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SEVENTY-FOURTH CONGRESS, FIRST SESSION

Reply to New England Propaganda—Agricultural Program and Processing Tax

SPEECH

HON. HAMPTON P. FULMER
OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 24, 1935

The House in Committee of the Whole House on the state of the Union had under consideration H. R. 7672, the Navy Department appropriation bill, 1935.

Mr. FULMER. Mr. Chairman, I regret exceedingly to note that the majority of the "minute men" from New England, representing the Boston tea party, have decided to retire. Perhaps they are out getting some additional ammunition. The trouble with New England, Mr. Chairman, is they have been able to control the Republican administration so long that recently it dawned upon the Representatives of that great section of the country that perhaps they could get the southern textile mills to join with them and take charge of the Democratic administration.

I want to state to my friends from New England that it will take more than misleading propaganda to change the course of President Roosevelt, who is determined to see to it that forgotten agriculture gets a square deal.

Much has been said recently on the floor of this House and in the press against the agricultural program and especially the processing tax. Many of these statements are absolutely misleading and without foundation of fact. The purpose of the Agricultural Adjustment Act, which was introduced by me, was to place agriculture on an equal basis with tariff-protected industry. The processing tax is nothing but an indirect tariff or what you might term a "bounty." The purpose of the Bankhead Control Act was to do for the farmers that which they have never been able to do for themselves because they are unorganized, namely, bring about an orderly controlled production in line with demand. I want to ask if there is anything wrong with either of these programs? Industry receives a tariff at the expense of the consuming public, and when they have an overproduction or even an indication of an overproduction they immediately slow down and even close down, as they are now doing in many instances, so as to adjust their output in line with the demand for their products.

It has been charged on the floor of the House during the past few weeks by those representing the New England textile mills and by the gentleman who preceded me, Mr. Fisk, of New York, that the processing tax is destroying the textile mills of New England and of the South. Prior to 1933 we had no processing tax, yet many of the textile mills of New England and of the South commenced to slow down and close their factories. I would be glad if the gentleman will tell me why these mills closed at that time.

Mr. MARTIN of Massachusetts. Will the gentleman yield?

Mr. FULMER. I yield to the gentleman from Massachusetts.

Mr. MARTIN of Massachusetts. I want to ask the gentleman a question first.

Mr. FULMER. I will be glad to have an answer to my question.

Mr. MARTIN of Massachusetts. May I ask the gentleman if he thinks the processing tax is helping the textile industry?

Mr. FULMER. In answer to the gentleman, will state that it is my firm belief that a proper investigation will show that this tax is not hurting the industry. I would like to know if the gentleman will join with me in making a thorough investigation in order to ascertain the real facts as to whether or not the textile industry is not responsible for its trouble at this time. I make the charge that you will find that overproduction, unreasonable salaries, and profits are responsible for the trouble that you are complaining about. The information that I have is true, that is, extra profits are being added because of the processing tax not only by the textile mills but by their selling agents in New York, by manufacturers of cotton garments, and by retailers. I am also informed that the operations under the N. R. A. code has considerable to do with the price on cotton goods.

Mr. MARTIN of Massachusetts. Will the gentleman yield in order to answer the question?

Mr. FULMER. I refuse to yield further.

Mr. Chairman, under the Bankhead Control Act, because we are reducing production in an orderly manner, we are told that we are losing our foreign markets. Now, I want to deny these unwarranted charges, because the facts will not bear them out.

Mr. MARTIN of Massachusetts. Will the gentleman yield?

Mr. FULMER. Not right now. May I ask the gentleman if he and the other Representatives of New England will join with me in going into a thorough investigation?

Mr. MARTIN of Massachusetts. That is the question I want to answer.

Mr. FULMER. I will be glad to have the gentleman answer the question.

Mr. MARTIN of Massachusetts. May I say to the gentleman that I will be glad to participate in any investigation which will go thoroughly into the cotton-textile industry as a whole, including the growing of cotton. I would not want the investigation to be so long delayed that when we get a report there will be no textile industry left. Does the gentleman not agree with me?

