 1792 the tariff policy of France gradually became more and more restrictive. All existing commercial treaties were annulled and the attempt was made to cripple Great Britain by destroying her foreign trade. This policy reached its consummation in Napoleon's continental embargoes. Meanwhile there was a decided rise in the French tariffs. Under the resulting high protection there ensued a marked increase in manufacture and industry, although it is claimed that there was lack of improvement in methods and that overspeculation was common. Commercial crises followed in 1811 and 1813. After the fall of Napoleon (1815) the new Government's attempts to abolish prohibitions and reduce tariffs were largely rendered unsuccessful by agrarian interests in combination with industries which had developed under a protective regime. The act of 1826 extended the protective policy, including many prohibitions. Throughout the period 1826-53 there were few important modifications of the customs duties. Between 1853 and 1855, however, Napoleon III by executive order reduced duties on coal, pig iron, steel, wood, dyewoods, cotton, etc., together with those on cattle, meats, wines, and certain other foodstuffs. These various decrees were confirmed by the legislature in 1854, 1856, and 1859. In 1860 a commercial treaty with a duration of 10 years was concluded with Great Britain, establishing mutual "most-favored-nation" treatment, both powers being

left free to extend the same reductions in tariffs to other powers; France undertook to abolish all prohibitions and to levy instead specific duties in general not exceeding 30 percent ad valorem. Most of the actual rates were fixed at a lower figure. Similar treaties with other Governments soon followed, including Belgium, the Zollverein, Italy, Switzerland, Sweden-Norway, Spain, the Netherlands, Austria, and Portugal. While an elaborate conventional tariff was being formed in this way, reductions were effected in many general tariff rates. In 1866 the protection of the mercantile marine was abolished, except that foreign vessels remained excluded from the coasting trade.

After the Franco-German War it was necessary for France to raise large revenues; a number of proposals were made and the whole subject was finally referred to a commission. In 1873 the commission recommended certain increases, but general change was made impossible by existent treaties.<sup>44</sup>

In 1875-76 the Government conducted an extensive investigation, and in 1881 a new tariff law was passed in which rates on manufactured wares were increased by about one-fourth above the previous conventional rates while raw materials and foodstuffs, as a rule, remained on the free list or were granted low rates. The general schedule was to be modified in operation by agreements with other powers. On the basis of this law the Government negotiated treaties with seven European powers, in which rates were fixed, thereby establishing a new conventional schedule.

In 1892 France adopted a new tariff law, by which she effected a considerable increase in the level of rates for purposes of protection and abandoned the general and conventional system in favor of an autonomous "maximum and minimum" system. The difference between the minimum and the maximum rates was approximately 25 percent of the minimum rates, and the law provided that the minimum rates should be applied to goods the produce of countries where French articles enjoyed equivalent concessions and were admitted at the lowest rate of duty.

France had treaties in which rates were fixed with six States—Sweden and Norway, Belgium, the Netherlands, Spain, Portugal, and Switzerland—and all of these treaties expired simultaneously in 1892. Only one of these States, the first named, was willing to make a treaty (terminable on 1 year's notice at any time) based on acceptance of the French minimum tariff. Various difficulties in negotiation arose with the other countries. Belgium and the Netherlands refused to accept the minimum tariff as adequate compensation for any pledges on their part, but they granted France, of their own volition, most-favored-nation treatment revocable at any time. This led to a tariff war with Switzerland which, after considerable loss, was terminated by a convention in 1895, in which mutual concessions were made. Portugal was obdurate in refusing most-favored-nation treatment in return for the French minimum tariff, and against her the maximum French rates remained in force. Spain

<sup>44</sup> Ashley, Percy. *Modern Tariff History*, London, 1904, pp. 267-319; Meredith, H. O. *Protection in France*, London, 1904, pp. 1-26; Augier et Marraud, *La Politique Douanière de la France*, Paris, 1911, pp. 1-13; Franke, Bernhard. *Der Ausbau des heutigen Schutzsystems in Frankreich*, in *Staats- und Sozialwissenschaftliche Forschungen*, vol. 22, Leipzig, 1903, pp. 1-5.

desired a bettering of the French rates on wine, and refused to grant France the benefit of her lowest rates without some concessions beyond the French minimum rates. A tariff war was averted by an agreement on certain matters of tariff administration. France and Italy continued to apply their high general tariffs in trade with each other, and did not finally come to terms until 1898.

In 1910 a revision of the tariff occurred on the basis of the principle of autonomy established in 1892. The object of the revision was to alter the rates—to increase their effectiveness as instruments of protection rather than to change the form of the tariff. The new schedules were considerably higher than those of the tariff of 1892 as regards both the minimum and maximum rates. Some duties were reduced, but in general the plan was adopted not only of raising minimum rates but also of increasing the disparity between these and the maximum rates, making the difference almost systematically 50 percent of the lower rate.

Through the working of its reciprocity measures the United States had been receiving certain minor concessions from France, but the American Tariff Act of 1909 terminated such arrangements. The French Legislature passed, however, on the day on which their own new tariff law was enacted, an act regulating commercial relations with the United States. This statute authorized the Government to admit from the latter country at the minimum rates the wares which had previously been privileged, as well as some others; and in accordance with the special provisions of the new tariff law certain other articles were admitted under the rates of the old general tariff.<sup>36</sup>

During the progress of the World War extraordinary measures were adopted which need not be described here.

The problem of protecting French industries in the post-war reconstruction period, after the withdrawal of import prohibitions, was met almost entirely by the French Government, not by a general revision of the tariff but by repeated increases in existing rates of duty through multiplication by prescribed coefficients. At first, on June 14, 1919, a system of ad valorem surtaxes was prescribed, but was soon found unworkable and replaced by coefficients, which were changed from time to time. The stated object of the coefficients was to counteract the effect of the rise in prices on the level of protection. Since practically all the rates in the French tariff are specific, the rise in prices naturally resulted in a reduction in the ad valorem equivalents of the specific rates. Another object was to prevent the loss of customs revenue resulting from the depreciation of the French currency. While it was originally claimed that the system of coefficients approximated roughly the loss in protection resulting from enhanced prices, there is no doubt that it was also used for increasing protection above the original level as well as for discouraging the importation of certain goods. The system of coefficients was regarded as a temporary expedient to be discarded after a general revision of the tariff, in anticipation of which France abrogated her commercial treaties.

<sup>36</sup> U. S. Tariff Commission, *Reciprocity and Commercial Treaties*, Washington, 1922, pp 488-499.

On November 7, 1919, the chemical schedule was revised, resulting in the substitution of a highly specialized schedule for a few ad valorem rates previously applied to practically all chemical products.

The increase in the general rates of duty on a large number of articles by the decree of March 29, 1921, was dictated by the desire to counteract the effect of the depreciation of currency in certain exporting countries, particularly Germany. While most imports from the United States into France are dutiable under the general tariff, the new increases do not apply to the United States.\*

The United States does not enjoy the benefit of the entire French minimum tariff, extended by treaty to a number of competing countries. Owing to the high American duties on luxury goods and highly wrought articles—which are the characteristic French products shipped to the United States—the French Government has continued to discriminate against many American products.

A new general tariff bill, much more detailed than the existing law, was being drafted in 1923. The basis of the proposed rate was said to be differences in domestic and foreign cost of production.

*Germany.*—Prior to the nineteenth century Germany was divided into a large number of States, each of which had its own tariffs. Between 1818 and 1834 a customs union known as the "Zollverein" was formed, including 18 States. The Zollverein substituted internal free trade for a mass of local imposts and customs duties between the various States and established for the areas included a single exterior customs frontier. Other States joined from time to time, and in 1867, following the war of 1866, a treaty between the North German Confederation and South German States established a new customs union with a parliament armed with legislative power in customs matters. Two years later the customs laws of the union were modified, and subsequently passed into the legislation of the new Empire, becoming substantially the basis of the fiscal system which lasted until 1879. During the early years of the Zollverein the customs duties were low and there were only a few increases, but after 1840 there was a marked upward tendency in the tariff rates, due to a distinct movement toward protection, which found its scientific expression in the writings of Friedrich List. By 1850 duties had been considerably advanced, but in the late fifties there was something approaching a real agitation for free trade in northern Germany, which was furthered by the writings and influence of Prince-Smith. Free trade was supported by the agriculturists, who at this time exported much grain.

In 1865 the treaty with France of 1862, granting reciprocal concessions, came into operation through the entire area of the Zollverein. The same year (1865) the tariff was revised in a very liberal spirit. Treaties guaranteeing most-favored-nation treatment were also negotiated with Austria, Belgium, Great Britain, and Italy.

In 1867 a congress of political economists and representatives of industry resolved in favor of a revision of the customs tariff in a free-trade spirit. In 1868 some duties were abolished and others reduced; in 1870 the tariff was simplified and the rates on iron and

\* House of Representatives, Committee on Ways and Means, *Foreign Tariff Legislation* (prepared by the Department of Commerce), Washington, 1921, p. 9.  
Other references: Zimmerman, Alfred, *Die Handelspolitik des Deutschen Reichs*, Berlin, 1901, pp. 178-195; Schelle, G., *Le Bûen du Protectionnisme en France*, Paris, 1912.

steel diminished. Finally, in 1873, there were more changes and the completion of the general policy of the reduction or entire abandonment of protective tariffs and the adoption of tariffs for revenue purposes only. The changes thus made were not to come entirely into force before 1877, but by that time the duties on iron, except on fine goods, were completely gone, as on most other things. Only a small group of highly finished commodities remained liable to duties.

The Franco-German War (1870-71) helped to bring about a change. After a period of artificial prosperity at the end of the war a season of stagnation and unemployment ensued. This condition led to a strong demand for a protective tariff, a demand which was reinforced by the need of revenue for the Empire. In 1879 a new tariff went into effect with average duties of about 20 percent. Duties on grains and other agricultural products were included.

By 1885 prices of wheat and rye had, in spite of the tariff, fallen and a general depression existed. In 1887 a further increase of duties on grain and livestock was granted. In 1891 another crisis was at hand but this time prices of food had risen to an alarming height. In the same year and subsequently commercial treaties (the Caprivi treaties) on the basis of mutual concessions and with a duration of 12 years were negotiated with a number of European countries. Negotiations with Russia failed and a tariff war resulted, which ended in a compromise. A tariff war also ensued with Spain in 1894-96.

In 1902, upon the expiration of the commercial treaties, a highly protective general tariff was adopted. While the previous policy of a general or maximum tariff, to be modified by commercial treaties, was retained, there was a partial application of the idea of a minimum tariff. The law did not go into effect until 1906.

Upon the basis of the new general tariff Germany began negotiations with seven powers the treaties with which ended in 1903. The negotiations were long and difficult and exposed Germany to the probability of a tariff war with Austria and Russia. In 1904 a treaty of 10 years' duration was concluded with the latter country, a success which exceeded expectations and facilitated the conclusion of agreements with Switzerland, Austria-Hungary, and Rumania. In 1905 treaties were made with Bulgaria, Serbia, and Belgium. These conventions were to run until 1917. Treaties were also negotiated with Italy, Greece, Sweden, and Portugal.<sup>28</sup>

In its effects upon England the tariff of 1902 was considered very unfavorable.<sup>29</sup>

The capacity of Germany to make tariff changes was greatly curtailed by the provisions of the Versailles Treaty (1919). The principal changes after the armistice were the withdrawal of certain conventional rates resulting from the abrogation of commercial treaties, increases in duty on tobacco products and spirits, and the provisions for the payment of duty in paper currency at varying

<sup>28</sup> U.S. Tariff Commission, *Reciprocity and Commercial Treaties*, Washington, 1919, pp. 467-487; Dawson, W. H., *Protection in Germany*, London, 1904; Ashley, Percy, *Modern Tariff History*, London, 1904, pp. 8-138; Krökel, Carl, *Das Preussisch-deutsche Zolltarifsystem*, Ellenburk, 1882; Zimmerman, Alfred, *Die Handelspolitik des Deutschen Reichs*, Berlin, 1901.

<sup>29</sup> Comitato Nazionale per le Tariffe Doganali, *La Politica Doganale Italiana*, Rome, 1917, pp. 82-84.

rates of exchange. Effective protection, however, was accorded to German industry by excluding all manufactured imports except such as representatives of German industries were willing to see admitted. A system of export duties was introduced in connection with the government-control of foreign trade.<sup>40</sup>

The percentages were calculated in such a way that foreign raw materials after finishing were reexported either free of duty or at very low rates.

Agricultural and forestry products and other products of animal and vegetable origin, foodstuffs, and other articles of consumption (with certain exceptions) were taxed 10 percent.

The majority of the products of mineral raw materials and mineral oils were taxed 1 to 8 percent; some 10 percent.

Prepared wax, fat acids in solid form, etc., used in the manufacture of soap, etc., were subject to a duty of 5 to 7 percent.

Pharmaceutical products, pigments, and dyestuffs (with exceptions) paid 10 percent or somewhat less.

Most animal and vegetable textiles were subject to 1 to 8 percent; leather in general to 3 percent; boots, slippers, etc., to 6 percent; rubber goods to 6 percent; paper products, 4 to 10 percent; glass, 5 to 8 percent; machinery, 4 to 6 percent.<sup>41</sup>

The rates were later amended at short intervals and reductions made.

In May 1923 the export price control, export duties, and licensing of a number of general classes of German goods were abolished, with the provision that export prices must be quoted in high exchange currency, and at least 40 percent of the resulting credit must be surrendered to the *Reichsbank*, which in turn reimbursed the exporter in paper marks at the current rate.<sup>42</sup>

By a law of April 8, 1922, the Reichstag materially amended the German customs tariff by increasing the import duties on a large number of commodities. On most classes of goods affected, the change consisted of a doubling of existent duties, with the exception of certain tropical products, which were advanced more sharply.<sup>43</sup>

*Greece.*—By the laws of December 30, 1892, and January 11, 1893, Greece adopted the double tariff system, a system, however, which could not be maintained, since in later treaties with Belgium and Germany concessions below the minimum were made. The actual minimum tariff, therefore, consisted in part of conventional rates and in part of those established by law. This scale was applied to importations from treaty States or to such other countries as were by royal decree accorded minimum rates. The tariff was somewhat revised in 1910 and 1911. The customs revenues of Greece are partly absorbed by the obligations of that State toward its foreign creditors.

In addition to the revenues from the monopoly of salt, petroleum, matches, and playing cards, and stamp tax, there were reserved for payment of the foreign debt revenues from tobacco and cigarette paper. There were also mortgaged to the same ends the customs

<sup>40</sup> Cf. House of Representatives, Committee on Ways and Means, *Foreign Tariff Legislation* (prepared by the Department of Commerce), Washington, 1921, p. 9.

<sup>41</sup> Reparation Service, Intelligence Service, no. 242.

<sup>42</sup> *Commerce Reports*, June 11, 1923.

<sup>43</sup> *Commerce Reports*, June 12, 1922.



revenues of Piraeus (the seaport of Athens) and to guarantee the 5-percent debt of 1914 the customs of certain other ports.

The tariff of 1892-93 was successively modified, as stated above, and measures were adopted for its extension to new territories gained by Greece.<sup>44</sup>

The revised Greek customs tariff, effective August 3, 1922, provided for the increase of customs duties (a) directly, (b) by surtaxes varying from 10 to 20 percent on the estimated value of the goods, (c) by imposing coefficients of increase ranging from 2 to 15 percent on certain articles of a luxury character, such increases being applicable to the duty as payable in gold drachmas, and (d) by imposing a coefficient of multiplication of the duty expressed in gold drachmas for purposes of payment in paper drachmas to be varied from time to time according to the sterling exchange.<sup>45</sup>

A series of legislative decrees has since introduced a number of modifications, including a general surtax of 10 percent on the amount of the normal import duty.

Two scales of duties are provided—a general and a conventional. Products of the United States are dutiable at the lower rates of the conventional schedule.

*Italy.*—The present Kingdom of Italy was formed in 1861, at a time when the doctrine of free trade was in the ascendency. The first tariff was low and free-trade tendencies were still more pronounced under the commercial treaty with France in 1863. A few increases for fiscal purposes were made during the next 10 years. In 1870 a commission for the study of the tariff was appointed and reported in 1874. In 1878 a tariff based on this report was adopted. It was moderately protective and instituted for the most part specific instead of ad valorem rates. In 1887 a second investigation resulted in a high general tariff which occasioned a commercial war with France that continued 4 years, and was very injurious to Italy. The tariff of 1887 was modified from time to time by later laws and restricted by treaties. In 1899 a permanent tariff commission was appointed to investigate the tariff question. On the basis of information furnished by this commission, commercial treaties were negotiated with the principal European countries between the years 1904 and 1907, said to be particularly favorable to Italian agriculture and certain national industries.<sup>46</sup>

Prior to the adoption of the tariff effective from July 1, 1921, the changes in the Italian tariff were, after the armistice, comparatively unimportant. Additional protection was granted to the manufacturers of motor vehicles and tractors, and certain conventional rates were withdrawn as a result of the abrogation of commercial treaties. The depreciation of the lira was met by means of arbitrary surtaxes at rates proclaimed from time to time in the case of payment of duty in paper. On April 1, 1921, the current rate of exchange was adopted as a basis for such payments.

<sup>44</sup> Comitato Nazionale per le Tariffe Doganali, *La Politica Doganale Italiana*, Rome, 1917, p. 94.

<sup>45</sup> Great Britain, Department of Overseas Trade, *Report on the Industrial and Economic Situation in Greece*, July 1923.

<sup>46</sup> Comitato Nazionale per le Tariffe Doganali, *La Politica Doganale Italiana*, Rome, 1917, pp. 17-50; Giarelli, Edoardo, *Trattati di Commercio e Politica Doganale*, Rome, 1914, pp. 8-29; Stringher, Bonaldo, *Gli Scambi con l'Estero e la Politica Commerciale Italiana, dal 1860 al 1910 in Cinquanta Anni di Storia Italiana*, Accademia dei Lincei, Milan, 1911.

The new tariff, which was put into effect by royal decree on July 1, 1921, differs materially from the tariff previously in force, not only in the rates of duty, which have been considerably raised, but also in its structure. The new schedule is much more specialized and contains twice as many items as the old. The rates of duty are divided into two columns. There are the basic rates, which are to be regarded as the minimum rates, and the coefficients of increase, which apply to most rates and vary from 0.1 to 2. It was expected that changes in rates would be effected by changing the coefficients rather than the basic rates, but in some instances (e.g., by the treaty with Switzerland) reductions have been made in the basic rates. This system is similar to the one adopted by France, except that in Italy the product of the basic duty and the coefficient is added to the basic duty. An Italian coefficient of 0.5 and a French coefficient of 1.5 both mean a 50 percent increase in the basic duty. The rates of duty are expressed in gold lire and are therefore subject to an increase in accordance with the current rates of exchange when paid in paper.<sup>47</sup>

The tariff put into effect July 1, 1921, was approved with a number of modifications July 11, 1923.<sup>48</sup>

A decree effective August 29, 1922, establishes general increases in import duties on commodities imported from countries which, lacking commercial agreements with Italy, impose duties on Italian commodities higher than those imposed on similar commodities imported from other countries. Should any country at any time conclude an agreement with another country detrimental to Italian interests, products of that country will then be subject to increased duties.<sup>49</sup>

*Japan.*—Japan has had treaties with England, Russia, and China since 1851; since 1854 with the United States; and from 1866 with Italy. These treaties limited Japan's tariff autonomy and provided ad valorem and specific import and export duties upon a basis of 5 percent ad valorem. After Japan's victory over China in 1894 and following the reform in Japanese internal legislation, the powers consented to replace the old with new treaties, which were concluded with the following countries: England, Italy, and the United States in 1894; and Russia, Germany, and France in 1896. These treaties gave Japan greater freedom, but contained lists of articles upon which the rates of duty were specified. A new tariff for articles not embraced in these treaties was elaborated in 1897, remaining export duties were abolished in 1898, and additional provisions were established in 1899, when Japanese tariff autonomy became effective.<sup>50</sup> A complete and modern tariff was not promulgated until 1910, at which time the commercial treaties of the 1894-99 series were denounced. The director of customs declared the object of the new revision to be to obtain more revenue and to secure adequate protection to Japanese industry. The law of 1910 provides for the exemption from import duty of 23 classes of articles. It provides

<sup>47</sup> Cf. House of Representatives, Committee on Ways and Means, *Foreign Tariff Legislation* (prepared by the Department of Commerce), Washington, 1921, pp. 9-10.

<sup>48</sup> *Commerce Reports*, Aug. 27, 1923.

<sup>49</sup> *Ibid.*, Sept. 11, 1922.

<sup>50</sup> Comitato Nazionale per le Tariffe Doganali, *Politica Doganale Italiana*, Roma, 1917, p. 102.

that imports from countries which do not enjoy the benefit of special conventional arrangements may nevertheless be designated by imperial ordinance to receive concessions not exceeding those established by the conventions. Articles imported from countries which discriminate against the vessels, produce, or manufactures of Japan may be subjected by imperial ordinance to duties of 100 percent ad valorem, or less, in addition to the import duties regularly prescribed. Where an export bounty is granted by a foreign country there may be imposed by imperial ordinance a countervailing duty equal to the bounty.

This law of 1910, together with revised regulations for the execution of the customs duties law, took effect in 1911. The tariff of 1910, with various amendments, is the tariff now (1924) in force, and in most respects it applies in Korea, Formosa, and Saghalin as well as in Japan proper.

The tariff schedule contains 647 items, classified in 17 groups. The duties are in most cases specific. Raw materials largely used in manufacturing industries are, generally speaking, duty free. On partially manufactured articles the rates are low. On manufactured goods the rates range from 15 percent to 40 percent; on luxuries about 50 percent, and on tobacco, a government monopoly, 355 percent. There are no export duties.

New treaties, subsequent to 1910, were signed between Japan, on the one hand, and the United States, Great Britain, Germany, France, Italy, Austria-Hungary, Denmark, Holland, Norway, Sweden, Switzerland, and Spain, on the other. More recently new treaties have been concluded with Bolivia and Paraguay.

Conventional tariff schedules were established by the treaties with Great Britain, Germany, France, and Italy. In each of these agreements, as with all the other treaties between Japan and European powers, immediate and unconditional most-favored-nation treatment was pledged.

The British-Japanese treaty provides that negotiations for the modification of the conventional tariff schedules may be undertaken at the desire of either party when the treaty has been in force for 1 year, and that if no agreement be reached after 6 months of negotiation the schedules may be abrogated without otherwise affecting the treaty. This treaty also provides that its stipulations shall not apply to "tariff concessions granted by either of the high contracting parties to contiguous States solely to facilitate frontier traffic within a limited zone on each side of the frontier, or to the treatment accorded to the produce of the national fisheries of the high contracting parties, or to special tariff favors granted by Japan in regard to fish and other aquatic products taken in the foreign waters in the vicinity of Japan", and that they shall not apply to any of the British "dominions, colonies, possessions, or protectorates beyond the seas unless notice of adhesion" be given on behalf of such region before the expiration of 2 years after ratification. Such adhesion may be withdrawn. The treaty provides for its own termination at any time after July 16, 1923, subject to 1 year's notice.

The treaty between France and Japan, signed on August 19, 1911, was to remain in force for 10 years, with 12 months' notice required for denunciation; but it contains the provision that the most-favored-

nation clauses and the protocol containing the schedules of reduced duties may be withdrawn at any time, upon 1 year's notice, or that the protocol alone may be terminated upon 5 months' notice. The protocol provides that the rates of duty specified may be changed by either party, 5 months' notice being required before substitute rates may become effective; and that in case an increase is made by either country, the other may at the same time withdraw the schedule which applied to imports into its own territories, on 3 months' notice.

The provisions of this treaty applied to all the colonies and possessions of Japan, and to Algeria, and its scope was extended before July 1913 to the following French colonies: French West Africa, French Equatorial Africa, French Somali Coast, Madagascar, Reunion, French India, New Caledonia, French Guiana, Guadeloupe, Martinique, and St. Pierre and Miquelon.

The German-Japanese treaty was to be binding until December 1917, requiring 12 months' notice thereafter for abrogation. After the outbreak of the war, the Japanese Government gave notice of its suspension, and it is now not in effect.

The treaty between Italy and Japan, signed on November 25, 1911, was terminable after December 31, 1917. In January 1917 the Italian Government gave notice of its desire to abrogate the treaty, the abrogation to take effect on the last day of the year; but the rates in effect under the treaty have been continued.

By the four conventional schedules combined, only some 42 articles or classes of articles were granted special rates. Some of the treaties duplicated the reductions of others, but in general each schedule contained articles which were, among Japan's imports, of particular interest to the trade of the country in whose favor the reduction was made. The withdrawal of the German schedules has meant a considerable restriction in the scope of the conventional tariff. It has been estimated that, on the most important of the articles for which they were granted, the conventional rate averaged about one-third less than the statutory rates.

At the end of July 1914 the following countries and colonies were entitled, by virtue of most-favored-nation clauses or special arrangements, to the benefits of the conventional tariff rates: Argentina; Austria-Hungary; Belgium; Brazil; Chile; Colombia; Denmark, including colonies; France, including Algeria and French colonies as indicated above; the German Empire, including Grand Duchy of Luxemburg and the Austrian Communes of Jungholz and Mittelberg; Greece; Italy; Mexico; the Netherlands, including colonies; Norway; Peru; Russia; Siam; Spain, including the Balearic and the Canary Islands; Sweden; Switzerland; the United Kingdom of Great Britain and Ireland, including India and Canada; and the United States of America, including outlying possessions. Since September 1914 Austria-Hungary and the German Empire have been dropped from this list. By virtue of a new treaty concluded in 1914, Bolivia was added to the list; and by virtue of a treaty of November 11, 1919, Paraguay.<sup>51</sup>

<sup>51</sup> The treaties with Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Peru, and the United States called for conditional most-favored-nation treatment. The most-favored-nation treatment between China and Japan, based upon arts. IX and XV of the treaty of 1896 and art. IX of the treaty of 1903 remains unilateral in Japan's favor.

In 1915, impelled in part by the effects of the war upon Japanese trade, the finance department conducted extensive investigations with a view to revision of the schedules and extension of the drawback system and customs warehouse facilities. The principle guiding the administration in the revision was explained in the *Japan Times* at the time as follows:

The revision \* \* \* will affect no small number of dutiable articles. The imposition of a tariff on these raw materials, importation of which has stopped, or has declined during the war, will be canceled or decreased with a view to encouraging the domestic manufacturing industries. On the contrary, the tariff on those goods which have come to be produced in this country (Japan) since the outbreak of the war will be increased as a means of protecting and stimulating domestic commerce.<sup>18</sup>

Legislation along these lines has since been enacted:

Two important revisions of the Japanese tariff have been made since the armistice by the law of July 27, 1920, and the law that went into effect on June 1, 1921. Both laws may be regarded in the light of emergency measures, calculated to meet certain reconstruction problems that could not be postponed until the general revision of the tariff. The principal objects of the laws were to provide additional protection for certain new or expanded industries, like the dyestuffs industry; to prevent dumping and to retard the downward trend of prices, and to facilitate the importation of certain raw materials necessary for the upbuilding of essential industries. The law which went into effect on June 1, 1921, also changes the basis for the assessment of ad valorem duties from the value of the goods at the time of arrival at the port of destination to the value at the time of importation, i. e., customs clearance. It also changes a considerable number of rates from specific to ad valorem, probably for the purpose of meeting the fluctuation in prices, and provides for the free importation of materials for the construction and repairing of ships.<sup>19</sup>

During 1922-23 there was continued discussion in Japan regarding a fundamental revision of the Japanese import tariff. There have been three separate committees working on this subject, and a more protective tariff is advocated.

*Yugoslavia.*—At the beginning of 1921 customs duties were levied at the tariff rate plus an *agio* or premium of 100 percent, with a surtax of 10-percent ad valorem on "luxury" articles. This luxury tax, when first imposed in lieu of prohibition in November 1920, was calculated upon invoice values, but on account of the frequency of fraudulent evasions an arbitrary valuation was later adopted. In addition, an amount equivalent to the customs duty was levied as a tax on turn-over. The *agio* of 100 percent was applied to the luxury and turn-over taxes as well as to the the tariff rate of duty.

On July 16 a new import tariff was published in the official gazette and came into force on the same day. In many cases it raised the scale of duties, which it stipulated were to be paid in gold, the *agio* to be fixed by the Minister of Finance. Under this new tariff the payment of turn-over tax in conjunction with customs duty was discontinued, but the 10-percent tax on luxury articles remained. Provision was made for the application by the Ministers of Finance and Commerce, of supplementary duties in case of "dumping" or of importation from countries with depreciated currency to the

<sup>18</sup> U. S. Tariff Commission, *Colonial Tariff Policies*, Washington, 1922, pp. 485-439 (contains bibliography).

<sup>19</sup> House of Representatives, Committee on Ways and Means, *Foreign Tariff Legislation* (prepared by the Department of Commerce), Washington, 1921, p. 10. For other references see Report by U. S. Tariff Commission on *Colonial Tariff Policies*.

detriment of national industry. The gold *agio* was raised from 100 to 300 percent. Later, on December 10, the *agio* was further increased to 500 percent in view of the progressive depreciation of the exchange value of the dinar.

A new export tariff, which came into force on February 19, 1922, contained a list of prohibited exports. Among these were: Wheat, oats, horses of certain kinds, certain cattle and sheep, coal (excepting lignite), wool and woolen manufactures (excepting carpets), wheat flour, gold and silver and manufactures thereof, and scrap and new iron.

On September 27 there was promulgated a new export tariff law, effective 5 days later, by which all articles, with the exception of gold and silver in any form, antiquities, etc., were permitted to be exported.<sup>44</sup>

*The Netherlands, modern.*—When the modern kingdom of Holland was established in 1813 the people were thoroughly accustomed to the principles of protection which had prevailed under the preceding French occupation. The protective interests were further strengthened by the union of Holland with the industrial country Belgium. The tariff of 1816 was in general protectionist without fixing the duties so high that they prohibited import; in special cases export premiums were given for some domestically produced articles and on the other hand export of raw materials necessary for national industry was forbidden. The system failed to meet with general satisfaction. Some changes were made in the customs laws in 1821; grain duties were increased in 1822 and 1825, and a sliding-scale system was introduced in 1835. Under the latter the grain duties were required to be fixed every year according to the legal average price of inland grain in different markets. In 1839 Belgium achieved her independence from Holland and at the same time, the protective interests of the former country being withdrawn, the liberal policies of Holland traders gained the ascendancy. In 1847 the sliding-scale tariff of 1835 was repealed and was replaced by a moderate import tariff. Export duties were abolished, transit trade was subject to a low and nominal duty, and the Government was declared competent to alter the tariff "in the interest of commerce and industry."

In 1850 an important step was taken away from protection by a law having the following provisions:

1. Removal of transit tolls and those on the passage of ships.
2. Removal of differential tariffs in favor of national vessels.
3. Repeal of the prohibition against nationalization of ships constructed abroad.
4. Moderation of import duties upon shipbuilding materials.

In 1854 a number of duties were lowered or repealed.

A second important step in the direction of free trade was taken in the customs tariff of 1862, which repealed all export duties, with the exception of that upon rags. This duty was maintained in the interest of paper manufactures. The importation of many raw materials was made free; partially manufactured articles were given a rate of 2 to 3 percent, and wholly manufactured goods were taxed 5 percent.

<sup>44</sup> Great Britain, Department of Overseas Trade, *Report on the Economic and Industrial Conditions in the South-East-European Kingdom (Yugoslavia)*, May 1922.

In 1877 the tariff was lowered again, the duties on grain, seeds, and flour and the remaining duties on raw materials for agricultural and industrial purposes being abolished. The tariff of 1862, as revised in 1877 and amended in 1921, has remained in effect up to the present (1924).

The continued imposition of the 5 percent rate on certain goods is said to be more in the interests of the treasury than in those of protection.

Since 1877 numerous unsuccessful attempts have been made to introduce protective measures.

In spite of the absence of tariff protection agriculture has been very flourishing.<sup>55</sup>

There has been considerable discussion since the war on the advisability of adopting a protective tariff. In 1921 a bill to increase the basic rate of duties from 5 to 7 percent was laid before the Dutch Parliament but was voted down in the Second Chamber.<sup>56</sup>

*Norway.*—In 1787 a financial commission began work on the problem of the Norwegian tariff and trade situation. It found existing tariff laws complicated, and recommended simplification in the direction of freer trade. It proposed an ad valorem tariff of 2-5-7 percent on necessaries; 10 percent on commodities like grain, fats, wine, etc.; 10 percent on Mediterranean fruits, spices, etc.; and that the duty on salt from Spain and France be reduced.

In the liberal tariff law of 1797 the rate 8 percent was adopted as the norm for import duties.

During the period 1807-14 few changes were made in the laws, but general confusion prevailed.

In 1821 the Storting adopted or approved the general principle of the law of 1797, raising the ad valorem rate to 10 percent.

The commission of 1839 lowered the rates on 110 articles and raised them on 104.

The commission of 1858 lowered the rates on raw materials and necessaries and raised the rates on manufactured articles and revenue-producing commodities of general consumption.

In the treaty with France in 1865 Norway agreed not to raise the duties on certain commodities (luxuries) for 12 years.

In 1873 the Storting considerably reduced the duties on manufactured articles.

Special tariff commissions undertook revisions of the rates in 1896 and 1903.

Since 1905 Norway has gone over to the protectionist system. In that year a radical revision was made, raising the duties on 79 articles.<sup>57</sup>

Royal proclamations of July 3 and 7, 1922, provided increases in many duties.<sup>58</sup>

<sup>55</sup> Heringa, Dr. A., *Free Trade and Protectionism in Holland*, London, 1914; Rena. Henry de, *Die Handelspolitik der Niederlande in den letzten Jahrzehnten*, in *Schriften des Vereins für Sozialpolitik*, Leipzig, 1892, pp. 239-271; Scott, J. W. Robertson, *War Time and Peace in Holland*, London, 1914.

<sup>56</sup> *Commerce Reports*, June 14, 1921.

<sup>57</sup> Bendixen, B. E., *Et Omrids af Norges Handelshistorie*, Bergen, 1900; Ewald, Bossa, *Norwegens Volkswirtschaft*, Jena, 1918, 2 vols. (no. 22 of the series *Probleme der Weltwissenschaft*).

<sup>58</sup> *Commerce Reports*, Aug. 28, 1922.

The Norwegian Storting on July 3, 1922, passed a bill providing for increased import duties on practically all luxury articles, to be calculated on an ad valorem basis. These duties were previously levied at specific rates. The new duties represent, in general, considerable advances.<sup>59</sup>

Norwegian import duties were increased 20 percent February 9, 1923, on all commodities except coffee, sugar, alcohol, and those fixed by treaty.<sup>60</sup>

This law was replaced on June 11, 1923, by an act which increased by 10 percent the duties on sugar and coffee and increased by about 33½ percent duties on all other articles not covered by treaty.<sup>61</sup>

*Peru* enacted a new tariff July 1, 1923.

The general purpose of the revision appears to have been to improve the tariff classification and to adapt the duties on imports of specific commodities to the present industrial conditions or economic needs of the country. Thus textiles, boots and shoes, cement, and certain heavy chemicals are among those which are now subject to higher import duties than under the former tariff, changes having been made, it is understood, largely for the purpose of encouraging domestic production. On the other hand, machinery for mining or agriculture is admitted free, and other machinery at materially reduced rates. Likewise, motor vehicles, and parts thereof, and rubber tires now bear lower duties than formerly, and there are special concessions on motor trucks.

A considerable number of articles formerly dutiable at specific rates are now assessed according to value.

All duties are subject to the usual surtaxes which have been collected hitherto.<sup>62</sup>

*Portugal, modern.*—The principal tariff changes in Portugal since the European war have been exemptions for articles of necessity, like foodstuffs, and increases in duty or import restrictions on nonessentials or luxuries.

In 1921 Portugal also doubled her minimum duties to form a maximum schedule.

By a decree of August 25, 1922, the Government was authorized to introduce and bring into force immediately a new customs tariff revising the rates of the double scale of maximum and minimum duties in effect since November 24, 1921. The projected tariff was to be revised again in 1923, and then adjusted to current conditions every 5 years. The basic rates may, however, be modified by the Minister of Finance, on the recommendation of the council of experts for the customs service.<sup>63</sup>

Portugal had in 1922 export taxes on wood, vegetable, and fish products.

*Rumania.*—Rumania's modern tariff history began in 1866. Being naturally an agricultural country, protective policies could apply to relatively fewer products than in more strictly industrial lands. It has been customary to conclude a body of commercial treaties on

<sup>59</sup> *Ibid.*, Aug. 14, 1922.

<sup>60</sup> *Ibid.*, Feb. 19, 1923.

<sup>61</sup> *Ibid.*, June 25, 1923.

<sup>62</sup> *Commerce Reports*, Aug. 13, 1923, p. 438.

<sup>63</sup> *Commerce Reports*, Oct. 18, 1922.



the basis of the general tariff. Protection by administrative measures has been characteristic.<sup>64</sup>

The new Rumanian customs tariff, which came into operation on July 3, 1921, increased the specific rates of duties in general to between 10 and 12 times the pre-war rates. At that time, with an exchange rate of about 250 lei to the pound sterling, the new duties were about equivalent to the pre-war rates, although certain products, notably of the woolen and iron industries, were given increased protection. A decree of December 6, 1922, amended this tariff so as to provide for increases in certain duties on imports of jute goods, cotton tissues, and a few other articles. The policy behind this revision of the tariff is the protection of goods which are, or are likely to be, manufactured in Rumania. A comparison with pre-war duties, converted into pounds sterling, shows that the revised duties were lower than the pre-war duties; but Rumanian exchange has risen since 1922.<sup>65</sup>

Duties are in every case specific and are levied on the gross, "legal" net, or "real" net weight, according to the character of the commodities. All import duties are payable in paper at the current rate of exchange, except those on a limited number of extreme luxury articles, such as silk fabrics, furs, fine soaps, and jewelry, which are payable in gold.

In addition to the duties there is a general surtax of one-half of 1 percent on the official valuation of imported articles. Consumption taxes apply to a large number of products, including alcoholic beverages, spices, and preserved foods. Various articles of luxury, such as lace, hand embroideries, and goods made of fine materials, are subject to luxury taxes, equal at least to the amount of the duties. Since September 1921 there has been levied on both imported and domestic goods a sales or turn-over tax of 1 percent. On imported goods the sales tax is collected at the same time as the import duties, except when the merchandise is consigned to a merchant for resale, in which case the collection of the tax is made at the time of sale. On certain classes of goods regarded as luxuries the sales tax is 10 or 15 percent of the sale price.

In June 1919 the then existing scale of export duties was abolished and a duty of 20 percent ad valorem on the sale price was imposed on all products shipped out of Rumania. A year later specific export duties were fixed for a number of products hitherto subject to the general ad valorem rate. As in the case of prohibitions, these duties become effective by decree and are subject at any time to change or extension. With the relaxation of restrictions on exports, higher duties were imposed; in 1922 the duties on a long list of products were made payable in gold or its equivalent. A surtax of 1 percent was also established on certain goods, the revenues so collected to be used for the improvement of port works.<sup>66</sup>

<sup>64</sup> Antonescu, Cornelius G., *Die Rumänische Handelspolitik von 1875-1910*, Leipzig, 1915; Ströhl, Moritz, *Die Handelspolitik der Balkanstaaten*, in *Schriften des Vereins für Sozialpolitik*, 1892, Bd. III, pp. 1-38; Comitato Nazionale per le Tariffe Doganali, *La Politica Italiana*, Rome, 1917, pp. 92-93.

<sup>65</sup> Great Britain, Department of Overseas Trade, *Report on Economic Conditions in Rumania*, March 1923.

<sup>66</sup> U. S. Bureau of Foreign and Domestic Commerce, *Rumania, an Economic Handbook*, 1924.

*Russia*.—The promulgation of the tariff of 1822, which replaced the moderately protective law of 1819, established a rigorous, indeed, almost prohibitive protective system, which continued 20 years without important modifications. Among noteworthy prohibitions of this tariff were those upon refined sugar, tea, cotton, and linen, textiles (excepting those of certain qualities), and articles of leather. Altogether, an embargo was placed upon the import of 301 classes of articles and upon the export of 22 classes. The remaining goods were given very high rates. The seven subsequent revisions previous to the tariff of 1841 brought certain relaxations, especially in the removal of import embargoes, but followed strictly the principle of increasing the revenue and of promoting domestic industry.

In fact, Russian tariffs have in general planned for the fiscal needs of the government even more than for industrial protection. Because of heavy payments of interest abroad, money expended in travel, shipping services, etc., the Russian balance of international payments has in the past been "adverse." This required an annual export by the Government of money, the procurement of which was largely the function of the customs tariff.

In 1841 a new tariff was promulgated, but it was in principle but a résumé of the various modifications that had been made in the law of 1822. The tariff of 1841 authorized the free entrance of agricultural machinery, and enlarged the field of importation.

About 1845 the system of rigorous protection began to give place to more moderate duties. In 1850 a new tariff was established. The principal characteristic of this law was that it lowered certain schedules and simplified nomenclature; of the 1,176 rubrics of the old tariff the new retained only 442.

The tariff of 1857, which followed, again lowered certain schedules and removed some prohibitions. In 1859 and 1861 the rates were elevated 5 percent for fiscal purposes, but after 1859 there were a number of reductions, notably upon iron.

The tariff of 1868 lowered the duties considerably. It was only feebly protective. Following these changes the balance of trade began to be less favorable to Russia; in 1875 imports exceeded exports by 162,000,000 rubles.

About 1877 the unfavorable trade balance and the retardation in industrial progress determined the government to revise the tariff of 1868. In the later year the payment of duties in gold was prescribed. This had the effect of increasing protection 25 percent as compared with the tariff of 1868. Furthermore, the rates on all articles of importation were raised. In 1881 and 1882 there were new increases. In 1885 the major proportion of the schedules was raised 20 percent. In 1887 the duties upon iron and upon manufactures thereof reached an almost prohibitory height. In 1890 the level of duties was uniformly increased 20 percent. It was claimed that this was done because the value of the paper ruble had risen in relation to gold, the medium through which customs were paid.

In 1887 a general revision of the tariff had been inaugurated and resulted in a new law in 1891. The peculiar characteristic of this act was that it attempted as far as possible equal protection of all

branches of domestic industry in all its productive stages from extraction of raw materials to the final completion of the article.

In 1893 it was decreed that surtaxes of 20-30 percent should be levied upon imports of countries not granting most-favored-nation treatment to Russia. This was applied to Germany and resulted in a sharp tariff war.

A convention concluded in 1894 finally permitted Russia to share certain tariff concessions upon grain and vegetables made by Germany to Austria. This convention marked Russia's conversion from the autonomous tariff, maintained from 1860 to 1894, to the conventional system. Shortly before, Russia had concluded a tariff treaty with France (1893) by which she (Russia) had obtained certain reductions upon mineral oils. Contemporaneously with the convention with Germany, Russia also ratified agreements with Persia. She also entered at the same time into mutual concession of most-favored-nation treatment with a number of countries of Europe and Asia.

A new tariff, published in 1903, was designed to serve as a basis for the negotiation of new commercial treaties. This law denounced all the rates conceded in previous treaties and formed a single schedule. For the major part of the products subject to the tariff the minimum schedules of the tariff of 1897 were employed, increased by 50 percent. Only 16 articles were left upon the free list, the most important of which were cereals, domestic animals, rough lumber, hides, linen, hemp, and agricultural machines of every variety. Food products and manufactured products entailing a high degree of labor were taxed very heavily.

The general tariff of 1903 went into effect in 1906. At the same time the convention of 1893 with France was abrogated. After some trouble a treaty was made with France by which Russia resumed the privilege of the minimum tariff of France, while France was enabled to escape the exceedingly high rates of the Russian general tariff.

In 1906 a convention was concluded with Austria-Hungary, and in 1907 one with Italy.<sup>67</sup>

As these conventions did not grant reductions other than those already given to Germany, the conventional tariff consisted, in fact, of the rates fixed by the German treaty.

About 1911 the various ministries involved began to prepare reports outlining a new tariff, but the work was still in hand at the outbreak of the war. With the expiration of the German treaty the conventional rates automatically disappeared, but they were kept in force for a short time for the benefit of the other treaty nations. In 1915, however, Russia definitely abolished the conventional rates.

During the war various measures, similar to those enacted by other nations, were taken to control imports and exports. Several increases in the tariff were made and numerous prohibitions established.