Mr. FULMER. I agree with the gentleman that we ought to have a thorough investigation, and we should have it promptly.

Mr. MARTIN of Massachusetts. And in the meantime we should give relief to the cotton-textile industry.

Mr. FULMER. I am willing to give to the great textile industry of this country any relief we may be able to give to them, but I am not willing to take the processing tax off or stop orderly control for the present, and put farmers back on a starvation basis.

Mr. Chairman, the time has come for a showdown, and I am willing to go to the last ditch in a thorough investigation from every angle that applies to the whole problem. This administration is entitled to the facts in that, as stated, much misinformation is being carried to the country by the press, by form letters, and even books that are now being printed on this subject. I am sure that our great President, who is leading this country out of poverty and misery with every possible opposition against him by the very people that are responsible for the serious condition that was brought about under a Republican administration, wants the real facts. The Congress of the United States and the people of this country are entitled to know the facts.

I am pleased to know that the gentleman, Mr. MARTIN, speaking for New England, will join with me in getting these facts.

Now, Mr. Chairman, I want to have read in my time a resolution which I am introducing today in order to get the actual facts.

The CHAIRMAN. Without objection, the Clerk will read the resolution referred to.

The Clerk read as follows:

Joint resolution authorizing and directing a congressional committee to investigate and report to both Houses of Congress with respect to the nature, source, and truth of the various statements and charges which have been and are being made concerning the effect of the cotton-processing tax.

Whereas it has recently been and is being widely charged that the cotton-processing tax imposed under the Agricultural Adjustment Act is the sole or principal or an important cause of the alleged existing economic depression and disturbance of the cotton-textile industry; and

Whereas wide-spread and concerted efforts have been and are being made to secure the repeal of such tax; and

Whereas statements have been and are being widely disseminated among cotton-textile workers and cotton farmers with the object of inducing them to believe that such tax is responsible in whole or in part for unemployment and low wages among such workers and for inadequate returns to producers of cotton; and

Whereas it has been and is being charged that such tax has resulted in the increased importation of foreign cotton products and the consequent displacement of domestic foreign cotton products; and

Whereas it has been and is being further charged that such tax has resulted in reduced consumption of cotton products: Therefore be it

Resolved, etc., That a special committee of 10 Congressmen, 5 of whom shall be Senators appointed by the President of the Senate and 5 of whom shall be Representatives appointed by the Speaker of the House of Representatives, is hereby authorized and directed to investigate and report, as soon as practicable, upon the following matters:

First. The nature, source or sources, and effect of the aforesaid charges, efforts, and statements, and the manner in which such aforesaid efforts to secure the repeal of the processing tax are being made and carried out;

Second. The effect of the cotton-processing tax imposed under the Agricultural Adjustment Act upon the volume of consumption of cotton products during the period since the initial imposition of such tax and the probable effect of such tax upon such consumption in the future;

Third. The effect of such tax upon the importation and exportation of cotton and cotton products;

Fourth. The effect of such tax upon the volume of employment and wage rates among cotton-textile workers;

Fifth. The effect of such tax upon the income of cotton producers;

Sixth. The effect of such tax upon the margin of profit of manufacturers and processors of ginned cotton and distributors of cotton products;

Seventh. The probable results, which may be expected to follow from the removal or reduction in the rate of such tax, upon the various factors, circumstances, and subjects of investigation described in the paragraphs of this resolution nos. 2 to 6, inclusive;

Eighth. The effect of the capital structure of and the scale of executive salaries in the cotton-textile industry and in cotton-textile trade associations, and of the methods employed in the distribution of cotton products, upon the price and volume of consumption of cotton products; and

Ninth. Any other factors relevant to the determination of the economic incidence and results of the cotton-processing tax growing out of the above inquiries.