A news item in the Bolshevik press at the close of 1921 announced that foreign merchandise arriving in Russia was subject to customs duties according to the tariff of 1903 plus the increase of the tariff

<sup>67</sup> Kovalevsky, M. W., *De, La Russie à la Fin du 19<sup>e</sup> Siècle*, Paris, 1900, pp. 545-553; Comitato Nazionale per le Tariffe Doganali, *La Politica Doganale Italiana*, Rome, 1917, pp. 87-89; Wittschewsky, B., *Die Russische Zoll- und Handelspolitik der letzten Jahrzehnte, in Schriften des Vereins für Sozialpolitik, Die Handelspolitik*, Leipzig, 1892, pp. 361-449.

of 1906, in terms of gold rubles. Goods imported by State enterprises supplied by the State were not free from customs duties but were counted in bookkeeping only.<sup>68</sup>

The Soviet tariff of February 14, 1922, together with amended schedules effective August 2, 1922, in point of classification followed closely the Russian tariff of 1906. In general, however, increased duties were imposed on imports, while free importation was limited to a small number of essential commodities. The rates quoted in the tariff are regarded as conventional and apply only to imports from countries having commercial agreements with Russia. Imports from all other countries may, upon order, be made subject to double the basic tariff rates and duty-free goods rendered dutiable up to 50 percent ad valorem. Duties are quoted in gold rubles, but payment in Soviet paper currency is accepted at the conversion rate determined by the People's Commissar of Finance.<sup>69</sup>

The export duties effective June 13, 1922, with few exceptions, did not appear to be prohibitive of export, indicating the purpose of the tariff to be mainly for revenue. The schedule comprised 78 items, consisting of raw materials and commodities of primary importance. The list included unfinished hides and skins, furs, and bristles.<sup>70</sup>

This export tariff was revised January 1, 1923. The schedule of dutiable exports comprised 25 items, consisting of meats, caviar, live animals, fertilizers, bristles, feathers, hides and skins, furs, certain wood products, seeds, santonin, rubber waste, copper and lead ores, linen or cotton rags, flax, silk, wool, and several minor articles.<sup>71</sup>

Various important goods imported by groups of organized workmen and by single immigrants of the agricultural and industrial classes were free.<sup>72</sup>

Prohibition of certain imports and exports has not been uncommon.

*Serbia.*—By its geographical position Serbia has been a tributary to the former Empire of Austria-Hungary. A country of restricted industry, but of considerable agricultural productivity, Serbia exported chiefly cereals, animals, and fruit, while its commerce has developed under a regime of strict protection. A high tariff of 1893 was increased in 1899, 1900, and 1902. It was characterized by a supplementary ad valorem rate of 7 percent upon industrial products and of 1 percent upon raw materials. These were abolished in 1904, at which time there came into force a new tariff, very specialized and also highly protective. The measure contained 670 classifications, as compared with 409 in the one preceding. On the basis of this tariff treaties were concluded with Germany, Italy, and England. A convention was arranged in 1906 with France.

The negotiations with Austria-Hungary were long and difficult; the Austro-Hungarian Government resorted finally to reprisals, prohibiting the importation of Serbian cattle. An agreement reached September 1, 1903, was only provisional but continued till 1909. At that time, through the annexation by Austria-Hungary of Bosnia and Herzegovina, and relations between Austria-Hungary and Serbia

<sup>68</sup> *Commerces Reports*, Mar. 27, 1922.

<sup>69</sup> *Ibid.*, Nov. 6, 1922.

<sup>70</sup> *Ibid.*, Nov. 6, 1922.

<sup>71</sup> *Ibid.*, July 23, 1923.

<sup>72</sup> *Ibid.*, July 16, 1923.

became more strained. Finally a commercial treaty, concluded after tedious discussion, greatly restricted the importation into Austria of Serbian meat animals.<sup>72</sup>

After the war a union was formed of the Serbian, Croatian, and Slovenian peoples to which the name "Yugoslavia" was given.

*South America.*—A number of South American countries, in line with the tendencies of the times, have recently made advances in their tariff rates. Among such are Argentina, Bolivia, Brazil, Colombia, Ecuador. A new commission was appointed in 1923 in Chile to draw up a completely revised customs tariff.

*Spain, modern.*—Spain began the nineteenth century under a highly protective system. By the law of 1816 the importation of 676 kinds of articles was prohibited. The tariff of 1825 reduced the number to 653 and diminished the existent tariff rates 40 to 50 percent; the law of 1841 reduced the prohibitions to 94 and that of 1849 to 14, but raised the rates upon a number of articles and adopted specific duties. At this time the theories of Adam Smith had numerous adherents in Spain, especially in the universities. In 1859 there was founded the "Association for the Reform of the Tariff." Opposing organizations also arose.

After a parliamentary investigation the tariff law of 1862 transformed many ad valorem to specific duties, rectified the evaluations of numerous articles, and reduced further the number of prohibitions. Those which remained included cloth and yarn of cotton, wool, hemp, linen, and silk, garments, shoes, ships of less than 400 tons, salt, mercury, barley, oats, rye, corn, wheat, and flour. A surcharge of 20 percent and more was imposed when goods entered by the land boundaries or in a foreign vessel. Such differential treatment was in force for 796 articles of the new tariff. This law was, however, much more liberal than former customs acts.

It was not until years after the loss of her principal colonies in the New World that Spain apparently realized that she could not remain economically isolated. In 1865 the differentials applying to shipments over the land frontier were removed by treaty with France.

In 1867 the Government was constrained, in consequence of bad harvests, to remove for about a year the prohibitions on cereals.

With the revolution of 1868 a number of advocates of free trade came into power. The law of 1869 carried several important provisions in the direction of a more liberal customs policy. Among the more noteworthy were the following: (1) Removal of the import prohibition from cereals and articles of cotton, as well as a major part of the other articles subject to prohibitions. (2) Moderation of the tariff and the grouping of the rates into three categories—fiscal, statistical, and extraordinary. The "extraordinary" group, bearing rates of 30 to 35 percent ad valorem, included a limited number of articles—those which had previously been denied entrance. It was stipulated that the "extraordinary" duties should be reduced by successive steps to a maximum of 15 percent ad valorem in a period of 12 years. (3) The differential tariffs were definitely suppressed

<sup>72</sup> Comitato Nazionale per le Tariffe Doganale. *La Politico Doganale Italiana*, Rome, 1917; Ströhl, Moritz, *Die Handelspolitik der Balkanstaaten*, in *Schriften des Vereins für Sozialpolitik*, Leipzig, 1892, Bd. III, pp. 34ff.

except on sugar, cocoa, coffee, and alcohol, although reductions were made for the colonies. (4) Export tariffs were retained only on cork, rags, and certain lead materials.

The tariff carried duties of 15 to 20 percent on 6 percent of the imports and over 20 percent on 40 percent of the imports.

The effects of this tariff are hard to judge because of unsettled political conditions. These prevented the contemplated reductions in 1875.

In 1877 there was promulgated a protective tariff of the maximum and minimum form. The minimum rates were to apply to countries granting Spain most-favored-nation treatment. The maximum duties applying to other countries were in general those of 1869. To both the maximum and minimum rates of the general law were added, however, "extraordinary and transitory" surtaxes applying to both columns and increasing the rates materially, in many cases twofold or threefold. Under this tariff foreign trade remained almost stationary.

The tariff was revised in 1882. The maximum rates were those of 1869; the minimum corresponded to a treaty bearing very moderate rates negotiated in the same year with France. It was provided by this statute that all rates should be reduced within a period of 10 years to 15 percent ad valorem. Reductions in the rates on raw materials were made in 1883. A number of treaties were signed under this law. The tariff of 1882 and the subsequent treaties are said to have had a favorable economic effect, exports increasing more rapidly than imports, but this was partly due to the wine failure in France.

The manufacturers and agriculturists, however, complained of the growing imports. In 1886 the reduction of rates provided by the tariff of 1882 was suspended, and in 1889 a commission was appointed to investigate the tariff. After due study the commission proposed revival with certain changes of the tariff of 1877, without the surtaxes but with many increased rates, denunciation of existent commercial treaties, and exclusive free trade between Spain and its own colonies. It pronounced itself opposed to most-favored-nation concessions and advocated strict reciprocity treaties. The commission recommended adoption of only one column in the new tariff and the establishment of bounties for Spanish shipping and differential duties. It recommended that the Philippine Islands impose higher duties upon all except Spanish goods. Export duties of 5 percent upon copper and iron ore were recommended.

The Government had previously been given authority to revise the tariff in accordance with the recommendations of the commission. In 1890, therefore, there were published two decrees: One markedly increased the duties upon certain articles, notably animals and cereals, the other definitely suspended the reductions contemplated in the laws of 1869 and 1882 and designated a new commission, composed of high functionaries, to prepare a new tariff. In 1891 most of the existent treaties were denounced.

The new tariff appeared in 1892 and contained 369 articles as against 302 in 1882. The minimum duties for three-fourths of the importations were higher than the maximum rates of 1882. On the basis of this tariff the Government succeeded by means of important

concessions in obtaining treaties with Sweden, Norway, Denmark, Switzerland, the Netherlands, and Portugal. But all attempts to come to an agreement with France failed. Not until 1893 was a *modus vivendi* arranged with that country, by which the lowest customs scales were mutually granted by both countries. Spain was also unsuccessful in her negotiations with Germany. By a decree of 1894 Germany raised her tariff 50 percent upon the principal articles imported from Spain. In 1896, however, an agreement was reached in mutually granting minimum rates.

In 12 years under this tariff the exportation of wine from Spain fell to one-seventh of its volume at the beginning of the period. Exportation of olives, oils, corks, fresh and dried fruits suffered also. In 1904 and 1905 the Government was obliged, because of insufficient domestic production, to lower the duties on wheat.

Existent industries, however, were better able to meet foreign competition, and a few new ones were established.

With the renunciation of her colonies after the Spanish-American War Spain lost valuable foreign markets which she had preserved to herself by high colonial tariffs. Demand was therefore made for the reservation of the home markets. A commission was created (1904) to prepare the foundations for a revision of the tariff of 1892.<sup>14</sup> The bases adopted for the rates were as follows:

1. Natural products (with the exception of fertilizers and food products employed as raw material of Spanish industry and not produced in Spain) to be subject to rates of 1 to 10 percent ad valorem. The minimum rate of fertilizers to be 5 percent.
2. If these raw materials should be similar to domestic products the rate should be raised from 5 to 15 percent.
3. Products of industry should pay from 20 to 50 percent ad valorem (excepting those kinds not manufactured in Spain).
4. All products which, because of the difficulty of their manufacture, required greater protection might be taxed up to 50 percent ad valorem.

On July 1, 1906, a tariff on the basis of the above principles was adopted. The tariff was very protective and highly specialized, including 697 classifications compared with 410 in 1892. It was of the double variety, maximum and minimum, but the minimum rates were practically all higher than those of the tariff of 1892. An innovation consisted in the obligation to pay duties in gold or in notes of the banks of France or England, except for a sum less than 10 pesetas, and the liquidation by verbal declaration of a traveler.<sup>15</sup>

Before the tariff of 1906 was a month old, relations with Switzerland became strained by that country's action in increasing its maximum tariff levy by 10 percent against Spanish products. Spain, in turn, levied prohibitive duties on textiles, electrical apparatus, machinery, and dairy products of Swiss origin. But in September 1906 the two countries agreed, with certain reservations, to mutual most-favored-nation treatment. The treaty became effective Novem-

<sup>14</sup> Gewinner, Arthur, *Die Handelspolitik Spaniens*, in *Schriften des Vereins für Socialpolitik*, Leipzig, 1892, Bd. III, pp. 69-123; Marraud, Angel, *L'Espagne au XX<sup>e</sup> Siècle*, Paris, 1913, pp. 250-288.

<sup>15</sup> Comitato Nazionale per le Tariffe Doganali: *La Politica Doganale Italiana*, Rome, 1917, pp. 89-91; U.S. Department of Commerce and Labor, Bureau of Statistics, *Modern Tariff Systems*, 1904, n. 3342.

Other reference: Gilles, G., *Le Protectionnisme en Espagne*, Paris, 1906.

ber 20, 1906, and continued in force until 1917. On August 1, 1906, Spain concluded a commercial agreement with the United States, and in December of the same year averted an economic war with France by means of a *modus vivendi*.

The Spanish tariff law of 1906 provided that the rates of import duties should be revised every 5 years. The revision was duly made in 1911, the new rates going into effect on January 1, 1912. Although this law continued the form of a maximum and minimum tariff, several treaties with European states, antedating the tariff of 1906, remained in force until as late as 1921. These treaties provided for rates lower than those in the minimum schedule of Spain's statutory tariff, and the benefit of the treaty rates accrued to all States entitled to most-favored-nation treatment, thus practically establishing a third, or "conventional", schedule.

Owing to the war, the 5-year revision of the tariff did not take place in 1916, but after some provisional revisions a new tariff law was enacted on February 12, 1922. This law continues the two scales of duties, known as the "first" and "second" tariffs, and contains about double the number of classifications of the provisional schedule previously in force. Practically all the duties are specific in form and are paid in paper pesetas, plus a percentage surcharge fixed monthly with the purpose of bringing the duties up to their gold equivalents. The rates of the "first" tariff are, as a rule, three times as high as those of the "second", and are to apply to such countries as do not conclude with Spain commercial agreements granting reciprocal concessions to Spanish products. On April 22, 1922, the Spanish Government was empowered by a "Law of authorizations" to "concede duties lower than those established in the second column of the tariff on specified tariff numbers to a country which grants equivalent advantages to Spanish products."<sup>6</sup> Reductions of more than 20 percent below the second column are permitted only during the period of 1 year from the passage of the law, but by a subsequent law (August 2, 1923) this time limit was extended to April 22, 1924. Under these powers the Spanish Government concluded new commercial treaties with Switzerland, France, Norway, and Great Britain in 1922, and with Italy in 1923, in each case granting concessions below the second tariff. As a result a conventional schedule, containing about 400 tariff numbers, has virtually been established. Previous to enacting the new tariff, Spain abrogated most of her commercial treaties, intending thereby to open negotiations for concessions on the new basis, but the relations with several countries, including the United States, have since abrogation been on the basis of prolonged *modus vivendi*. Particularly difficult obstacles were encountered in the negotiations with France, Norway, Iceland, and Brazil.

On June 12, 1923, the existing *ad valorem* rates of the Spanish tariff were converted into specific rates.

There has recently been established a Council of National Economy, empowered to negotiate commercial treaties.

*Sweden.*—A rigorously prohibitive economic policy, in the spirit of the mercantile system, prevailed until the twenties of the nineteenth century. In the middle of the fifties a change was made to a

<sup>6</sup> *Eco de las Aduanas*, Apr. 29, 1922.



system rather favorable to free trade—all the prohibitions against import that still survived were abolished, articles of food and most raw materials were made free of duty, and the remaining duties were lowered.

In 1865 partly in response to French demands, Sweden further revised her customs tariff decidedly in favor of free trade.

A reaction of opinion occurred after the seventies, leading to the introduction of protective duties for general industries in 1892. Many minor alterations, mainly increases, followed, the chief of these was the raising of the duties on cereals in 1895.

The old commercial treaties having expired in 1892, Sweden abandoned the system of tariff treaties, relying merely on the "most-favored-nation clause" in later treaties. She enjoyed such reductions as the various countries conceded to each other without having to grant favors in return.

The country most affected by this condition was Germany, which in 1902 retaliated by adopting duties specially aimed at Sweden (e.g., on paving stones). Sweden then applied to Germany with a request for negotiations. Pending a thorough revision of the Swedish tariff, a preliminary treaty was in force from 1906 to 1911.

The tariff act passed in 1910, effective in 1911, was characterized by the elaborate specification of the various kinds of goods, embracing 1,325 headings. On the basis of this new law, negotiations with Germany were resumed, and a large number of mutual concessions were made, to remain in effect until 1921 unless revoked by one of the parties.

The tariff rates of 1911 were specific. The average ad valorem rate was estimated at 17 percent for 1913. The revenue duties averaged about 30 percent of the value, and were levied chiefly on tobacco, wines and spirits, and coffee. The protective duties averaged about 15 percent of the value.<sup>77</sup>

A tariff carrying increases in the import duties on "luxury" goods became effective on June 6, 1921. The schedule of new duties included increases on fruits, condiments, furs, silk and velvet fabrics, silk hosiery, feather goods, musical instruments, precious metals, gold watchcases, etc.

A new customs tariff amendment act was put into effect from March 27, 1922. The duties on some articles were increased to as much as five times the former rates, others were but slightly advanced; certain of the luxury rates in effect since June 6, 1921, were retained, while in a few instances reductions occurred.<sup>78</sup>

*Switzerland.*—Prior to 1848 each canton had its own tariffs. The numerous restrictions so impeded business that the revision of the constitution in 1848 provided for a single customs law. Such a law was enacted in 1849. There were revisions in 1851, 1884, 1887, and 1891. The earlier tariffs were of a fiscal nature. In 1884 a protective tendency was manifest. Later tariffs were based partly on the principle of protection, partly on the principle of high rates for advantageous negotiation of the numerous tariff treaties by which

<sup>77</sup> Sweden, *Historical and Statistical Handbook*, by order of the Swedish Government, edited by J. Guinchard. Second edition, English issue, Stockholm, 1914, vol. 2, pp. 534-538.

<sup>78</sup> *Commerce Reports*, Mar. 27, 1922.

tariffs came largely to be regulated. The tariff of 1903 was considerably higher and more specialized than any preceding.<sup>19</sup>

After the war (June 1920 and February 1921) considerable increases, amounting in some cases to 300 percent, were made to the duties on a large number of articles. The purpose of these tariff changes in effect July 1, 1921, was to establish provisional customs schedules to meet post-war conditions. The new rates went into effect pending a complete revision of the tariff.

The customs law of 1902 contained a retaliatory provision directed at countries discriminating against Swiss products. By an order of February 2, 1922, the Swiss Federal Council approved a new import tariff schedule (known as the general tariff) which may be applied, by special decrees, to products of countries levying particularly high duties on Swiss products, or which fail to grant most-favored-nation treatment to Swiss goods. These duties are generally from 3 to 10 times the rates of the revised tariff of July 1, 1921, which automatically became the minimum schedule of duties.

*Turkey.*—From very early times Turkey's international commercial relations have been adjusted by treaties which have borne the name of "capitulations." The capitulations date from the ninth century, when various guaranties and commercial facilities were granted to the Franks. After the break-up of the Empire of the Franks similar concessions were made to various Italian cities. Later the Byzantine emperors granted capitulations to Genoa, Pisa, and Venice. When the Turkish rule was substituted for that of the Byzantine emperors the system already in existence was continued.

The first capitulations concluded with a European state were those with France in 1535. These were followed by similar treaties with Venice (1540), England (1583), Holland (1613), Austria (1615), Russia (1784). In 1673 the French obtained a renewal of their capitulations, by which they secured a reduction of duty from 5 to 3 percent ad valorem. All the capitulations contain the most-favored-nation clause, so that concessions granted by Turkey to one nation have been enjoyed by all countries having treaties with her.

The chief privileges granted under the capitulations to foreigners resident in Turkey were the following: Liberty of residence, inviolability of domicile, liberty to travel by land and sea, freedom of commerce, freedom of religion, immunity from local jurisdiction save under certain safeguards, exclusive extraterritorial jurisdiction over foreigners of the same nationality, and competence of the forum of the defendant in cases in which two foreigners are concerned.

Certain other matters of international relations, among them those of the tariff, were also regulated by the capitulations. Bound by the terms which were obtained from her by the European States, Turkey was never able to impose more than a low ad valorem duty.

In 1838 she sought to obtain authority to impose a higher rate than the 3 percent which was then allowed. Through a commercial convention of that year she obtained permission to collect a duty of 9 percent on Turkish goods exported by her. Upon imports an

<sup>19</sup> Schmidt, Peter H., *Die Schweiz und die Europäische Handelspolitik*, Zürich, 1914; Frey, Emil, *Die Schweizerische Handelspolitik des letzten Jahrzehntes in Schriften des Vereins für Sozialpolitik*, Leipzig, 1892, Bd. I, pp. 453-519; Clerget, Pierre, *La Suisse au XX<sup>e</sup> Siècle*, Paris, 1908, pp. 226-248.

increase of 2 percent was permitted, making the import duty 5 percent.

Again, through a trade convention of 1861, the import rate was advanced generally to 8 percent. But under this convention Turkey was compelled to lower her transit duties from 2 percent to 1 percent.

By article 7 of this treaty foreign goods loaded upon French ships in traversing the Dardanelles or Bosphorus were entirely relieved from the payment of transit duties.

This privilege also applied through the most-favored-nation clause to other nations which had treaties with Turkey.

After a number of vain attempts by Turkey to increase her customs taxing powers, she obtained in 1907 authorization to advance the import rates to 11 percent upon condition that the increased income would be devoted exclusively to reforms in Macedonia. After the success of the young Turk movement, Turkey sought an additional increase of 4 percent. England insisted that such enhanced duties should be applied to the deficit of the budget.<sup>60</sup>

After the success of the young Turk movement, Turkey sought a further increase of 4 percent. England insisted that the yield of such enhanced duties be applied to the deficit of the budget, but the outbreak of the World War, before the negotiations were concluded, left the rate increase in abeyance. Thereupon, the Sultan, by a decree issued in September 1914 repudiated the capitulations. The powers protested against this unilateral action, but the exigencies of the war made their protest academic rather than effective. The rates were raised by Turkey to 15 percent, and soon were increased to 30-percent ad valorem.

On September 14, 1916, while blockaded by the Allies, Turkey established a comparatively high specific tariff on the general and conventional basis.

The treaty of peace signed at Sévres on August 10, 1920, reinstated the capitulations and the customs régime established in 1907, levying import duties of 11-percent ad valorem.

The specific tariff of 1916 was reestablished by the treaty signed at Lausanne on July 24, 1923. Provision was made to multiply the rates by coefficients corresponding to the depreciation of the Turkish currency. The confirmation of the tariff of 1916, and other concessions accorded by the powers, greatly enhanced the status of Turkey as a sovereign state.

<sup>60</sup> Kunko, Max, *Die Kapitulationen der Türkei*, München, 1918, pp. 92-96; *Encyclopaedia Britannica*.

Other references: du Rausas, G. Pélassis, *Le Régime des Capitulations dans L'Empire Ottoman*, Paris, 1910; Déligorges, E. L., *Die Kapitulationen der Türkei*.

## **REGULATION OF TARIFFS IN FOREIGN COUNTRIES BY ADMINISTRATIVE ACTION**

(Memorandum and summary tabulation from report entitled "Regulation of  
Tariffs in Foreign Countries by Administrative Action")

The table on page 64 presents a summary and revision to July 1, 1934, of a compilation published in 1932 by the United States Tariff Commission under the above title. The table shows power over tariff rates delegated by the legislature to the executive branch of the Government or known to be exercised by administrative action in the different countries. No attempt has been made in this tabulation to interpret indefinite constitutional provisions (such as "general welfare" clauses, etc.) under which the Executive might assume authority to restrict or prohibit imports or exports, whether by tariff changes or other means.

### **RELATION BETWEEN THE EXECUTIVE AND LEGISLATIVE BRANCHES**

When the executive power is mentioned in the accompanying tabulation the reference is to one of the following types of administration:

1. Executive legally independent of the legislature, as in the United States.
2. Executive independent of the legislature in actual practice.
3. Executive dependent upon the legislature, as in the British parliamentary form of government.

In countries with a parliamentary or cabinet form of government, where the ministry is an essential part of the legislature and its acknowledged leader in matters of policy, administrative tariff changes are virtually assured of parliamentary approval because in support of a government measure the Prime Minister of the day can depend on his majority in Parliament; otherwise he may be voted out of office on a "no confidence" motion. In the cabinet form of government, therefore, the requirement of legislative approval of tariff changes is not a restriction upon executive action comparable with the same requirement under a congressional form of government, where the Chief Executive may or may not be supported by a majority of the Congress.

### **RESTRICTIVE MEASURES OTHER THAN TARIFFS**

In addition to tariff duties import trade has been restricted or controlled by other measures, such as import quotas or prohibitions; import restrictions with or without a system of licenses; import monopolies; foreign exchange control; milling or mixing regulations; and increased fees and restrictive regulations of various

kinds. Import quotas and exchange control measures may be even more restrictive trade barriers than tariff rates as such.

Quotas or import permits are generally established and regulated by the Executive, either under special legislative authorization, or under general executive powers. These permits may be used to control trade balances, or to apply retaliatory measures, and the apportionment of imports under quotas may also be used to conclude and enforce reciprocal trade arrangements. Among the countries where import quotas are used for one purpose or another are Austria, Belgium, Chile, Czechoslovakia, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Netherlands, Poland, Rumania, Spain, Switzerland, Turkey, United Kingdom.

Restrictions on foreign exchange transactions are applied in many countries, almost necessarily by the Executive. In several European and Latin American countries control of foreign exchange transactions is officially exercised through the central banking system. Among the countries applying restrictions for control of foreign exchange are Argentina, Austria, Bolivia, Brazil, Bulgaria, Chile, Colombia, Costa Rica, Czechoslovakia, Denmark, Ecuador, Estonia, Greece, Germany, Hungary, Italy, Latvia, Norway, Paraguay, Spain, Turkey, Uruguay, Yugoslavia.

To facilitate trade with countries exercising control over foreign exchange, other countries which do not restrict foreign exchange transactions follow the principle of "compensation trade" (paying for imports by exports) and have entered into clearing or compensation agreements with countries restricting cash payments for imports.

**Summary tabulation of regulation of tariffs in foreign countries by administrative action, July 1, 1934**

(This table presents a summary and revision to date of a compilation published by the U.S. Tariff Commission under the above title in 1932. The table shows power over tariff rates delegated by the legislature to the executive branch of the government or which are known to be exercised by administrative action in the different countries. No attempt has been made in this tabulation to interpret indefinite constitutional provisions (such as "general welfare" clauses, etc.), under which the Executive might assume authority to restrict or prohibit imports or exports whether by tariff changes or other means)

Country	Has Executive power to change rates—		Are treaty rates enforceable by Executive—		Can the Executive change rates without limit?	Is there special agency to advise on tariff matters?	Remarks
	Without reference to legislature?	Pending approval of legislature?	Without reference to legislature?	Pending ratification of treaty?			
Argentina.....	Yes.....		Yes <sup>1</sup> .....		No <sup>2</sup> .....	Not specified.....	<sup>1</sup> Although duties may be reduced by as much as 60 percent under commercial agreements, apparently without legislative approval, the Argentine-United Kingdom treaty of 1933 was submitted for such approval before enforcement. <sup>2</sup> To penalize discriminations, duties up to 15 percent ad valorem may be applied on duty-free imports, or duties increased by as much as 1/4.
Australia.....		Yes.....		Yes.....	No.....	Yes; a tariff board.....	
Austria.....	Yes <sup>1</sup> .....			Yes.....	Yes.....	Not specified.....	<sup>1</sup> Previous approval of the principal committee of the legislature is required and, upon demand by one-fourth of the members of the committee, the proposal to change tariff rates must be submitted to the legislature for consideration in the regular order of business. However, this provision does not apply to the tariff (and other) decrees which the present "Government" has issued within the past year by invoking certain extraordinary war-time powers. But even such decrees should later be submitted to the legislature and be revoked if it so demands.
Belgium.....	No.....	Yes.....	No.....	Yes.....	No.....	No.....	
Bolivia.....	Yes <sup>1</sup> .....		Not known.....	Not known.....	Yes.....	No.....	<sup>1</sup> The Executive has power under the tariff to regulate or prohibit importations, reporting such action afterward to the legislature. <sup>2</sup> The post-revolutionary government assumed executive control of the tariff by decree no. 20280 of Sept. 8, 1931.
Brazil.....	Yes <sup>1</sup> .....		Yes <sup>1</sup> .....		Yes.....	Not specified.....	<sup>1</sup> Commercial agreements involving tariff changes have been made by the Executive of the post-revolutionary government, and formerly such agreements were occasionally authorized by the legislature in the annual budget laws.

Bulgaria.....	Yes.....	No.....	No.....	Yes.....	Yes <sup>1</sup> .....	Yes <sup>2</sup> .....
Canada.....	Yes.....		Yes.....		No <sup>3</sup> .....	Yes.....
Chile.....	Yes.....		No <sup>4</sup> .....		No <sup>5</sup> .....	Not specified.....
China.....	No.....	No.....	No.....	No.....	No.....	Yes <sup>6</sup> .....
Colombia.....	Yes <sup>7</sup> .....		(10).....		No.....	Not specified.....
Costa Rica.....	Yes.....		(10).....		No <sup>8</sup> .....	No.....
Cuba <sup>14</sup> .....	Yes <sup>11</sup> .....		Yes <sup>11</sup> .....		Yes.....	(10).....
Czechoslovakia.....	No.....	Yes <sup>12</sup> .....	No.....	Yes <sup>13</sup> .....	Yes <sup>13</sup> .....	No.....
Denmark.....	No.....	No.....	No.....	No.....		

<sup>1</sup> Must preserve the fixed ratio between the duty and value of the article. These rates must be in effect 3 months before revised again.

<sup>2</sup> A tariff committee, with Minister of Finance as chairman, and of which the chairman of parliamentary Committees on Finance and on Commerce, Industry, and Labor, are members.

<sup>3</sup> The executive government (centered in the Governor General and the Cabinet) may reduce rates or put articles on free list. Increases in rates are introduced into Parliament by Minister of Finance.

<sup>4</sup> But a recent provisional agreement reducing certain rates was not submitted to the legislature before enforcement.

<sup>5</sup> To penalize discriminations, duties up to 15 percent ad valorem may be applied on duty-free imports, and duties may be increased up to 50 percent; to protect national industries duties may be increased by 35 percent; on articles of first necessity duties may be reduced by 25 percent; these changes are authorized under the tariff of 1923, and so far as known have not been repealed through later tariff legislation.

<sup>6</sup> The National Tariff Commission, but the Chinese Central Political Council apparently advises on fundamental tariff matters.

<sup>7</sup> To penalize discriminations.

<sup>8</sup> In November 1932 the Executive was given authority by the legislature to conclude commercial agreements reducing rates, without the requirement of legislative approval; this authority apparently lapsed July 31, 1933, without having been exercised.

<sup>9</sup> The Executive was authorized by the Congress to negotiate and enforce a commercial agreement with France, under which the duties on certain French wines might be reduced. (Legislative decree 55, January 1933).

<sup>10</sup> The powers indicated are authorized by the provisional Constitutional Law of Feb. 8, 1934, which in turn was enacted and promulgated by executive decree.

<sup>11</sup> There is no Cuban legislature as such.

<sup>12</sup> The Technical Tariff Commission, which apparently has ceased to function since the revolution.

<sup>13</sup> During present emergency only, this power to expire June 30, 1934.

<sup>14</sup> But minimum bargaining rates are fixed by Parliament.

Summary tabulation of regulation of tariffs in foreign countries by administrative action, July 1, 1934—Continued

Country	Has Executive power to change rates—		Are treaty rates enforceable by Executive—		Can the Executive change rates without limit?	Is there special agency to advise on tariff matters?	Remarks
	Without reference to legislature?	Pending approval of legislature?	Without reference to legislature?	Pending ratification of treaty?			
Ecuador	Yes <sup>21</sup>		Not known		No <sup>22</sup>	No	<p><sup>21</sup> The Executive is also given authority to regulate and prohibit importations.</p> <p><sup>22</sup> The Executive may increase or reduce rates by as much as 50 and 30 percent, respectively.</p>
England. (See United Kingdom.)							
Finland	Yes <sup>23</sup>		No	No	No <sup>24</sup>	No	<p><sup>23</sup> The council of state may quadruple legislative rates on a legally specified list of (important) tariff numbers.</p>
France	No	Yes	No	Yes	Yes <sup>25</sup>	No	<p><sup>24</sup> By the Law of Feb. 28, 1934, the French President was given authority until Nov. 15, 1934, to change tariff rates subject to approval by Parliament.</p>
Germany <sup>26</sup>	Yes <sup>26</sup>	Yes <sup>27</sup>		Yes <sup>27</sup>	Yes <sup>27</sup>	Not specified	<p><sup>25</sup> Although by the so-called Enabling Act of Mar. 24, 1933, the German Legislature delegated general powers of legislation to the Government as an emergency measure, the latter continues to invoke particular authorizations previously granted to the cabinet either by the legislature or by the President (see note 26).</p> <p><sup>26</sup> The authorization indicated was delegated to the German "Government" by the President of the Reich, in the exercise of certain extraordinary powers granted him directly by the German constitution. The President's decree provided that executive decrees enacting tariff changes must be submitted to the Reichsrat (an upper chamber without legislative power) which can demand their repeal.</p> <p><sup>27</sup> By provision of the emergency law of Mar. 24, 1933, treaties relating to subject matter of national legislation do not require the approval of the legislature. The Government itself authorized the Minister of Foreign Affairs provisionally to put into force commercial agreements, in case of urgent economic necessity.</p>



Greece	No <sup>21</sup>	Yes	No	Yes	Yes, generally, <sup>21</sup>	Yes <sup>21</sup>	<sup>21</sup> The legislative maximum rates increased ten-fold in 1931 may be reduced under certain conditions stated, but not below the minimum rates set by the legislature. Import quotas need not be approved by legislature. <sup>22</sup> A permanent commission for study of tariffs and commercial treaties with Minister of Finance as chairman.
Haiti	Yes <sup>21</sup>		Not known		No	No	<sup>23</sup> The Executive is authorized to increase rates by as much as 50 percent in case of discriminations.
Hungary	Yes <sup>21</sup>		Yes <sup>21</sup>		Yes <sup>21</sup>	Not specified	<sup>21</sup> Tariff changes and decrees enforcing commercial agreements and treaty rates must be reported to the legislature. <sup>22</sup> The authority to put into force tariff changes contained in a treaty is contingent upon similar action by the other party to the treaty.
Italy	No	Yes	No	Yes	( <sup>21</sup> )	Yes	<sup>23</sup> As regards increases in duty (to be made according to need whenever important branches of Hungarian production so require) the Government has the obligation subsequently to restore the statutory rates. <sup>24</sup> Executive power is limited as regards tariff increases on goods from non-treaty States, and retaliatory surtaxes on goods from States discriminating against Italian products.
Japan <sup>25</sup>	No	No	No	No	No	Yes <sup>24</sup>	There is a tariff investigation commission. According to recent press reports, a "trade defense bill" has been introduced in the Japanese legislature, proposing to grant the Japanese Executive unlimited power over tariff rates, and over import and export restrictions.
Mexico	Yes <sup>24</sup>		( <sup>26</sup> )		Yes	Yes <sup>27</sup>	<sup>28</sup> Since 1917 the Executive has been given unqualified authority by Congress to change rates, with the requirement that the exercise of such powers be reported to the legislature in matters relating to the public treasury.
Netherlands	Yes <sup>28</sup>			No	( <sup>29</sup> )	No	<sup>29</sup> The Mexican Tariff Commission customarily recommends changes. <sup>30</sup> The administration may exempt a few legally specified articles from all duties, and articles not produced in the Netherlands from the surtaxes effective Jan. 1, 1934.
New Zealand		Yes		Yes	No	Yes <sup>31</sup>	There is a tariff commission.
Norway	No	No	No	No			<sup>31</sup> In 1932 the Executive readjusted a number of duties, for the declared purpose of protecting certain basic industries.
Panama	Yes <sup>32</sup>		Not known		Yes	( <sup>31</sup> )	<sup>32</sup> A tariff revision, to become effective in April 1934, has recently been completed by the Execu-

Summary tabulation of regulation of tariffs in foreign countries by administrative action, July 1, 1934—Continued

Country	Has Executive power to change rates—		Are treaty rates enforceable by Executive—		Can the Executive change rates without limit?	Is there special agency to advise on tariff matters?	Remarks
	Without reference to legislature?	Pending approval of legislature?	Without reference to legislature?	Pending ratification of treaty?			
Paraguay.....	Yes <sup>41</sup>		Not known		No <sup>42</sup>	No.....	tive with the advice of a congressional committee. <sup>43</sup> Changes are reported to the legislature after being made. <sup>44</sup> Increases <sup>45</sup> or reductions are limited to 60 percent of the rate.
Poland.....	No.....	Yes <sup>46</sup>	No.....	Yes <sup>47</sup>	( <sup>48</sup> ).....	No.....	<sup>49</sup> The administration by ministerial decree may raise any duty and may reduce or abolish duties on necessities and on products required by Polish industry, commerce, or agriculture and raise rates under certain conditions.
Portugal.....	Yes.....			Yes <sup>50</sup>	No <sup>51</sup>	Yes <sup>52</sup> .....	<sup>53</sup> There is an interdepartmental commission. The provisional agreements are to be negotiated on the basis of the rates in the minimum column of the Portuguese tariff. (See also note 47.) Denunciation of existing agreements, if necessary, is included in the grant of authority. <sup>54</sup> On Feb. 26, 1932, the Portuguese Legislature enacted additional duties, on imports generally, of 20 percent of existing rates, and authorized the Government to increase the additional duties up to 100 percent, or decrease them to 8 percent with respect to raw materials, machines, and apparatus for Portuguese industries. (See also note 47.) <sup>55</sup> But duties may be increased without limit in emergencies, under specified conditions. Import quotas do not require legislative approval. <sup>56</sup> The administration has unlimited control of foreign trade.
Rumania.....	No <sup>57</sup>	Yes.....	No.....	Yes.....	No.....	No.....	
Russia.....	Yes <sup>58</sup>						
South African Union.....	Yes.....			Yes.....	No.....	Yes; the Board of Trade and Industries.	
Spain.....	Yes.....			Yes <sup>59</sup>	Yes.....	Not specified.....	<sup>60</sup> Denunciation of existing agreements, if necessary, is included in the grant of authority.
Sweden.....	No.....	Yes <sup>61</sup>	No.....	No.....	No <sup>62</sup>	No.....	<sup>63</sup> The administration, by royal ordinance, when Parliament is not in session, may triple legislative rates and impose duties of 25 percent ad valorem on free goods.
Switzerland.....	Yes.....			Yes.....	Yes.....	Not specified.....	

Turkey.....	Yes <sup>41</sup>		Yes.....		No.....	Not specified.....	<sup>41</sup> The Council of Ministers is authorized to license and restrict importations; also to adopt countervailing measures and increase tariff rates in case of discriminations. <sup>42</sup> Tariff changes must be ratified by Parliament within 28 days. <sup>43</sup> There is an import duties advisory committee, which conducts investigations and makes recommendations to the treasury. The treasury issues orders changing duties, after consulting the board of trade as to possible effect of the proposed change upon industry. <sup>44</sup> Recently tariff changes have been made by executive decree, without submitting them to the legislature. <sup>45</sup> A recent commercial agreement with Brazil affecting tariff rates is understood to have been submitted to the legislature for approval, prior to execution. <sup>46</sup> The Executive may exempt from duty, prohibit importations, and increase or decrease rates of duty for reasons which he considers adequate. <sup>47</sup> Duties may be reduced 25 percent under commercial agreements. Penalty duties up to 25 percent ad valorem may be applied.
United Kingdom.....		Yes <sup>41</sup>		Yes <sup>41</sup>	No.....	Yes <sup>42</sup> .....	
Uruguay.....	Yes <sup>41</sup>		( <sup>43</sup> )		No.....	Not specified.....	
Venezuela.....	Yes <sup>41</sup>		Yes.....		No <sup>41</sup> .....	No.....	
Yugoslavia.....	No.....	Yes.....	No.....	Yes.....	Yes.....	No.....	

## TARIFF HISTORY OF THE UNITED STATES

(Excerpt from Dictionary of Tariff Information, pp. 751-757)

### Pre-Constitution era, 1781-88

During this period Congress, under the Articles of Confederation, possessed no power to levy customs duties. The separate States alone enjoyed this prerogative, and considerable rivalry and discrimination developed among them. Because of its disabilities, Congress was in constant financial difficulty and in embarrassment in dealing with foreign governments. With the adoption of the Constitution the power of levying import tariffs was withdrawn from the States and transferred to the Federal Government, and export duties were entirely prohibited. This action introduced and insured freedom of trade among the States and gave Congress the control of international trade relations.

### Tariff legislation from 1789 to 1934

*Tariff Act of 1789.*—At the close of the American Revolution the prevailing opinion of political leaders was in favor of freedom in trade relations. This was a natural consequence of the revolt against the restrictions and direct regulations that had been practiced by European countries. Following the war, however, foreign discriminatory legislation brought injury to American commerce.

In the formulation of the Tariff Act of 1789 the antagonistic interests of North and South in regard to protection of manufactures were already revealed. The South sought an unrestricted commerce that would promote a market for its agriculture and permit the purchase abroad of manufactured goods, the conditions of the production of which were not favorable in the South.

The act of July 4, 1789, provided for specific duties on more than 30 kinds of commodities; for ad valorem rates, varying from 7½ to 15 percent, on a few specified articles; and for a 5-percent duty on all articles not enumerated. It is estimated that the average rate of duty under this tariff, reduced to an ad valorem basis, was 8½ percent.

In the debate on the measure there was little fiscal generalization. The act was limited to 7 years, and the duration of the small changes and additions enacted from time to time during its operation was restricted. The statute also provided for important administrative details, such as the use of both ad valorem and specific duties, the granting of drawbacks on the exportation of goods imported, and the principle of discrimination against the shipping of foreign countries as a whole and against particular countries. Consideration was shown for the trade with the East; the specific duties placed upon teas were doubled if the importations were made in foreign vessels; and on all other goods imported from China or India in foreign ships there was the higher ad valorem rate of 12½ percent.

On goods imported in vessels built or owned entirely in the United States there was a discount of 10 percent on the duties.<sup>1</sup>

Shortly after the passage of this law a measure was adopted for regulating the collection of duties. The country was divided into collection districts; ports of entry and delivery were enumerated; and provision was made for the appointment of customs officers.

1790-1816.—In 1791 appeared Alexander Hamilton's *Report on Manufactures*, which suggested protection of American industries, but further than this there was at this period little serious discussion of tariff policy. Between 1794 and 1816, 24 acts were passed affecting tariff duties, but the changes were usually for the purpose of revenue, or in continuing previous laws of temporary duration.<sup>2</sup> In 1812 duties were doubled to furnish additional revenue for the war with Great Britain, the rates to continue one year after the establishment of peace. During the war exports from England to the United States were almost discontinued and American manufacturing, thrown on its own resources, expanded materially. When, however, peace was established in 1815 there was an outpouring of foreign goods into the American market and by 1816 imports were almost double those of any year before the war. The great influx of foreign goods was said to threaten ruin to the newly developed manufactures. Certainly, increased revenue was necessary to meet the war debt.

*Tariff Act of 1816.*—A report was prepared by Secretary of the Treasury Dallas in 1816 submitting a new tariff bill and stating the principles upon which the measure was formed. The collection of revenue was to be equitable and certain and the interests of agriculture, manufactures, trade, and navigation were to be conciliated. Articles of importation were to be arranged in three classes according to the degree of dependence upon foreign countries. The first class included commodities which could be manufactured in adequate supply at home, on which it was proposed to place duties sufficiently high to exclude foreign competition; the second class embraced articles partially supplied at home, which were to receive less protection; the third, articles not produced at home, and therefore to be subject to purely revenue duties.

The tariff bill finally introduced carried rates somewhat less than those recommended by Dallas. The new textile industries, threatened by English competition, were granted until 1819 a rate on woolens and cottons of 25 percent, while all-cotton cloths the original cost of which was less than 25 cents per square yard were deemed to have cost that sum and paid duties accordingly. This was the introduction of the minimum principle. The act also levied a 30 percent ad valorem duty on certain other goods, as hats, cabinet wares, manufactures of wood, carriages, leather together with its manufactures, and paper. Specific duties of 3 to 12 cents per pound were laid upon sugar.<sup>3</sup> In this act protection for the first time ceased to be incidental and became a direct object of the tariff. With the debate over this bill began the general discussion of the relative

<sup>1</sup> U.S. Stat., vol. 1, pp. 24, 27.

<sup>2</sup> *Cyclopedia of American Government*, New York, 1914, vol. III, p. 477.

<sup>3</sup> U.S. Stat., vol. 3, pp. 310-316.

advantages of free trade and protection. The Tariff Act of 1816, because of the obvious emergency, was supported by all parts of the country.

1818-27.—The tariff of 1816 did not protect iron products, which experienced competition from England, Sweden, and Russia. With the English iron a cheaper process was employed through the use of coke. Russia and Sweden enjoyed exceptional advantages in abundant wood and labor supplies. A special tariff act was passed in 1818, which raised the duties on iron. Considerable industrial and financial distress in 1819 was made the occasion for an unsuccessful attempt to raise duties. In 1824 a general revision was adopted which granted further protection to the manufacturers of wool, iron, hemp, lead, and glass; and duties were also raised on silks, linens, cutlery, and spices. A duty was imposed upon raw wool, and wool-growers became for the first time an important interest in the framing of American tariffs. Cheap wool was now taxed 15 percent and that valued over 10 cents a pound, 20 percent (to be 30 percent after 1826). The principle of minimum value was extended from cotton to woolen goods; imported hemp manufactures were taxed 25 percent; and on cotton goods the minimum valuation was raised so as to protect certain finer grades of fabric.

The debates revealed the contest of sectional interests; in general the bill was supported by a combination of the Western and Middle States and opposed by the planting interests of the South and the commercial interests of the East.<sup>4</sup> The northern agricultural States made much of the home-market argument.

*Tariff Act of 1828 ("tariff of abominations")*.—From 1824 there was constant agitation, led by the woolen manufacturers, for higher tariff rates. In 1827 the so-called "Mallery" bill, in harmony with these demands, almost passed the Senate. Its failure led to a combining of affected interests in a general campaign for increased protection. The tariff question thereupon became a matter of political expediency. The House committee which had charge of tariff measures (the Committee on Manufactures) was controlled by a majority which determined upon a novel method of defeating the proposed higher rates. The plan was to report a bill protective in character but carrying duties so heavy on raw materials that it would be repudiated by the New England manufacturing interests. Their idea was to force the bill to a vote without amendment, and then to unite with the disaffected interests in this defeat. The objectionable measure was thus brought to a vote, but to the surprise of the schemers was passed and became law. A feature of the act was the introduction of a compound duty on wool. Another provision was a system of classified valuations according to which woolen cloths costing not to exceed 50 cents were valued at that sum, cloths costing between 50 cents and \$1 were valued at \$1, those costing \$1 up to \$2.50 were valued at \$2.50, etc.<sup>5</sup> This was practically an extension of the minimum principle first applied to cottons in 1816. The system became a prolific source of under-valuation.

<sup>4</sup> Fetter, Frank A., *Economics, Modern Economic Problems*, New York, 1916, p. 224; *U.S. Stat.*, vol. 4, pp. 25-30.

<sup>5</sup> *U.S. Stat.*, vol. 4, pp. 270-275.

The Tariff Act of 1828 represented the extreme of protective legislation before the Civil War. It was generally condemned and derisively termed the "Black Tariff" and the "Tariff of Abominations."

The fiscal results of this tariff appear in the statistics of 1830, showing the average ad valorem rates on dutiable imports to be nearly 49 percent and on free and dutiable together to be over 45 percent.<sup>6</sup>

*Tariff Act of 1832.*—The Tariff Act of 1828 provoked not only discontent among manufacturers of the North but also violent southern opposition with threat of "nullification" and secession. The interests of the South, indeed, were the reverse of those of the North. Prevented by the quality of its labor from the development of manufacture, the South sought a wide foreign market for agricultural products, especially cotton, and unrestricted importation of foreign goods. Such a program the manufacturers of the North of course opposed. Perplexity was caused to the high protectionists, however, by the excessive customs revenues. Nevertheless, Henry Clay stoutly maintained the advantages of the "American system." Finally, from a maze of conflicting opinions emerged the Tariff Act of 1832. In substance the act abolished minimum valuation and restored in the main the protective system to the status it had occupied in the act of 1824. A number of the more striking objections to the act of 1828 were removed by this law. The duty on hemp, which had been \$60 a ton in 1831, was reduced to \$40. Flax, which had also been subjected to a duty of \$60 a ton under the law of 1828, was put on the free list. The duties on bar iron were restored to the rates of 1824. The rate on wool remained as a compound duty of 4 cents a pound and 40 percent, but cheap wool costing less than 8 cents a pound was admitted free of duty.<sup>7</sup>

*Tariff Act of 1833 (compromise tariff).*—After the passage of the tariff measure of 1832, southern opposition continued to be violent. In the same year South Carolina passed a nullification ordinance providing "that the tariff law of 1828, and the amendment to the same of 1832, are null and void and no law, nor binding upon this State, its officers and citizens." It was also declared, among other things, that no collection of the duties enjoined by that law should be permitted in the State of South Carolina after February 1, 1833. Although President Jackson immediately denied the right to such action he endeavored to conciliate the opposition, and eventually there was adopted a bill proposed by Henry Clay and known as the compromise tariff of 1833. The measure as adopted provided for a gradual reduction of all duties exceeding 20 percent. Between 1834 and 1842 duties were to be lowered by a biennial reduction of one-tenth of the excess over 20 percent; and in January and July 1842 the remaining excess was to be removed. The law also enlarged the free list, but, on the other hand, the high-tariff party secured provisions for home valuation of goods imported after 1842 and the abolition after 1842 of the credit system for payment of duties.<sup>8</sup>

<sup>6</sup> *U.S. Statistical Abstract*, 1918, p. 783.

<sup>7</sup> *U.S. Stat.*, vol. 4, pp. 583-594; Taussig, F. W., *Tariff History of the United States*, New York, 1914, p. 105.

<sup>8</sup> *U.S. Stat.*, vol. 4, pp. 629-631.

This arrangement, while unsatisfactory to protectionists and opposed as contrary to best fiscal methods, was generally regarded as a pledge and continued until 1842.

Failure to provide for methods of lowering specific duties in the contemplated reductions caused considerable difficulty. The scheme adopted for these cases brought about irregular reductions.<sup>9</sup>

The tariff changes provided in the law had in 1840 brought the average rate on dutiable goods down to 30 percent and on free and dutiable goods together to 15 percent.<sup>10</sup> The lowered rate, however, remained in effect only 2 months in 1842, when it was replaced by the new tariff act of that year.

*Tariff Act of 1842.*—With the depression of 1837-42 there was a serious decrease of Government revenues from the customs. Government receipts were insufficient to meet expenses and yet, in accordance with the act of 1833, further reductions were in sight. These considerations, among others, were urged in the passage in 1842 of a highly protective tariff act. Duties were increased, but not uniformly, to the level of the tariff of 1832. Specific duties were imposed wherever practicable. In accordance with a provision of the act of 1833, the credit system for the payment of duties was abolished. Hitherto credit had been granted to importers upon the giving of bonds for the payment of duties within a certain period. This was now discontinued and the payment of duties placed upon a cash basis; this was somewhat modified in 1846 by the establishment of the warehouse system.<sup>11</sup> The home valuation scheme provided in the Tariff Act of 1833 was discontinued soon after its inauguration in 1842.

*Tariff Act of 1846 (Walker tariff).*—A marked financial change had taken place since 1842; good times had come and there was an excess in the Public Treasury. Democratic success at the polls gave a favorable opportunity for tariff revision. The Secretary of the Treasury, Robert J. Walker, worked out and laid before Congress a plan of import duties which embraced the following principles:

1. No more money shall be collected than is necessary for the wants of the Government economically administered.
2. No duty shall be imposed on any article above the lowest rate which will yield the largest amount of revenue.
3. Below such rate, discrimination may be made, descending in the scale of duties; or for imperative reasons the article may be placed on the free list.
4. The maximum duty shall be imposed on luxuries.
5. All minimums and all specific duties shall be abolished and ad valorem duties substituted.
6. The duties shall be so imposed as to operate as equally as possible throughout the Union.

Congress accepted nearly all of the plan with one important exception; no duties were placed on tea and coffee.

The act was not exactly a free-trade measure. According to its terms articles of import were divided into various schedules, based on the rate levied, designated by letters of the alphabet as follows:

A, 100 percent: Brandy, spirits, etc.

<sup>9</sup> Taussig, *op. cit.*, p. 110.

<sup>10</sup> *U.S. Statistical Abstract*, 1918, p. 783.

<sup>11</sup> *U.S. Stat.*, vol. 5, pp. 548-567.



B, 40 percent: Spices, preserved fruits and meats, cigars, snuff and manufactured tobacco, cut glass, manufactures of cabinet woods, wines, etc.

C, 30 percent; D, 25 percent; E, 20 percent; F, 15 percent: Included the great bulk of commercial products.

G, 10 percent: Books, building stone, diamonds and other precious stones, watches, etc.

H, 5 percent: Various articles manufactured or in a low state of manufacture and used in existing industries.

I, Free: Coffee and tea, copper ore, cotton, and a few other commodities.<sup>12</sup>

The average rates under the act for its last 8 years (to 1857) were on dutiable goods 26 percent and on free and dutiable goods 23 percent.<sup>13</sup>

A change from specific to ad valorem duties was a feature. The method of appraisement of goods was also changed and defined more precisely by an amendment of 1851 providing that the valuation be based on the actual market value or wholesale price at the time of exportation to the United States, and that to this value be added the cost of packing or covering, the commission of the broker who sold the goods, the export duties if there were any, wharf duties, and the cost of putting the goods on board.

A system of Government warehouses was also established in which goods might lie under the custody of the Government with duty unpaid for a certain length of time or be reassorted and re-exported.

The country prospered for 11 years under this tariff.<sup>14</sup>

1857-71.—The tariff was again lowered in 1857 to provide for a reduction in a redundant revenue. The more important protective rates were decreased from 30 to a level of 24 percent. The average ad valorem rates under approximately 4 years of the act of 1857 were about 20 percent on dutiable and 16 percent on free and dutiable goods (the lowest in the century between 1812 and 1913). The reduction of rates in 1857 was made just at the time when the country was at the height of a wave of prosperity and speculation which culminated in the financial crisis of that year. As always at such times, the Government's revenues fell greatly after the crisis.

The first suggestion for the tariff of 1861 (Morrill tariff) was simply to restore the rates in the Walker Act of 1846. But the Morrill Act, which became a law just before Fort Sumter was fired upon, contained many higher rates, and its purpose was avowedly protective. An important change was the readoption of specific duties on many commodities, such as raw wool, cotton bagging, carpets, etc. Where ad valorem rates were continued a return was generally made to the duties of 1846.<sup>15</sup> The outbreak of the Civil War made increased revenues imperative. Tariffs were periodically raised until the average ad valorem rate mounted from 19 percent on dutiable goods in 1861 (under the law of 1857) to an average of 35 percent in the 3 years 1862-65.

<sup>12</sup> *U.S. Stat.*, vol. 9, pp. 42-49.

<sup>13</sup> Fetter, *op. cit.*, p. 225.

<sup>14</sup> Fetter, *op. cit.*, p. 225.

<sup>15</sup> Fetter, *op. cit.*, pp. 225-226; *U.S. Stat.*, vol. 12, pp. 178-198; 549-561.

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Failure to provide for methods of lowering specific duties in the contemplated reductions caused considerable difficulty. The scheme adopted for these cases brought about irregular reductions.<sup>9</sup>

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<sup>13</sup> Fetter, *op. cit.*, p. 225.

<sup>14</sup> Fetter, *op. cit.*, p. 225.

<sup>15</sup> Fetter, *op. cit.*, pp. 225-226; *U.S.Stat.*, vol. 12, pp. 178-198; 543-561.

The most important tariff acts of the war were those of 1862 and 1864, by which large increases were imposed on many articles. These acts were passed in connection with far-reaching and burdensome applications of internal-revenue taxes to many kinds of manufactures. The tariff rates were primarily intended to offset these imposts; to impose an additional duty on imports equal to the tax which had been put on the domestic article, as was said by the sponsors of the bills. These rates were similar in purpose to compensatory duties and in many cases were more than sufficient to offset the internal taxes. Under the last of these acts the duties collected in the 6 years from 1865 to 1870 averaged nearly 48 percent on dutiable and nearly 44 percent on free and dutiable goods.

Soon after the war the internal-revenue taxes began to be repealed one after another, and by 1872 nearly all those bearing upon general manufactures (apart from cigars and alcoholic beverages) had been abolished. The tariff, however, remained almost unaltered. In 1867 the duty on woolens was further raised, and in 1870 numerous increases were made in other duties having a protective character. Some reductions were effected, but almost exclusively on articles of a distinctly "revenue" character, such as tea, coffee, sugar, molasses, spices, and wines.<sup>16</sup> Since the imports by a process of selection came to consist of goods subject to lower rates, the relative statistics of average ad valorem duties collected in this period do not correspond with the actual increases in the rates. The higher rates operated to exclude relatively more than did the lower rates of the goods to which they applied, thus magnifying the trade under the lower rates.

1872-89.—In 1872 the country was again, as in 1857, nearing the crest of a wave of prosperity and of speculation. Imports and customs receipts attained new high points, and, despite the enormous reductions of internal-revenue taxation, the Government's receipts continued to be excessive. Largely to modify this condition the tariff legislation of 1872 transferred the important revenue articles, tea and coffee, to the free list, together with raw hides and paper stock and some other articles. The rate on salt was reduced one-half and that on coal almost as much. Many other specific rates were lowered, and the ad valorem rates on a long list of articles were decreased by 10 percent (*U.S. Stat. L.*, 17: 230-258). The average rate of the three (fiscal) years 1873 to 1875 was 39 percent on dutiable (a fall of 9) and 28 percent on free and dutiable goods together (a fall of 16). But Government revenues fell short in 1874, and in 1875 the 10-percent reductions were repealed (*U.S. Stat. L.*, 18: 340). From 1876 to 1883 (8 fiscal years) nearly a third of the imports consisted of goods on the free list. The average rate was 43 percent on dutiable and 30 percent on free and dutiable goods. In 1882, in response to a general demand for tariff changes, Congress authorized the appointment of a tariff commission, the chairman of which was the secretary of the Wool Manufacturers' Association.<sup>17</sup> The report of the commission proposed average reductions of from 20 to 25 percent, applying to commodities of necessary general consumption, such as sugar and molasses, rather than

<sup>16</sup> *U.S. Stat.*, vol. 13, pp. 202-218.

<sup>17</sup> Fetter, *op. cit.*, pp. 227-229; *U.S. Statistical Abstract*, 1918, p. 783.

to luxuries, and to raw rather than to manufactured materials. The legislation enacted in 1883 did not follow the recommendations of the commission. Some duties were lowered, while others were raised (*U.S. Stat. L.*, 22: 488-526). "The net results were almost nil." The average rates for the next 7 years, 1884-90, were 45 percent on dutiable goods (an increase of nearly 2 percent) and 30 percent on free and dutiable (unchanged as compared with the period ending 1883). No important tariff revisions followed until 1890.<sup>18</sup> Some attempts were, however, made to change the rates. In 1884 Mr. Morrison, of Illinois, introduced a bill by which a general reduction of 20 percent and the entire remission of duties on iron ore, coal, lumber, and other articles was proposed. This measure failed to pass the House. Somewhat more detailed reductions were proposed by Mr. Morrison in 1886, but were not seriously considered by Congress.<sup>19</sup>

In 1887 the tariff controversy was vitalized by the annual message of President Cleveland. The Mills bill was passed by the Democrats in the House distinctly as a party measure. This bill provided for the reduction of the duty on pig iron to \$6 a ton, fixed the duties on cottons at 35 or 40 percent (all specific duties on cottons being abolished), and made reductions of a similar sort, not often great in themselves but significant in principle, on other manufactures. The principal changes were on raw materials. Hemp, flax, lumber, and wool were put on the free list. The Republicans by way of counteraction prepared in the Senate, where they had a majority, a bill for changing the tariff system in the direction of further protection. The position of both parties was in this way sharply defined, and in the campaign of 1888 the tariff question was squarely presented to the electorate.<sup>20</sup>

*Tariff Act of 1890 (McKinley tariff).*—The Republican Party in 1888 had made a protective tariff the principal issue of the presidential campaign, and in 1890 Congress enacted the so-called McKinley Act. It reduced the duties on steel rails, on structural iron and steel, and on copper. It is said that the duties on steel rails and copper still remained at a prohibitive rate.<sup>21</sup> There was an extension of the free list embracing a number of articles of no great commercial importance. The act increased duties upon wool, woolen goods (particularly the finer grades), and dress goods; upon the finer cottons, lawns, laces, and embroideries; upon linens, silk laces, and plush goods; upon cutlery and tin plate; and upon barley, hemp, and flax. In some cases the duties were made practically prohibitory. The minimum-value principle was extended beyond the experiment of 1828. For woolen cloths, dress goods, cotton stockings, velvets and plushes, boiler and plate iron, penknives, shotguns and pistols, and table knives, classes were established based upon values. On some of these articles the minimum system had already been adopted in earlier acts; on others it was newly adopted in 1890. A duty of 2½ cents per pound, equivalent to about 70 percent, was imposed upon tin plate, which previously, although protected, had not been produced in the United States. The continuance of this

<sup>18</sup> Fetter, *op. cit.*, pp. 227-228; *U.S. Statistical Abstract*, 1918, p. 783.

<sup>19</sup> Taussig, *op. cit.*, pp. 251-252.

<sup>20</sup> Taussig, *op. cit.*, pp. 252-254.

<sup>21</sup> Taussig, *op. cit.*, p. 272.

duty was made subject to the condition that after the year 1897 tin plate should be admitted free of duty, unless the domestic production for some one year before that date should have equaled one-third of the importations during any one of the years between 1890 and 1896.

The duty on wheat went up from the former rate of 20 to 25 cents a bushel; that on corn was changed from 10 to 15 cents. Flax was increased from \$20 to \$22.40 per ton; dressed flax from \$40 to \$67.20.

In place of the duty on sugar, which was removed, a bounty of 2 cents per pound for 14 years was granted to domestic sugar producers.<sup>22</sup>

In the next 3 (fiscal) years, 1892-94, the average customs rate proved to be over 49 percent (or 4 percent increase) on dutiable articles, and 22 percent on free and dutiable goods, a fall of 8 percent from the average under the preceding law, the remission of sugar duties accounting for the most of this fall.<sup>23</sup>

The McKinley Act also provided for a system of commercial reciprocity and established a number of reforms of customs administration.

*Tariff Act of 1894 (Wilson-Gorman tariff).*—The Democrats had been returned to power in March 1893 with the distinct understanding that the tariff should be revised. Before action could be taken in this matter, however, a financial panic (some of the causes of which had for some time been accumulating) occurred in September 1893. Nevertheless the Democratic Party leaders, determined to carry out their pre-election pledges, and in August 1894 the so-called Gorman-Wilson tariff law was enacted. This bill was by no means satisfactory to those advocating tariff reform, and President Cleveland allowed it to become law without his signature. The changes made were not on the whole very great, but were nearly all in the direction of the lowering of the tariff.

Raw wool was placed on the free list, and some rates on woollens were reduced, but hardly more than enough to offset the effects upon manufacturers' costs of the abolition of the tariff on raw wool. Small reductions were made on cotton and on silk goods, on pig iron, steel rails, and many other articles; while the rates on coal, iron ore, chinaware, and tin plate were further cut. To offset the anticipated reduction in revenue a duty was again laid upon raw sugar, and an income tax was levied which was later declared unconstitutional.

Under this law the average rates for the 3 fiscal years 1894 to 1897 were 41 percent on dutiable and 21 percent on free and dutiable goods,<sup>24</sup> compared with 49 and 22 percent, respectively, under the McKinley tariff for 1892-94.

*Tariff Act of 1897 (Dingley tariff).*—The campaign of 1896 was waged almost solely on the issue of free silver. The Republicans, although winning the election, did not have a controlling majority in the Senate without the aid of silver votes. On the currency

<sup>22</sup> *Ibid.*, pp. 272-275; *U.S.Stat.*, vol. 26, pp. 567-625.

<sup>23</sup> *U.S. Statistical Abstract*, 1913, p. 783.

<sup>24</sup> *U.S.Stat.*, vol. 28, pp. 509-570; *U.S. Statistical Abstract*, p. 783; *Tausig, op. cit.*, pp. 284-320.

question the party, as such, could do nothing, and therefore greater occasion was offered for dealing with the tariff, especially in view of the annual deficits that were accumulating in the National Treasury. A special session of Congress was called and passed the so-termed "Dingley tariff", named after its principal author, the Chairman of the House Committee on Ways and Means. The act embodied an increase of protective rates. On some commodities the duties of 1890 were restored; on others compromises between the rates of 1890 and 1894 were accepted; and in a few instances the lower rates of the Wilson tariff were allowed to stand. Duties were reimposed on wool, increased on flax, cotton bagging, woollens, silks, and linens, and on certain manufactures of iron and steel. On coal there was a compromise; on iron and steel, duties were left practically unchanged. On sugar, which plays a more important part from a fiscal point of view, there was a radical revision; in place of the ad valorem rate of 40 percent on raw sugar, the duty was increased and made specific. The policy of free raw sugar, adopted by the Republican party of 1890, was definitely abandoned, for the need of revenue was urgent, and the slowly developing beet-sugar industry demanded protection.

The principle of reciprocity authorized by the McKinley tariff was again incorporated in the tariff system.<sup>26</sup>

The average rate, 52 percent, was the highest on dutiable goods during the first fiscal year of the law's operation, 1899, in the history of the country,<sup>26</sup> while on free and dutiable goods it was 30 percent. In practical operation, however, on account of the numerous specific duties, the average rate was steadily moderated by the rapid rise of the general price level. Also a treaty with Cuba, effective December 27, 1903, reduced by 20 percent the duty on sugar of Cuban origin. Steadily increasing quantities came in at this lower rate. The average rate of duties collected for the period of 12 years was 46 percent on dutiable and 26 percent on free and dutiable goods<sup>27</sup> compared with 41 and 21 percent, respectively, under the Gorman-Wilson tariff.

*Tariff Act of 1909 (Payne-Aldrich tariff)*, so called after the names of the respective Chairmen of the House Committee on Ways and Means and the Committee on Finance of the Senate. In 12 years the Dingley Act had become ill-adjusted to existing industrial conditions. Moreover, there was an increasing animosity toward trusts, whose growth was believed by many to be fostered by the tariff. The national Republican platform of 1908 declared that "the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable degree of profit." This was considered a basis of tariff revision.

It was estimated that the Tariff Act of 1909 reduced rates in 584 instances, affecting 20 percent of imports.<sup>28</sup> These changes included placing hides upon the free list (previously taxed 15 percent) and reducing the rate on leather, shoes, coal, lumber, iron ore, pig iron,

<sup>26</sup> *U.S. Stat.*, vol. 30, pp. 151-213.

<sup>27</sup> Average rate on 1922 tariff not known at time of writing.

<sup>28</sup> *U.S. Statistical Abstract*, 1918, p. 783.

<sup>29</sup> *Cyclopedia of American Government*, op. cit., vol. II, pp. 656-657.

and steel rails. On the other hand, rates were increased in 800 instances, including certain grades of cotton hosiery, zinc ore, silks, and a number of items in the cotton schedule. The wool and woollen duties were left intact, except for a reduction in the duty on wool tops and a slight reduction on yarns and dress goods. Similarly, the duties on sugar were left virtually untouched. It was, however, provided that raw sugar, not exceeding 300,000 tons per annum, should be admitted free of duty from the Philippine Islands.<sup>29</sup> In regard to its general effect, the first 2 full years of the Payne-Aldrich tariff showed, as compared with the last 2 years (1908-9) of the Dingley tariff, a decline of 2.38 percent on dutiable articles, and on free and dutiable goods 4 percent.<sup>30</sup> This act abandoned the principle of reciprocity and adopted the maximum and minimum principle. To assist the President in determining when the maximum duties should be applied, authority was given for the establishment of a tariff board.

*Tariff Act of 1913 (Underwood tariff).*—In the Sixty-second Congress (1911-13) the Democrats had a majority in the House only. The Senate was controlled by the Republicans. There was consequently no legislation finally enacted on the tariff. Some bills—on wools and woolens and on iron and steel—passed both Houses but were either vetoed by President Taft or lost in conference committee. In 1911, however, a reciprocity agreement was concluded with Canada and appropriate legislation was enacted by Congress, but reciprocity was rejected by Canada.

The Sixty-third Congress (1913-15) was controlled by the Democrats. President Wilson called an extra session soon after his inauguration, and the tariff was at once taken in hand. A bill for general revision had already been elaborated by the House Committee on Ways and Means during the hold-over session which ended in March 1913. This became the basis of the new bill. The act became a law October 3, 1913, and went into effect at once. The general features of the act were as follows:<sup>31</sup>

- (a) Considerable additions to the free list.
- (b) Abolition of compensatory duties corresponding with the old rates on raw materials.
- (c) Replacement of specific by ad valorem rates in many cases.
- (d) Taxation of plain kinds of goods less than fancy kinds—luxuries higher than necessities.
- (e) Reduction of rates generally (most of the few increases being to correct some evident error in the old law).
- (f) Application of the so-called "competitive" principle to rates intended to be protective.

Articles placed on the free list were in part raw wool (which had borne a rate equivalent to about 44 percent), iron,<sup>32</sup> agricultural implements, raw sugar (the reduction to go into effect gradually), coal, lumber, many agricultural products, including live cattle, meats, eggs, milk, cream, wheat, flour, corn, flax, tea, and hemp, and numerous manufactures, among these being leather boots

<sup>29</sup> *U.S. Stat.*, vol. 36; pp. 11-118.

<sup>30</sup> *U.S. Statistical Abstract*, 1922, p. 655.

<sup>31</sup> *Tausig, op. cit.*, pp. 409-424.

<sup>32</sup> See later in this article.



and shoes, gunpowder, wood pulp, and print paper. On almost all the woolen fabrics concerning which controversy had been waged the rate was reduced to 35 percent. Yarns were made dutiable at 18 percent, tops at 8 percent. The rates on carpets ranged from 20 to 35 percent. The 35-percent rate thus established was that of the act of 1867.

The rate on the lowest counts of cotton yarns was 5 percent. On the cheapest grade of unprinted and unbleached cotton cloths it was 7½ percent. For finer grades the rates rose progressively, the highest on yarns and on plain cloths being 27½ percent. An additional duty of 2½ percent was imposed in all cases on cloths bleached, dyed, printed, or mercerized. The maximum duty on cloths was thus 30 percent. On ordinary hosiery the rate was 20 percent; but on hosiery fashioned and shaped comparatively high duties were retained—30 percent if the value was 70 cents per dozen or less, 50 percent if the value exceeded \$1.20 per dozen. Cotton knit goods, in general, were dutiable at 30 percent and manufactures of cotton n.s.p.f. at 30 percent. Cotton gloves were dutiable at 35 percent. All the duties on cotton goods were ad valorem rates.

On some of these goods the reduction was nominal, since the goods had not been imported under the old rates and would not be under the new ones.

The duties on silks were readjusted on the same principles as those on cottons. Ad valorem duties were substituted throughout for specific. The general rate on silk fabrics was made 45 percent; on velvets and plushes, 50 percent.

On pottery and earthenware the following changes were made:

	Act of 1909	Act of 1913
	Percent	Percent
Earthenware and crockery, not colored or ornamented.....	55	35
Crockery, colored or ornamented.....	60	40
China and porcelain ware, not colored or ornamented.....	65	50
China and porcelain ware, colored or ornamented.....	60	55

The progressive reduction of duties upon iron and steel which had begun in 1890 was carried further. The following were made free of duty: Iron ore, pig iron, scrap iron (already made free in 1909), iron in slabs and blooms, Bessemer steel ingots, steel rails, and those forms of crude iron which are used for admixture in the steel-making processes, such as spiegeleisen and ferromanganese.

Moderate ad valorem duties were imposed on other manufactures of iron, rising as the products became further advanced beyond the crude stage. Bar iron, for example, was dutiable at 5 percent, steel bars at 8 percent, structural shapes at 10 percent, tin plates at 15 percent, tubes and pipes at 20 percent. The dragnet clause, on manufactures of iron and steel "not otherwise provided for", imposed 20 percent as compared with 45 percent in the previous act.

Hides remained free.<sup>32</sup> Rates on various luxuries were either unchanged or raised. Left almost unchanged were the schedules for tobacco, spirits, and wines.

<sup>32</sup> *U.S. Stat.*, vol. 38, pp. 114-203; *Fetter, op. cit.*, pp. 234-235; *Taussig, op. cit.*, 1914 ed., pp. 409-449.

This act had been in operation about 9 months when the World War broke out in August 1914. The first 8 months that the act was in operation the ad valorem rate on dutiable goods proved to be 36 percent (about 4 percent less than in the preceding year) and the rate on free and dutiable together about 14 percent (over 3 percent less than in the preceding year). Commerce was so disturbed during the war that comparisons for that period would be misleading.

The reduction in the average ad valorem rate was less than expected. Many of the reductions had little effect, the former rate having been much higher than was needed to exclude the goods. In other cases the old rates were but nominal and inoperative because they were upon goods regularly exported, not imported (e.g., farm products, cotton goods, and some other manufactures).<sup>24</sup>

The provisions for maximum and minimum duties established in 1909 were dropped entirely. The regulations governing customs administration were also in part rewritten.<sup>25</sup>

*Emergency tariff, 1921.*—This act increased duties on a number of the principal agricultural products, and provided measures opposing dumping. New regulations for the conversion of foreign currency were also instituted. A qualified embargo was placed upon dyes and certain other chemicals.<sup>26</sup>

*Tariff Act of 1922 (Fordney-McCumber tariff),*<sup>27</sup> a Republican tariff.

Changes in economic conditions resulting from the World War required numerous readjustments in our trade relations with foreign countries, some of which were sought through a revision of the tariff.

In general, this tariff adjustment took the form of increased rates. The enactment of higher duties in 1922 may be attributed to many causes, the chief of which were as follows:

(1) Fear of excessive imports following the cessation of hostilities and the return to more normal conditions.

(2) The demand for higher duties by a number of industries, especially chemical and mineral, newly created or greatly expanded as a result of the extraordinary demands made upon them by the shutting off of foreign sources of supply during the war.

(3) The increased competition encountered by staple agricultural products resulting from overproduction in domestic areas under the stimulus of war conditions and the return to production of low-cost areas developed during the war as well as by the return to production in various war areas.

(4) The demand that industries producing material essential to war be encouraged.

(5) Changes in economic conditions resulting from depreciation of currency in many European countries and from the depression of 1921.

This revision was undertaken in January 1921, when the Committee on Ways and Means of the House of Representatives began

<sup>24</sup> Fetter, *op. cit.*, pp. 234-236.

<sup>25</sup> Taussig, *op. cit.*, pp. 409-449.

<sup>26</sup> *U.S. Stat.*, vol. 42, pp. 9-18.

<sup>27</sup> Material under this caption not taken from Dictionary of Tariff Information but prepared by the U.S. Tariff Commission.

public hearings preparatory to a general tariff revision. The bill which was finally passed as the Tariff Act of 1922 was introduced in the House of Representatives on June 29, 1921. On September 21, 1922, this bill was signed by the President.

The 1922 Tariff Act revised the procedural laws mainly in accordance with a report of the Tariff Commission and contained new administrative provisions affecting tariff rates. Among the latter was section 315, authorizing the President to increase or decrease existing rates of duty by 50 percent, after investigation by the Tariff Commission, in order to equalize foreign and domestic costs of production.

Section 316 of the act provided that additional duties, or, in extreme cases, exclusion of merchandise from entry, might be imposed for unfair competition in the importation and/or sale of foreign goods in the United States.

Section 317 of the act authorized the President to impose new or additional duties or prohibitions upon goods of foreign countries discriminating against the commerce of the United States, including products of any foreign country receiving special benefits from the existence of discriminations against the United States.

The customs administrative laws were materially improved in the Tariff Act of 1922. These various laws had theretofore been scattered through the statutes. Some of them had become wholly or in part obsolete or had been superseded, but had never been expressly repealed; others were redundant, ambiguous, or no longer suited to the conditions of the times. The Tariff Act of 1922 brought together in one place all laws governing the collection of duties on imports and provided for the repeal of all laws and parts of laws inconsistent with the provisions of the act.

The following table compares for the Tariff Acts of 1913 and 1922 the average percentages that the duty collected bore to the value of imports.

*Equivalent ad valorem rates of duty on dutiable merchandise under the Tariff Acts of 1913 and 1922,<sup>1</sup> based on imports in the years 1914 and 1926, respectively*

	Fiscal year 1914	Calendar year 1926
	Percent	Percent
Chemicals, oils, and paints.....	22	20
Earthen, earthenware, and glassware.....	40	47
Metals and manufactures of.....	24	32
Wood and manufactures of.....	13	24
Sugar, molasses and manufactures of.....	57	71
Tobacco and manufactures of.....	83	54
Agricultural products and provisions.....	20	24
Spirits, wines, and other beverages.....	90	39
Manufactures of cotton.....	28	34
Flax, hemp, and jute, and manufactures of.....	35	18
Wool and manufactures of.....	48	50
Silk and silk goods.....	45	55
Pulp, papers, and books.....	22	24
Sundries.....	34	38
<b>Total.....</b>	<b>38</b>	<b>29</b>

<sup>1</sup> United States Statistical Abstract, 1926, pp. 551-553.

*Tariff Act of 1930 (Hawley-Smoot tariff).*<sup>17</sup>—Some sections of agriculture in the United States had failed to share in the unusual prosperity that followed the depression of 1921. These groups demanded various kinds of assistance by legislative action. According to the statements of farm leaders, this assistance was to be given by a closer reservation to the farmer of home market for oils and fats, dairy products, hides and skins, and numerous other agricultural products. The tariff upon staple agricultural exports was to be made effective by a debenture plan or some other means of removing the domestic surplus. Agricultural leaders also proposed the reduction of some industrial tariffs to better equalize industrial and agricultural prices. Certain industries also were experiencing increased competition from imports of foreign goods and demanded more protection.

In January 1929 hearings were begun on what was expected to be a limited tariff revision in behalf of the farmers and for the correction of a few other rates and some inequalities. However, as the hearings progressed it became plain that the revision would be much more general than was at first intended.

One of the movements leading up to the tariff revision of 1930—the demand for an export debenture—failed in the legislation which followed. The new tariff act became effective June 18, 1930. Some of the increases in industrial rates were made to compensate for the higher duties upon raw materials.

The following table shows the equivalent ad valorem rates of duty upon the several groups of imports in 1928 and the computed duty on the same imports under the 1930 tariff act.

*Equivalent ad valorem rates on dutiable merchandise under Tariff Acts of 1922 and 1930, based on imports of 1928<sup>1</sup>*

Schedule	Act of 1922	Act of 1930
	Percent	Percent
Chemicals, oils, and paints.....	30	36
Earths, earthenware, and glassware.....	49	54
Metals and manufactures of.....	34	35
Wood and manufactures of.....	25	12
Sugar, molasses, and manufactures of.....	68	77
Tobacco and manufactures of.....	63	55
Agricultural products and provisions.....	33	35
Spirits, wines, and other beverages.....	30	47
Manufactures of cotton.....	40	46
Flax, hemp, and jute, and manufactures of.....	18	19
Wool and manufactures of.....	50	60
Manufactures of silk.....	57	59
Manufactures of rayon or other synthetic textile.....	52	54
Paper and books.....	25	26
Sundries.....	37	38
Total.....	38	41

<sup>1</sup> U.S. Tariff Commission, Comparison of Rates of Duty in the Tariff Act of 1930 and in the Tariff Act of 1922, p. 2.

The continuance of the depression, which had started in 1929, led to considerable emergency legislation in 1932 and 1933. There follows a discussion of this legislation as it relates to tariffs.

*National Industrial Recovery Act.*<sup>18</sup>—As part of the program of the new Democratic administration for the recovery of business and

<sup>17</sup> Material under this caption not taken from Dictionary of Tariff Information, but prepared by the U.S. Tariff Commission.

return of prosperity the Seventy-third Congress in June 1933, passed the National Industrial Recovery Act, providing for the general improvement of conditions of industry by shortening hours of labor, increasing wages, reducing unemployment, increasing prices, and by eliminating unfair trade practices. These objectives were to be obtained by the adoption of "codes of fair competition." In this act Congress included section 3 (e) as a protective measure against foreign competition for industries operating under codes of fair practice. This gave the President the power to regulate imports when they rendered ineffective or threatened the maintenance of codes and agreements. It provided for an investigation by the Tariff Commission at the request of the President to assist in carrying out the provisions of the section. If, after such investigation, the President found the existence of such facts, he was empowered to direct that the article or articles concerned be imported into the United States only under the terms or conditions prescribed by him in order that the entry thereof would not endanger the maintenance of codes or agreements made under the provisions of this law.

*The Revenue Acts of 1932 and 1934* impose taxes on imports of certain articles included in the free list of the Tariff Act of 1930. A special provision in the 1932 revenue law specifically states that none of these taxes on imports shall be considered a duty for the purposes of section 336 of the Tariff Act of 1930 (the so-called "flexible tariff provision"). They therefore cannot be changed under that section.

*Reciprocal trade agreements.*<sup>87</sup>—On March 2, 1934, the President sent a message to Congress asking that legislation be passed giving him power, for the next 3 years, to enter into reciprocal trade agreements with foreign countries. The purpose of the legislation is given in the message which follows:

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A REQUEST TO AUTHORIZE THE EXECUTIVE TO ENTER INTO EXECUTIVE COMMERCIAL AGREEMENTS WITH FOREIGN NATIONS

*To the Congress:*

I am requesting the Congress to authorize the Executive to enter into executive commercial agreements with foreign nations; and in pursuance thereof within carefully guarded limits to modify existing duties and import restrictions in such a way as will benefit American agriculture and industry.

This action seems opportune and necessary at this time for several reasons.

First, world trade has declined with startling rapidity. Measured in terms of the volume of goods in 1933, it has been reduced to approximately 70 percent of its 1929 volume; measured in terms of dollars, it has fallen to 35 percent. The drop in the foreign trade of the United States has been even sharper. Our exports in 1933 were but 52 percent of the 1929 volume, and 32 percent of the 1929 value.

This has meant idle hands, still machines, ships tied to their docks, despairing farm households, and hungry industrial families. It has made infinitely more difficult the planning for economic readjustment in which the Government is now engaged.

You and I know that the world does not stand still; that trade movements and relations once interrupted can with the utmost difficulty be restored; that even in tranquil and prosperous times there is a constant shifting of trade channels.

How much greater, how much more violent is the shifting in these times of change and of stress is clear from the record of current history. Every nation

<sup>87</sup> Material under this caption not taken from Dictionary of Tariff Information, but prepared by the U.S. Tariff Commission.

must at all times be in a position quickly to adjust its taxes and tariffs to meet sudden changes and avoid severe fluctuations in both its exports and its imports.

You and I know, too, that it is important that the country possess within its borders a necessary diversity and balance to maintain a rounded national life, that it must sustain activities vital to national defense and that such interests cannot be sacrificed for passing advantage. Equally clear is the fact that a full and permanent domestic recovery depends in part upon a revived and strengthened international trade and that American exports cannot be permanently increased without a corresponding increase in imports.

Second, other governments are to an ever-increasing extent winning their share of international trade by negotiated reciprocal trade agreements. If American agricultural and industrial interests are to retain their deserved place in this trade, the American Government must be in a position to bargain for that place with other governments by rapid and decisive negotiation based upon a carefully considered program, and to grant with discernment corresponding opportunities in the American market for foreign products supplementary to our own.

If the American Government is not in a position to make fair offers for fair opportunities, its trade will be superseded. If it is not in a position at a given moment rapidly to alter the terms on which it is willing to deal with other countries, it cannot adequately protect its trade against discriminations and against bargains injurious to its interests. Furthermore, a promise to which prompt effect cannot be given is not an inducement which can pass current at par in commercial negotiations.

For this reason any smaller degree of authority in the hands of the Executive would be ineffective. The executive branches of virtually all other important trading countries already possess some such power.

I would emphasize that quick results are not to be expected. The successful building up of trade without injury to American producers depends upon a cautious and gradual evolution of plans.

The disposition of other countries to grant an improved place to American products should be carefully sounded and considered; upon the attitude of each must somewhat depend our future course of action. With countries which are unwilling to abandon purely restrictive national programs, or to make concessions toward the reestablishment of international trade, no headway will be possible.

The exercise of the authority which I propose must be carefully weighed in the light of the latest information so as to give assurance that no sound and important American interest will be injuriously disturbed. The adjustment of our foreign-trade relations must rest on the premise of undertaking to benefit and not to injure such interests. In a time of difficulty and unemployment such as this, the highest consideration of the position of the different branches of American production is required.

From the policy of reciprocal negotiation which is in prospect, I hope in time that definite gains will result to American agriculture and industry.

Important branches of our agriculture, such as cotton, tobacco, hog products, rice, cereal, and fruit raising, and those branches of American industry whose mass production methods have led the world, will find expanded opportunities and productive capacity in foreign markets, and will thereby be spared in part, at least, the heartbreaking readjustments that must be necessary if the shrinkage of American foreign commerce remains permanent.

A resumption of international trade cannot but improve the general situation of other countries, and thus increase their purchasing power. Let us well remember that this in turn spells increased opportunity for American sales.

Legislation such as this is an essential step in the program of national economic recovery which the Congress has elaborated during the past year. It is part of an emergency program necessitated by the economic crisis through which we are passing. It should provide that the trade agreements shall be terminable within a period not to exceed 3 years; a shorter period probably would not suffice for putting the program into effect. In its execution the Executive must, of course, pay due heed to the requirements of other branches of our recovery program, such as the National Industrial Recovery Act.

I hope for early action. The many immediate situations in the field of international trade that today await our attention can thus be met effectively and with the least possible delay.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, March 2, 1934.

On the day the President's message was received a bill to grant this power to the President was introduced in the House of Representatives, where legislation relating to revenue originates. The bill was finally passed by both Houses of Congress on June 6, 1934, and was signed by the President on June 12, 1934.

The law gives the President the power to negotiate reciprocal trade agreements with foreign countries and provides that public notice of the intention to negotiate such agreements be given to interested persons so that they may have opportunity to present their views. The law further provides that the President, before concluding these agreements, shall seek information and advice from the United States Tariff Commission and from the Departments of State, Agriculture, and Commerce.

When the foreign-trade agreements have been entered into, the President proclaims the changes in duties or restrictions placed upon imports and other terms of the agreement. It is provided, however, that no proclamation shall be made increasing or decreasing an existing rate of duty more than 50 percent nor may there be any transfer of articles between the dutiable and the free lists. Provisions of proclamations shall apply to all countries not discriminating against the commerce of the United States. The changes provided for in the proclamation become effective at such time as is specified in the proclamation. Continuance of exclusive preferential treatment to Cuban products is provided for. The President may at any time terminate the proclamation in whole or in part.

The authority granted to the President in this law terminates in 3 years from the date of the enactment of the law. There is no time limit placed, however, on the duration of an agreement.

(See Tariff History, p. 70, for information with respect to foreign countries where executive power is exercised regarding tariff matters.)

*Foreign-trade zones*<sup>87</sup> which were the subject of a report made by the Commission in 1919 to the Congress, were provided for by act of June 18, 1934. The purpose of this act is to expedite and encourage foreign commerce, by permitting foreign goods to be brought into designated zones for manipulation but not for manufacture or exhibition and shipment to foreign countries without payment of duty or for consumption in the United States upon payment of duty. The Secretaries of the Treasury, War, and Commerce constitute a board to carry out the provisions of the act.

<sup>87</sup> Material under this caption not taken from Dictionary of Tariff Information but prepared by the U.S. Tariff Commission.

## FREE TRADE

(Excerpt from Dictionary of Tariff Information, pp. 355-356)

### DEFINITION OF TERM

"Free trade means that exchange between countries shall take place without measures that cause the domestic production of articles which in the absence of restriction would be imported. It does not mean that there shall be no duties and no restrictions. The imposition of revenue duties on articles that would not be made at home even after the duties have been imposed (on tea or coffee, for example) is not inconsistent with the principle of free trade. Neither is the imposition of duties on other articles, if an internal tax at precisely the same rate is levied on these articles when made within the country."<sup>1</sup> This is the significance commonly attached to the term "free trade" in contemporary discussions. It should be remembered, however, that this is the popular and not an accurate use of the term. Thus the trade of Algeria with France, or of the Philippines with the United States, is free, but it is not free with the rest of the world, although the restrictions imposed are not intended to promote production in Algeria or the Philippines. Earlier writers were more accurate in their use of the term and did not employ it merely in contradistinction to "protection." The idea of free trade arose as a remonstrance against excessive governmental interference with commerce, an interference that was especially marked in the seventeenth and eighteenth centuries. The idea was promoted by the physiocrats and found more complete expression in the writings of David Hume and Adam Smith. A theory of international commerce which supported free exchange was further developed by David Ricardo, John Stuart Mill, and John Elliot Cairnes. Free trade early in the nineteenth century became an active political question in England, and in the fifties was finally adopted as the national policy. Its philosophy was widely accepted and became incorporated in the laws of a number of nations. England, Denmark, Holland, Sweden, and some Asiatic countries have been in recent years the main exponents of free trade.

The United States from 1832 to 1857, with the exception of the tariff of 1842, followed a policy of lowering her tariffs. Some reduction of the tariff also occurred under Democratic administrations in 1894 and 1913.

Germany turned toward a decided protective policy about 1879.

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<sup>1</sup> Taussig, F. W., in *Cyclopedia of American Government*, 1914. References: Chiozza-Money, *Elements of the Fiscal Problems*, London, 1903; Pierce, Franklin, *The Tariff and the Trusts*, New York, 1913; Pigou, A. C., *Protective and Preferential Import Duties*, London, 1906; Eaton, Amasa M., *Free Trade v. Protection*, Chicago 1913; any good textbook on economics.



## ARGUMENTS ADVANCED BY ITS ADVOCATES

The principal arguments that have been advanced for free trade may be grouped under the following headings:

**Domestic production and prices**

1. Free trade permits geographic division of labor, and therefore greater production.
2. By diverting labor and capital into industries for which a country enjoys fewer natural advantages, tariffs tend to reduce production and to raise costs.
3. Free trade favors competition, and thus efficiency and improvement in methods.
4. Tariffs, by shutting off foreign competition, encourage the growth of trusts and monopolies.
5. Unavoidable revisions in the tariff cause uncertainty, and thus deter business and industry.
6. Tariffs frequently cause overproduction in certain lines.
7. Tariffs increase prices and the cost of living.
8. Tariffs, by increasing prices, reduce demand, and this has an unfavorable effect upon production.
9. Tariffs affect production adversely by increasing the prices of raw materials.
10. The protection rendered to the favored industries is really a subsidy paid by the consuming public, and frequently enables the manufacturer to sell abroad below cost, charging the difference to the domestic consumer.
11. Tariffs cannot benefit producers who must export their goods; thus they burden some industries in order to foster others.

**Foreign trade**

1. Protective tariffs levied by one country cause other countries to raise barriers.
2. By preventing the importation of goods, tariffs diminish the means of payment for exported goods, and thus weaken the foreign market.
3. By increasing home prices, tariffs force foreign buyers to go to other markets where prices are lower.

**Social and international relations**

1. Protective tariffs favor certain classes at the expense of others and thus create class animosity.
2. They put the legislative body under temptations.
3. Restrictive trade measures directed by States against their neighbors tend to arouse suspicion and ill will; this necessitates immense armaments and these in turn high taxes.
4. Free trade promotes international peace by strengthening commercial ties and removing arbitrary exclusion.
5. Protective tariffs do not operate equally among producers protected, those of low and those of high producing costs benefiting only accordingly.

**Administration of customs tariffs**

1. With the continued greater specialization of production, tariffs become ever more difficult to formulate and administer and this gives increased opportunity for confusion and fraud, and produces delay and uncertainty with a bad effect upon commerce.

2. Tariff duties are costly to collect.

3. It is asserted that tariff rates cannot be accurately adjusted to industrial needs. There are thousands of varieties of articles entering commerce. This variety renders impracticable the application to all of an exact standard of protection, such as the equalization of foreign and domestic costs of production.

It is obvious that Congress cannot enumerate all the articles entering into commerce, much less can it bring to bear upon each the knowledge of foreign and domestic costs necessary to determine what rate will equalize them. Resort is therefore commonly had to classes and subclasses of dutiable articles, of which there are many hundreds in the Tariff Act of 1922. Some particular article in each class is taken, perforce, as representative. As a result only a small percentage at best of the dutiable units, with their domestic and foreign costs and prices, comes under the actual observation of the rate maker. Much the larger proportion receives no itemized consideration and is included in classes.

It is argued that wholly unintended results may follow the employment of such class generalizations; articles that neither are nor are likely or intended to be produced at home may be inadvertently subjected to the payment of duties. The effect would be to discourage or prohibit a desirable importation. Again, other articles the limitation of whose import is sought are admitted freely.

## PROTECTION

(Excerpt from Dictionary of Tariff Information, pp. 600-603)

### DEFINITION OF TERM

This term is broadly applied to various forms of customs tariffs, embargoes, bounties, administrative measures, etc., designed to promote domestic production by counteracting, overcoming, or preventing foreign competition, either by diminishing the power of the foreign competitor by creating against him a barrier of defense or by strengthening domestic resources. Tariffs, bounties, etc., may also be employed to adjust and control domestic forces of production for other reasons than those of foreign competition.

Protective measures in the above sense have been employed since the earliest times and today probably occupy as important a place in the economic and political life of the nations as ever.

### FUNDAMENTAL CONCEPTION OF THE THEORY

At this place may be given a brief outline of some of the fundamental conceptions in the theory of protection not elsewhere discussed as well as a summary of the current arguments for protection.

A study of the history and present aspects of protection seems to point to its basic cause in the struggle for existence and supremacy between different national groups or to the struggle for survival of various interests concerned with production within a national group. Whether such struggles, and the accompanying contests, are unavoidable, or are the result of baseless fears and suspicions, need not here be discussed. It is a reasonable hope that the increasing intelligence of man will more and more substitute cooperation for conflict and rational control for the clash of blind economic forces.

One of the causes of international conflict appears to be the tendency of population to outrun available supplies. The ensuing struggle for existence takes multitudinous forms. The individuals who evolve a better adaptation to conditions tend to supplant the less adapted. When man reaches a conscious organization, however, new forces enter. Adaptation to the existing environment ceases to be a supreme end. Independent ideals are set up irrespective of their relation to adaptation. For example, it is possible that the energy spent by the American Nation in providing styles in costume does not add to its adaptation to environment. Nations that care less for style, other things being equal, may in an unrestricted field of competition eventually supplant the American group. Irrespective of this fact, style has been set up by Americans as in a certain measure an end in itself. Therefore, to maintain this ideal, an effort may be made by various protective measures to limit or modify the field of unrestricted competition.

America has set up as a self-sufficient ideal a certain standard of living. This standard may, but again it may not, be compatible with the greatest productive efficiency. It is maintained by some that a high standard of living is always a sign of efficiency, and in a certain sense this may be so. But it is not true that all standards which a people set up as desirable are productive of greatest efficiency. It is possible that another nation, by adopting a different standard, could manufacture many articles with a lower human expenditure than could the United States. The validity of our ideal, however, makes us unwilling to modify our standard from the consideration of efficiency alone. Therefore, when the competition becomes severe various protective measures may be attempted.

Two questions arise here. The first question is this: Are there not means by which efficiency can be increased without modifying the standard in objectionable ways? In answer it must be said that to a large extent efficiency may be so enhanced. Up to a certain point, indeed, the higher standard of living *adds* to the net efficiency. When competition becomes threatening it would seem proper to endeavor in every way consistent with the national ideals to increase productive efficiency. Perhaps the stage has never been reached where international competition could not be met by activity in this direction. Nevertheless, theoretically speaking, it is possible that the time would come when it would be necessary for survival to modify the standard of living in an undesired manner or to apply various conscious protective measures in the field of competition.

At this point arises the second question: In the matter of international commerce does absolute productive efficiency make any difference, and, if so, how is it possible to modify its results by various measures of protection?

According to the accepted principles of economics it is comparative cost rather than absolute cost of production that determines trade. In other words, the fact that one individual is more efficient in producing an article than a second person is no reason in itself that the first person will produce the article and exchange it for something else with the second person. That the people of one country are more efficient in production than those in a second country is in itself no reason why imports from the first will flood the markets of the second. Trade is a *reciprocal* act and the more efficient cannot invade the markets of others unless the latter are efficient enough to produce something for them. Consequently, mere superiority in productive efficiency of foreign nations cannot drive their competitors out of business as a whole, though their possible military superiority, arising from greater productive efficiency, might result in disastrous defeat in case of war.

The danger from the international competitive struggle lies in a somewhat different direction. In the first place, a superior efficiency of foreign nations might to a greater or less extent prevent the selling of goods in certain foreign markets. Having little to sell, it might be difficult for others to obtain sufficient raw materials abroad for their own use. But in this case it is difficult to see how any of the various protective measures could greatly help the situation, as they could not apply to foreign conditions and could not much aid in our ability to compete in foreign markets.

In a second way foreign efficiency can also affect our own national economy. Foreign trade is not normally carried on between Governments but between private concerns, and its influence upon these private relations may profoundly affect the economic life of the nation. The following point of view has been advanced: Suppose circumstances so developed that the Japanese obtained the standard mechanical equipment of Europe, as well as equally good access to manufacturing materials as we possess ourselves. It is reasonable to suppose that the Japanese workman may become quite as efficient as our own in most of the mechanical operations of manufacture. His lower consumption of food and other necessaries would, in such an event, make him a more economical producer than our manufacturing workman. For the same amount of supplies he could exchange a greater quantity of many manufactured goods in our own markets than our own manufacturer. (Optimists might point out that the increased wants of the Japanese would keep pace with his greater effectiveness, but various circumstances might retain his consumption on former levels, while his productive powers increased.) This would lead our agricultural producers to exchange their products for Japanese in preference to American wares. Thus a large part of American manufacturing might become superfluous. Those thus thrown out of employment would supposedly to a great extent seek occupation in agriculture. It is conceivable however, that our available agricultural land would all be possessed, and also be in that state of cultivation where it was yielding a maximum profit to its owners. Existing wages might be at a minimum acceptable standard, and greater application of labor, if paid the minimum wage, under diminishing returns might detract rather than add to the surplus left for the owners. In such a case the dispossessed manufacturing group would be without resources, and in the long run this part of the population would be eliminated. The remaining part—the agricultural group—might be in an improved economic position because of the Japanese trade, but the total population would probably be diminished.

The above description presents an extreme case, but under the system of private property a tendency of the nature described exists. It is a tendency of a foreign group of producers to render superfluous and displace a domestic group. Such a displacement may upon occasion be advantageous to the nation, but in other cases, as in the one assumed above, might diminish the total product. It is this tendency that the various protective measures may be designed to regulate.

As another example, suppose that in spite of our generally superior agricultural resources there is a large section of our country adapted to raising wheat and little else. It is possible that foreign wheat could be delivered in the domestic market more cheaply than the wheat supply referred to above. Those farmers who raise other things and those manufacturers<sup>1</sup> who *can* sell abroad would find it to their advantage, even at a very small margin, to import wheat in exchange for their goods. Free trade would mean the elimination

<sup>1</sup> Suppose the output of these groups is limited by restricted natural resources to about present production.

of a part of the domestic wheat industry described above. This would throw out of employment the workers therein concerned and have a tendency to reduce wages. The latter, let it be assumed, is against national policy. Under the supposed circumstances, it is possible that a small tariff on wheat would protect an important industry. The import duties, though involving a certain national cost in higher prices, might make possible a much greater total production.

Still another example may be given. Suppose that we possess considerable lead resources, but that foreign supplies are somewhat more advantageously produced than our own. Under free trade our production might be *nil*. It is possible that a tariff that would add very little to the cost would just make it possible to exploit large domestic resources. In such cases it is held that the tariff may increase the total net domestic production.

Of course, the above examples are all hypothetical and do not circumstantially correspond to actual conditions.

#### ARGUMENTS ADVANCED BY ITS PROPONENTS

##### Dynamic nature of society

It is claimed that the proponents of free trade tend to a static view of society. They ask: What would be the result of free trade under conditions as we now see them? rather than: In what way would free trade, acting upon the dynamic forces of society, change fundamental conditions? While the relatively immediate results of free trade might be beneficial—lowering of prices, destruction of monopoly, promotion of exports, etc.—what would be the result after several generations?<sup>1</sup> Would not whole nations, for example, specialize on two or three branches of production, becoming thereby wholly dependent for necessities on others and so one-sided as to lead to deterioration of the social life? India has been cited as an example where lack of protection against foreign goods has led, in the past, to almost exclusive agricultural production, so that in the case of crop failure in any district no other resource for the purchase of food remained and wholesale starvation became inevitable. Furthermore, it is asserted that any nation surpassed by others in all branches of production would be compelled to transport its remaining capital and population to those countries which had proved superior in the competitive struggle—an assertion which ignores the doctrine of the comparative cost.<sup>2</sup>

##### Diversified industry

It is averred that protection, by introducing new industries and maintaining those that would otherwise be forced to discontinue, promotes diversified industry, and that diversified industry may increase the total output of the country, as well as favorably affect the social life of the nation.<sup>4</sup>

<sup>1</sup> Clark, John Bates, *Essentials of Economic Theory*, New York, 1917, pp. 516-526.

<sup>2</sup> Gide, Charles, *Principles of Political Economy*, Boston, 1904, pp. 318-330; Leroy-Beaulieu, Paul, *Traité Théorique et Pratique d'Économie Politique*, Paris, 1910, pp. 88-101.

<sup>4</sup> Brown, H. G., *Principles of Commerce*, New York, 1916, p. 124.

### Employment

It is said that protection makes employment by shutting out foreign goods and thus giving capital and labor encouragement to produce such commodities. Against this argument free traders assert that protection, by cutting off imports, and thus the eventual payment for exports, reduces the foreign market so as to diminish the production and work depending upon export trade.

### Home market

Advanced by Henry Clay and originally designed to reconcile the interests of the agricultural South and West with those of the manufacturing North. It was maintained that the best market for agriculture could be insured by the building up of native industrial centers, thereby creating a home demand. It is also believed that such a market could absorb many diversified products, whereas the foreign demand would be limited to relatively few staples.<sup>6</sup>

### Infant industries

This argument emphasizes the dynamic element in economic relations. Without denying the utility of division and specialization of labor and the possible advantages to be gained when each branch of world production is performed by the most efficient agents, the argument still asserts that present conditions are not a correct criterion of conditions as they may be, and, furthermore, that among the most important factors of production are those that can be controlled and developed by organized voluntary action such as the State may exercise. On this general basis it proposes tariff protection for certain industries unable at the time being to meet foreign competition. Under protection it is believed that such industries can develop the organization, technic, and capital necessary to meet a competition under which, undeveloped, they would succumb without protection. The infant-industries argument was used by Alexander Hamilton in his famous Report on Manufactures (1791). It was one of the principal arguments of Friedrich List.<sup>6</sup> It is also claimed that initial protection may hasten such a development in equipment, technic, and competition that the final result will be a lowering of prices below those of the foreign product.<sup>7</sup> There has been much discussion as to the stage of development at which protection should be removed.

### Increased capital

Although the protective tariff may temporarily favor the producer at the expense of the consumer, this is said to be to the ultimate advantage of the consumer, for a large part of the profits of producers is added as reinvestment to capital equipment, ultimately making more efficient and cheapening production.<sup>8</sup>

<sup>6</sup> Seager, Henry Rogers, *Introduction to Economics*, 1905, pp. 371-372.

<sup>7</sup> Kobatsch, Rudolf, *Internationale Wirtschaftspolitik*, Wien, 1907, pp. 212-216.

<sup>8</sup> Taussig, F. W., *Some Aspects of the Tariff Question*, Cambridge, 1915, pp. 18-20.

<sup>9</sup> Cf. Hammond, John Hays, and Jenks, Jeremiah W., *Great American Issues*, New York, 1921, pp. 192-193.

### National independence

It is asserted that free trade leads to dependence upon other nations for essential supplies and that such dependence might be disastrous in war. This is an argument for the protection of selected industries, rather than for general protection. It applies not only to supplies used in war, but to the products of certain "key" industries, such as dyes. In rebuttal it is argued that a natural development of industries under free trade may lead in the end to a greater military strength, and that interdependence will make for peace.

### Attraction of capital and immigration

The introduction of a high tariff sometimes leads foreign producers to export their capital and establish branches in the protected country. The product, although the result of foreign capital and foreign workmen to a greater or less degree, is technically domestic and not subject to tariffs. For example, the McKinley bill of 1890 and the Dingley bill of 1897 in the United States, the Russian tariff laws of 1891 and 1903, the French tariff of 1892, and the Austro-Hungarian of 1906 were extremely favorable to the establishment of foreign branches in the tariff-levying country.<sup>9</sup>

### Vested interest

The plea is made that after large investments of capital have been made in an industry and labor has been specially trained for it, the industry cannot be allowed to succumb to foreign competition without serious damage to the whole industrial and social system of the country. This is the broader view of the question, but many affirm that the proprietor, and even the workmen, have certain vested interests in an industry to which they have been invited by the promise and practice of protection to contribute their capital and labor.<sup>10</sup>

### Wages

The foreign manufacturer, it is said, pays less for his labor than the American manufacturer. Other costs may be practically equal; therefore the total foreign cost is less than the domestic cost. Under free trade the American, in order to compete with the foreign producer, will be compelled to reduce the wages of his workmen. Therefore, protection is advocated. This argument is not used in Japan, Germany, and other low-wage countries, where it is replaced by arguments based on the superiority of highly paid foreign labor. The free-trade reply to the wage argument is that the higher paid American workman, because of greater efficiency, actually entails cheaper labor cost than the low-paid foreigner. "It is precisely in those occupations where wages are highest in comparison with those abroad \* \* \* that America is able to export successfully."<sup>11</sup>

Free traders do not deny that under free trade certain industries would cease to exist. It is argued that the labor previously so employed, diverted into more profitable channels, would improve conditions underlying wages. It is further argued that relative wages depend chiefly upon relative natural resources, and that only a small part of American labor is in protected industries.<sup>12</sup>

<sup>9</sup> Grunsel, Josef, *Economic Protectionism*, Oxford, 1916, p. 92.

<sup>10</sup> Fisk, G. M., *International Commercial Policies*, New York, 1911, p. 51.

<sup>11</sup> Seligman, H. R., *Principles of Economics*, New York, 1914, p. 562.

<sup>12</sup> Matthews, Frederic, *Taxation and the Distribution of Wealth*, New York, 1914, pp. 38-64.



## THE UNITED STATES TARIFF COMMISSION

(Excerpt from Dictionary of Tariff Information, pp. 724-727)

The United States Tariff Commission is an independent nonpartisan body whose principal function is to ascertain facts upon the basis of which Congress may determine tariff policies, the rates of duty to make the policies effective, and methods of customs administration, and on which the President may base certain administrative acts in relation to these matters. These functions are described below, following a brief historical account of the development of this agency.

### HISTORY

Before the establishment in 1916 of the present Tariff Commission various nonpermanent agencies had been created to investigate questions relating to the tariff.

*The Revenue Commission of 1865* was established (13 Stat.L. 487) to aid in the improvement of the Civil War revenue laws. In consequence of the termination of the war the contemplated object was modified and the Commission in 1866 confined itself to advising modifications in existing tariff and internal revenue legislation.

*Commissioner of Revenue.*—In 1866 the appointment of a special commissioner of revenue was provided, to hold office until 1870 (14 Stat.L. 170). He was to report such modifications of the rates of taxation or of the methods of collecting the revenues, and such other facts pertaining to the trade, industry, commerce, or taxation of the country "as he may find, by actual observation of the operation of the law, to be conducive to the public interest." The Commissioner collected a large amount of valuable data, which were reported to Congress.

*Tariff Commission of 1882.*—In 1882 Congress provided for the appointment of nine Commissioners from civil life, whose duty it should be "to take into consideration and to thoroughly investigate all the various questions relating to the agricultural, commercial, mercantile, manufacturing, mining, and industrial interests of the United States, so far as the same may be necessary to the establishment of a judicious tariff, or a revision of the existing tariff, upon a scale of justice to all interests, and for the purpose of fully examining the matters which may come before it" (22 Stat.L. 64).

In its investigations the Commission followed the method of congressional committees, conducting hearings in 29 different places and examining 604 witnesses in sessions upon 78 days. The results of the investigations were embodied in a report presented to Congress in December 1882. Although most of the Commission's recommendations were disregarded, Dr. F. W. Taussig is quoted to the effect that "the tariff of 1883 was a better piece of legislation because of the

recommendations of the Commission than it would have been without them."

*Cost-of-production study by Department of Labor.*—Congress, in 1888, directed the newly created Department of Labor "to ascertain, at as early a date as possible, and whenever industrial changes shall make it essential, the cost of producing articles at the time dutiable in the United States in leading countries where such articles are produced, by fully specified units of production, and under a classification showing the different elements of cost or approximate cost of such articles of production, including the wages paid in such industries per day, week, month, or year, or by the piece; and hours employed per day; and the profits of the manufacturers and producers of such articles; and the comparative cost of living and the kind of living." The Commissioner of Labor was directed also by this act "to ascertain and report as to the effect of the customs laws (25 Stat.L. 182).

Pursuant to the provisions of this act, the Department of Labor (now the Bureau of Labor Statistics) began investigations into costs of production of iron, steel, glass, textiles, coal, and coke in the United States and in the principal European countries. The work was completed in 1891, and the results were published in the sixth and seventh annual reports of the Commissioner of Labor. Practically nothing further was done by this Bureau until the work was transferred to the Bureau of Foreign and Domestic Commerce in 1912.

*The Tariff Board, 1909-12.*—The Tariff Act of 1909 (see Tariff History, United States) imposed upon the President the duty of ascertaining whether foreign nations were unduly discriminating against the United States in their tariff laws and authorized him, upon finding that any country did not unduly discriminate against the commerce of the United States, to issue a proclamation admitting products of said country into the United States at the minimum rates of duty. In order that the President might have expert assistance in executing this purpose of the law, article 718, section 2, provided that—

To secure information to assist the President in the discharge of the duties imposed upon him by this section, until the officers of the Government in the administration of the customs laws, the President is hereby authorized to employ such persons as may be required.

Utilizing this minor clause of the law as authorization, President Taft appointed a tariff board with a membership of three, which was later increased to five. After cooperating with the State Department in the study of discrimination against the United States by foreign countries in their tariff laws, the board made investigations of the industrial effects of the tariff laws of this country. Upon the completion of investigations, reports were issued on cotton and woolen textiles; chemicals, oils, and paints; pulp and newsprint papers. Much information which was not yet in form for publication when the tariff board was put out of existence in 1912 had been assembled on the manufacture of iron, steel, lead, zinc, silk, flax, hemp, jute, hides, leather, leather goods, and sugar; the production of corn and wheat; and the fruit and nut industries.

*Utilization of Bureau of Foreign and Domestic Commerce for tariff study.*—In 1912 a bill was passed providing for the revivifying

of the long dormant provisions of the act of 1882, which had directed the Department of Labor to make cost of production investigations. The bill transferred this duty to the Bureau of Foreign and Domestic Commerce (37 Stat.L. 407). In October 1913 an appropriation of \$50,000 was made for investigating costs of production and the same amount was appropriated for the three succeeding years. A Cost-of-Production Division was organized, which up to the time of the Division's transfer in 1917 to the Tariff Commission had completed studies of 9 important industries, viz, pottery, 5 important branches of the clothing industry, cotton-spinning machinery, cane sugar, and glass.

*United States Tariff Commission.*—There had been considerable public agitation for the creation of a Tariff Commission and this demand showed no signs of abating. Furthermore, as it became clear that the economic effects of the European war would transform the industrial and commercial world, the need of information as a guide to future policies of the Government in tariff affairs became generally manifest.

At length the act of September 8, 1916 (39 Stat.L. 795), provided for a commission of six members appointed for overlapping terms by the President and confirmed by the Senate. Nonpartisanship was to be secured by the requirement that not more than three of the commissioners were to be members of the same political party. The duties of the Commission were in brief to investigate the operation, administration, and fiscal and industrial effects of the customs laws of this country. It was given power "to investigate the tariff relations between the United States and foreign countries, commercial treaties, preferential provisions, and economic alliances, and the conditions and causes relating to the competition of foreign industries with those of the United States." Cooperation with the congressional committees was provided by the requirement "that the Commission shall put at the disposal of the President of the United States, the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, whenever requested, all information at its command, and shall make such investigations and reports as may be requested."

A nucleus for an administrative and clerical staff was created by the transfer to the Commission of the Cost of Production Division of the Bureau of Foreign and Domestic Commerce along with its files, records, and property, as well as the equipment of the former tariff board. Specific provisions were contained in the act to enforce the right of access to records and papers of business concerns engaged in the production, importation, or distribution of any article under investigation, and power was granted to summon witnesses, take testimony, administer oaths, and require the production of books and papers.

Six days after the Commission was organized war was declared between the United States and Germany. During the hostilities the Commission's staff was extensively engaged upon various duties and investigations concerned with the prosecution of the war.<sup>1</sup>

<sup>1</sup> The foregoing digested from Bernhardt, Joshua, *the Tariff Commission*, in Institute for Government Research, Service Monograph No. 5, New York, 1922. This monograph contains an excellent bibliography.

## FUNCTIONS PRIOR TO ACT OF 1922

The regular work of the Tariff Commission previous to 1923 may be divided into three general categories having to do with (1) specific commodities, (2) methods of customs administration, and (3) customs policies and international commercial relations.

*Tariff information surveys.*—In contemplation of a future revision of the tariff act, the Tariff Commission soon after its organization outlined a plan for a standard form of pamphlet which was to be prepared for every commodity mentioned in the tariff act. These pamphlets, known as "Tariff Information Surveys", were designed to bring together all available information which it was thought would be of service to Congress in connection with a revision of the tariff.

Each survey gives a description of the article under discussion; its various grades and uses; the domestic production of the article, with special reference to the raw materials required for manufacture; and data as to the relation of domestic production to consumption, the volume of imports, and the countries from which these imports come. If a commodity is one in which the United States production exceeds the consumption and an exportable surplus exists, the export trade is discussed and the principal countries of destination are shown. The survey also shows the amount, the nature, and the causes of foreign competition in the American market; the rate of duty on any given article under the various tariff acts since 1883, and decisions by the Treasury Department and the courts regarding classification of commodities under these laws.

*Cooperation with the committees of the House and Senate.*—When hearings began in January 1921; preparatory to a revision of the Tariff Act of 1913, the Committee on Ways and Means and the Committee on Finance had at their command detailed information which the Commission had prepared for each schedule of the act.

An important part of the activities of the Tariff Commission was the assistance rendered to Congress in drafting the tariff law of 1922.

The experts of the Commission were available to both the Committee on Ways and Means and the Committee on Finance for the purpose of furnishing both oral and written information. The service rendered by the experts in the main consisted of recommendations as to the proper classification of commodities and as to the phraseology of paragraphs, especially where technical matters were involved, and of furnishing detailed information in regard to the status of the industries under consideration.

No questions of rates were discussed with the experts representing the Commission except where compensatory duties were involved or where a series of related duties on similar articles was under consideration.

During the debates on the bill in both Houses individual Members, upon request, were supplied with such information as could be offered in the limited time available. As each paragraph or commodity was discussed the service of the experts concerned with the subject under consideration was immediately available to any Member of Congress,

as well as all information in the Commission's files on the point at issue.

*Recommendations of the Commission in the formulation of the act of 1922.*—The Commission was of service not only in putting at the disposal of Congress general basic data in the form of tariff information surveys on all industries under consideration, but in offering constructive criticism on specific schedules as a result of its detailed study of the act of 1913, litigation arising from its operation, and court and Treasury decisions relating thereto. Much of the phrasing of that law, as was the case with prior tariff acts, was found to be archaic, obscure in meaning, or needlessly wordy. There were conflicting provisions for a great number of articles, maladjusted rates as between raw materials and finished or partly finished articles, and illogical grouping of commodities and materials. Furthermore, many provisions of the act were difficult to administer because the form in which they were drafted was not in accord with modern industrial methods and ignored the commercial terminology of the present time. The Commission was therefore prepared to submit recommendations which would remedy many of these defects, and the law as finally enacted incorporated most of the changes suggested by its experts.

In its technical form the new tariff act represents an advance toward the attainment of "scientific tariff making." As compared with previous acts, its phraseology is simple and clear; it exhibits a more orderly arrangement of items and a more scientific adjustment between basic commodities and products derived from them. Especially is the influence of the expert discernible in the draftsmanship of the chemical schedule, in the formulation of the textile schedules, in the drastic revision of the provisions for agricultural products, and in the betterment of the general administrative features of the customs laws. Congress accepted with only a few modifications the entire chemical schedule (without the rates) in the form submitted by the Tariff Commission. The original draft of the wool schedule prepared by the Commission (no rates being given) was adopted without change by the Committee on Ways and Means, and with only a few changes by the Finance Committee. The extent to which the Commission turned to advantage its opportunity to assist the Congress can best be shown by a summary of its work schedule by schedule. (See Sixth Annual Report of Tariff Commission.<sup>2</sup>)

#### NEW POWERS UNDER THE ACT OF 1922

By the Tariff Act of 1922 the Tariff Commission was given new tasks embodied in sections 315, 316, 317, and 318 of title III.

Section 315 imposes upon the President the duty of adjusting, upward or downward, individual tariff rates after an investigation by the Tariff Commission has shown that this action is necessary to equalize "the differences of costs of production in the United States and the principal competing country."

In section 316 are embodied provisions which aim to safeguard American industry against unfair methods of competition and unfair acts in the importation of goods, and upon the Tariff Commission falls the work of making the necessary investigations.

<sup>2</sup> Sixth Annual Report of the United States Tariff Commission.

Section 317 gives the Commission the duty of investigating any discrimination practiced by foreign countries against the commerce of the United States, and of making recommendations concerning it to the President.

Section 318 gives a number of broad powers to the Commission relating to investigation of cost of production and international competition. (See Thirteenth Annual Report of the Tariff Commission for the Commission's activities under the Tariff Act of 1922.)

#### ORGANIZATION

The organization of the Commission's staff under its broadened powers is as follows:

*Principal office.*—The act creating the Tariff Commission (Sept. 8, 1916, ch. 463, sec. 700 to 709, 39 Stat. 756, 795), provides that the principal office of the Commission shall be in the city of Washington.

*New York office.*—The Commission has established an office in New York, as authorized in section 318 of the Tariff Act of 1922. The New York office of the Commission is located in the customhouse.

*European headquarters.*—To aid in the performance of its duties under the law the Commission has a representative in Europe with headquarters in Brussels, Belgium.

*Coordination of work.*—The entire organization of the Commission's work is directed from its office in Washington. There, under the immediate direction of the Commission, all the work done by the several divisions is prepared for incorporation in its reports. The field investigations, upon which the findings of the Commission are based in part, are conducted by special experts sent from Washington, by the office in New York, and by the field investigators in foreign countries. The work of the several agencies of the Commission is thus coordinated in its separate fields of activity under the direct supervision of the Commission at the principal office in Washington.

*Personnel.*—As first organized, the membership of the Tariff Commission was as follows: Frank W. Taussig, chairman; Daniel C. Roper, vice chairman; David J. Lewis; William Kent; William S. Culbertson; Edward P. Costigan; William M. Steuart, secretary.

Since the publication of the Dictionary of Tariff Information, from which the foregoing concerning the United States Tariff Commission is an excerpt, the Tariff Act of 1922 has been superseded by the Tariff Act of 1930.

The original membership and the functions of the Tariff Commission under the Tariff Act of 1930 follow:

#### MEMBERSHIP UNDER THE ACT OF 1930.

Under the provisions of the Tariff Act of 1930 the terms of office of the commissioners then holding office automatically expired on September 16, 1930. On that date the President appointed as commissioners Henry P. Fletcher, of Pennsylvania; Thomas Walker Page, of Virginia; John Lee Coulter, of North Dakota; Alfred P.

Dennis, of Maryland; and Edgar B. Brossard, of Utah, who assumed office September 17, 1930. Mr. Dennis and Mr. Brossard had been members of the former Commission. On September 26, 1930, the President appointed Lincoln Dixon, of Indiana, also a member of the former Commission, who assumed his duties on September 29, 1930, the Commission being thus completed. Mr. Henry P. Fletcher was designated chairman and Mr. Thomas Walker Page vice chairman.

#### FUNCTIONS UNDER THE ACT OF 1930

The provisions of title VII of the Revenue Act of September 8, 1916, creating the Tariff Commission, as amended by section 318 of the Tariff Act of 1922 (U.S.C., title 19, secs. 91-105), were reenacted with inconsiderable modifications as regards the general functions of the Commission in sections 330 to 335, inclusive, of the Tariff Act of 1930. Under the organic act the work of the Commission consisted of gathering and organizing information for the assistance of the Congress in enacting legislation pertaining to customs duties and regulations and to industrial and commercial conditions as they relate to the tariff, both in the United States and in foreign countries with which the United States has trade relations.

Section 336 of the Tariff Act of 1930 requires the Commission not only to report to the President the results of investigations made pursuant to the section but also to state its findings as to differences in costs of production of foreign and domestic articles and to specify the changes in duties and classifications (within prescribed limitations) shown by the investigations to be necessary to equalize such differences. It makes express provision for proclamation of the new rates and classifications by the President if he approves the changes specified by the Commission. Provisions regarding the ascertainment of differences in costs of production are modified and the method of initiation of investigations is made specific. All uncompleted investigations instituted prior to the approval of the Act of 1930 are ordered to be dismissed without prejudice, subject to consideration in future investigations instituted under section 336 upon evidence secured by the Commission. Litigation under section 315 of the act of 1922, begun prior to June 17, 1930, is still pending in the Customs Court.

Section 337 of the act of 1930, relating to unfair practices in import trade, replaces section 316 of the act of 1922. The penalty that may be imposed by the President is changed by limitation to exclusion of merchandise from entry, but the procedure in investigations made by the Commission to furnish the President with the record remains the same. Transmission to the President of the final findings by the Commission is expedited by elimination of review by the Supreme Court.

Section 338 takes the place of section 317 covering discriminations by foreign governments against the commerce of the United States. The only important modification of this section as reenacted is the

extension of its application to articles imported in vessels of such foreign countries as discriminate against the commerce of the United States.<sup>3</sup>

For information as to additional duties of the Tariff Commission, see National Industrial Recovery Act, page 85, Reciprocal trade agreements, page 84.

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<sup>3</sup> Fourteenth Annual Report of the United States Tariff Commission.



## LIST OF PRINCIPAL TARIFF ACTS OF THE UNITED STATES

- Act of July 4, 1789—the first tariff act.  
An act for laying a duty on goods, wares, and merchandise imported into the United States (1 Stat. 24).
- Act of July 1, 1812.  
An act for imposing additional duties upon all goods, wares, and merchandise imported from any foreign port or place, and for other purposes (2 Stat. 768).
- Act of April 27, 1816.  
An act to regulate the duties on imports and tonnage (3 Stat. 810).
- Act of May 22, 1824.  
An act to amend the several acts imposing duties on imports (4 Stat. 25).
- Act of May 19, 1826—known as “the Tariff of Abominations.”  
An act in alteration of the several acts imposing duties on imports (4 Stat. 270).
- Act of July 14, 1832.  
An act to alter and amend the several acts imposing duties on imports (4 Stat. 583).
- Act of March 2, 1833—“The Compromise Act”, or “Clay compromise.”  
An act to modify the act of the 14th of July, 1832, and all other acts imposing duties on imports (4 Stat. 629).
- Act of August 30, 1842.  
An act to provide revenue from imports, and to change and modify existing laws imposing duties on imports, and for other purposes (5 Stat. 548).
- Act of July 30, 1846—Walker tariff.  
An act reducing the duty on imports, and for other purposes (9 Stat. 42).
- Act of March 3, 1857.  
An act reducing the duty on imports, and for other purposes (11 Stat. 192).
- Act of March 2, 1861—Morrill tariff.  
An act to provide for the payment of outstanding Treasury notes, to authorize a loan, to regulate and fix the duties on imports, and for other purposes (12 Stat. 178).
- Act of July 14, 1862.  
An act increasing, temporarily, the duties on imports, and for other purposes (12 Stat. 543).
- Act of June 30, 1864.  
An act to increase duties on imports, and for other purposes (13 Stat. 202).
- Act of July 14, 1870.  
An act to reduce internal taxes, and for other purposes (16 Stat. 256).
- Act of June 6, 1872.  
An act to reduce duties on imports, and to reduce internal taxes, and for other purposes (17 Stat. 230).
- Act of February 8, 1875.  
An act to amend existing customs and internal-revenue laws, and for other purposes (18 Stat. 307).
- Act of March 3, 1883.  
An act to reduce internal-revenue taxation, and for other purposes (22 Stat. 488).
- Act of October 1, 1890—McKinley tariff.  
An act to reduce the revenue and equalize duties on imports, and for other purposes (26 Stat. 567).
- Act of August 27, 1894—Wilson-Gorman tariff.  
An act to reduce taxation, to provide revenue for the Government, and for other purposes (28 Stat., 509).
- Act of July 24, 1897—Dingley tariff.  
An act to provide revenue for the Government and to encourage the industries of the United States (30 Stat. 151).

**Act of August 5, 1909—Payne-Aldrich tariff.**

An act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes (36 Stat. 11).

**Act of October 3, 1913—Underwood tariff.**

An act to reduce tariff duties and to provide revenue for the Government, and for other purposes (38 Stat. 114).

**Act of September 21, 1922—Fordney-McCumber tariff.**

An act to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes (42 Stat. 858).

**Act of June 17, 1930—Hawley-Smoot tariff.**

An act to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes (46 Stat. 590).

## AVERAGE AD VALOREM RATES OF DUTY ON IMPORTS INTO THE UNITED STATES, BY YEARS, UNDER SPECIFIED TARIFF ACTS

### Comparisons of average rates of duty under various tariff acts

A fundamental difficulty in measuring the changes in average rates of duty under different tariff acts arises from the fact that shifts occur from year to year in the relative importance of imports of (a) free articles as compared with dutiable articles and (b) articles at higher rates of duty as compared with those at lower rates.

These variations may be due to changes in relative demand for the several commodities. They may be due to changes in prices. Variations of both these types may take place independently of changes in tariff rates; they may take place in part as the result of changes in tariff rates.

For example, as between two successive years, with no change in the tariff rate on any article or in the composition of the free list, there might be an increase in the quantity or the price of imports of important free articles exceeding the average increase for commodities in general. The result would be that the average ad valorem equivalent of the duties, when calculated on the total value of dutiable and free articles imported, would decline.

Similarly, an increase in quantity or price of important imports dutiable at relatively low rates of duty, greater than the increase in imports at higher rates, would reduce the average ad valorem equivalent independently of any change in rates of duty on individual articles. Even during periods in which the tariff has remained unchanged there have often been very considerable variations from year to year in the average ad valorem equivalent of the rates of duty resulting from these *variations in the relative quantities and prices* of the several import commodities.

Even if new tariff enactments did not in themselves have any effect on the imports of the commodities, changes in the relative importance of the several commodities, due to other causes, would affect the significance of comparison of the average ad valorem equivalent of duties on all articles combined, as between years preceding and years following the act.

The comparisons, moreover, are further affected by the fact that changes in tariff rates do often cause an increase or a decrease in imports. An increase in a rate tends to reduce imports and a reduction in the rate to increase imports. For example, if by a given tariff act all the higher rates should be made still higher while all the lower rates remained unchanged, the imports at the higher rates might so fall off that the average ad valorem equivalent of the duties on all articles actually imported would be *lower* than before; conversely, a general reduction in the higher rates of duty with no change in the lower rates might cause an actual increase in the average ad valorem equivalent. Similarly, a general reduction, or a general increase, in the lower rates with no change in the higher

rates might cause changes in the average ad valorem equivalent precisely the opposite of what would be expected if the relative importance of the several articles in actual imports remained unchanged.

While such shifts in the relative importance of imports affect materially the significance even of the average ad valorem equivalent when computed on the basis of total imports free or dutiable, shifts of articles from the free to the dutiable list or vice versa may still more distort the significance of the figures for average ad valorem equivalent of duties when computed on imports of dutiable articles alone. For example, if a commodity previously free is transferred to the dutiable list at a relatively low rate of duty, that transfer will tend to cause a reduction in the average ad valorem equivalent of the duties on dutiable articles.

In view of these facts, it is evident that the only adequate method of measuring the changes from one tariff to another is by applying the rates of both tariffs (including changes from free to dutiable and vice versa) to the same imports, the actual imports of a single year or group of years.

*Average ad valorem rates of duty on imports into the United States, by years, under specified tariff acts.*

[Value in thousands, i. e., 000 omitted]

Fiscal years 1891-1903	Imports for consumption						Equivalent ad valorem rates	
	Free	Percent free	Dutiable	Percent dutiable	Total	Duties collected	Dutiable	Free and dutiable
							Percent	Percent
<b>McKinley law:</b> Effective Oct. 3, 1890:								
1891	\$379,028	44.8	\$458,456	55.2	\$845,483	\$216,791	46.3	25.8
1892	443,771	55.8	355,627	44.2	804,298	173,093	48.7	21.6
1893	432,450	51.9	400,283	48.1	832,733	193,373	49.6	23.8
1894	372,462	59.1	257,646	40.9	630,108	128,582	50.0	20.3
<b>Annual average, McKinley law</b>	408,178	52.4	369,978	47.6	778,156	179,038	48.4	23.0
<b>Wilson law:</b> Effective Aug. 28, 1894:								
1894	\$76,800	51.5	354,272	48.5	731,162	147,901	41.8	20.3
1896	368,898	48.5	390,797	51.5	759,694	156,105	40.0	20.6
1897	281,902	48.4	407,349	51.6	789,251	171,779	42.2	21.8
<b>Annual average, Wilson law</b>	375,897	49.4	384,139	50.6	760,036	158,593	41.5	20.9
<b>Dingley law:</b> Effective July 24, 1897 (4:06 p.m.):								
1898	291,534	49.6	285,620	50.4	587,154	144,269	48.8	24.6
1899	299,669	48.7	336,773	56.3	635,442	200,873	52.1	29.2
1900	368,760	44.2	463,759	55.8	830,519	228,365	49.2	27.6
1901	339,093	42.0	468,670	58.0	807,763	232,641	49.6	28.9
1902	396,542	44.0	503,252	56.0	899,794	250,550	49.3	28.0
1903	437,291	43.4	570,699	56.6	1,007,990	279,760	49.0	27.6
1904	464,163	46.3	537,689	53.7	1,001,852	257,331	49.2	26.3
1905	517,073	47.6	570,045	52.4	1,087,118	267,898	44.2	23.2
1906	548,696	45.2	664,722	54.8	1,213,418	393,558	44.2	24.7
1907	641,953	45.4	773,449	54.6	1,415,402	329,122	42.6	23.9
1908	526,706	44.4	637,416	55.6	1,164,121	282,273	42.9	23.9
1909	599,376	46.5	682,206	53.5	1,281,642	394,377	43.3	23.0
<b>Annual average, Dingley law</b>	451,457	45.2	548,942	54.8	998,480	354,252	46.8	25.8

## Average ad valorem rates of duty on imports into the United States, by years, under specified tariff acts—Continued

[Value in thousands, i. e., 000 omitted]

Fiscal years 1891-1933	Imports for consumption						Equivalent ad valorem rates	
	Free	Per- cent free	Dutiable	Per- cent duti- able	Total	Duties collected	Duti- able	Free and duti- able
							Percent	Percent
<b>Payne-Aldrich law:</b> Effective Aug. 6, 1909:								
1910.....	\$761,353	49.2	\$785,756	50.8	\$1,547,109	\$326,263	41.5	21.1
1911.....	776,964	50.8	760,982	49.2	1,537,946	309,552	41.2	20.3
1912.....	881,513	53.7	759,210	46.3	1,640,723	304,697	40.1	18.6
1913.....	968,972	55.9	779,717	44.1	1,768,689	312,263	40.0	17.7
Annual average, Payne- Aldrich law.....	861,701	52.6	768,916	47.4	1,630,617	313,174	40.7	19.3
<b>Underwood law:</b> Effective Oct. 4, 1913:								
1914.....	1,152,392	60.4	754,098	39.6	1,906,490	283,512	37.6	14.9
1915.....	1,032,894	52.7	618,523	37.3	1,651,417	205,755	33.4	12.3
1916.....	1,495,881	68.5	683,163	31.4	2,179,045	209,623	30.7	9.6
1917.....	1,852,531	69.5	814,689	30.5	2,667,220	221,448	27.2	8.3
1918.....	2,117,555	73.9	747,339	26.1	2,864,894	160,197	24.1	6.3
1918 (July-December).....	1,149,882	71.1	303,079	28.9	1,452,961	73,907	24.4	5.1
1919.....	2,711,452	70.8	1,116,221	29.2	3,827,673	237,403	21.3	6.2
1920.....	3,115,968	61.1	1,986,886	38.9	5,102,854	\$26,635	16.4	6.4
1921 <sup>1</sup> .....	1,564,278	61.2	992,691	38.8	2,556,970	292,389	29.4	11.4
1922 <sup>1</sup> .....	2,888,240	61.4	1,186,638	38.6	4,074,878	451,359	38.1	14.7
Annual average, Un- derwood law.....	1,903,268	66.3	998,211	33.7	2,901,479	261,168	27.0	9.1
<b>Fordney-McCumber law:</b> Effective Sept. 22, 1922:								
1923.....	2,165,148	58.0	1,566,621	42.0	3,731,770	566,664	36.2	15.2
1924.....	2,118,168	59.2	1,456,943	40.8	3,575,111	532,266	36.5	14.9
1925.....	2,703,828	64.9	1,497,391	35.1	4,201,219	551,914	37.6	13.2
1926.....	2,908,108	66.0	1,496,969	34.0	4,405,077	690,038	39.3	13.4
1927.....	2,680,659	64.5	1,483,031	35.5	4,163,690	574,339	38.8	13.8
1928.....	2,678,633	65.7	1,399,304	34.3	4,077,937	542,270	35.8	13.3
1929.....	2,880,128	66.4	1,458,444	33.6	4,338,572	584,772	40.1	13.6
1930 (Jan. 1-June 17).....	1,102,107	64.6	603,891	35.4	1,706,998	269,359	44.6	16.8
Annual average, Ford- ney-McCumber law.....	2,565,490	63.8	1,453,080	36.2	4,022,570	561,608	38.5	14.0
<b>Hawley-Smoot law:</b> Effective June 18, 1930:								
1930 (June 18-Dec. 31).....	979,016	69.5	429,063	30.5	1,408,079	192,528	44.8	18.7
1931.....	1,391,693	66.6	695,762	33.4	2,087,455	370,771	55.2	17.8
1932 <sup>2</sup> .....	836,836	66.8	439,557	33.2	1,325,093	259,600	59.1	19.6
1933.....	908,517	63.1	526,466	36.9	1,434,983	283,681	53.6	18.8

<sup>1</sup> The Emergency Tariff Act became effective on certain agricultural products on May 28 1921, and continued in effect until Sept. 22, 1922.

<sup>2</sup> Subsequent to June 21, 1932, certain commodities which had previously been on the free list were made taxable, and since that date have been reported as dutiable commodities. The principal commodities affected were petroleum, copper, lumber, and coal.