Sec. 2. The committee provided for in section 1 of this resolution is directed to present an interim report to the Congress on June 1, 1933, describing the status of its investigations hereunder, and a final report not later than February 1, 1934.

Sec. 3. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$25,000, which shall be available for expenditures as the committee may direct for expenses and all necessary disbursements in carrying out this resolution.

Sec. 4. The Department of Agriculture, the National Recovery Administration, and all other agencies of the Government are hereby directed to cooperate with the committee in the above inquiries to the fullest extent possible.

Sec. 5. The committee, or any subcommittee thereof, may hold such hearings, require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, administer such oaths, and take such testimony as may be necessary to carry out this resolution. No person shall be excused from attending and testifying or from producing documentary evidence before the commission or in obedience to the subpoena of the commission on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to criminate him or subject him to a penalty or forfeiture. But no natural person shall be prosecuted or subjected to any penalty or

forfeiture for or on account of any transaction, matter, or thing concerning which he may testify or produce evidence, documentary or otherwise, before the committee in obedience to a subpoena issued by it: Provided, That no natural person so testifying shall be exempt from prosecution and punishment for perjury committed in so testifying. The committee may sit and act at such times and places during the sessions and recesses of the Seventy-fourth Congress, employ such clerical and other assistants, and make such expenditures as it deems advisable.

Mr. PULMER. Mr. Chairman, prior to 1933, when the textile mills of New England, and a great many of the mills in the South, as well as the steel industry of this country and practically all other industries, were slowing down and closing down, we did not hear any complaint or criticism. It was thought to be good business on the part of those who owned these industries to do this. I want to tell you now that it was brought about because of overproduction and, as usual, as they are now doing, they began to reduce production to fit demand. In the meantime they discharged thousands of textile workers, forcing them to enlist on relief rolls and for Red Cross relief.

What happened to the farmers of this country? Many of them did not know about the crash or the results that were to follow and they continued to produce, placing themselves in a position to feed and clothe the world, so to speak. In 1929, when cotton was selling at 19½ cents, farmers were happy. Then the mills commenced to close, refusing to buy their products. During this time, following a decline in the price of these products, the textile mills continued to hold up their prices and many of these mills continued to make profits.

Cotton declined from 19½ cents down to 5 cents, corn to 20 cents, and wheat to 30 cents, destroying 75 percent of the purchasing power of the farmers of the West and of the South. Whoever heard of any of these well-organized industries or business generally reducing their prices 75 percent?

Who ever heard of a \$20 suit of clothes selling for \$5, or a \$5 pair of shoes selling for \$1.25?

Immediately after the crash the New England textile industry and all of these other industries came rushing to Congress asking for an increase in tariffs. Tariffs did not go down, they went up, and during 1930 a Republican administration passed a tariff bill increasing tariff rates to the highest point ever carried in any tariff bill, virtually building a tariff wall around this country. I want to say to you who represent New England, and to you, my friends, that this tariff bill has done more to destroy imports and exports than anything that we have ever done before or since the election of Mr. Roosevelt.

Mr. Anderson, an ex-Member of this Congress, came before our committee, the Agricultural Committee, sometime ago in behalf of the flour-milling industry. He stated that he represented 95 percent of the milling industry in the United States. It is his business to lobby in Washington and appear before the Agricultural Committee for the purpose of trying to defeat any type of legislation that might be considered in the interest of the agricultural interests of this country. On being questioned, he stated that after the crash in 1929 his industries commenced slowing down, naturally refusing to buy the farmers' wheat that declined to the low level of 30 cents a bushel. He further stated that during that time they maintained prices that yielded a profit. Although he was opposing amendments to the Agricultural Adjustment Act, it was clear from his statement that his industries had made more profits under the processing program than they did prior to this program. Farmers receiving 30 cents for wheat not only lost their purchasing power but were losing their farms in that they were unable to pay taxes and interest.

I think, Mr. MARTIN, when we have this investigation, you will find that at the time the processing tax was put into effect and at the time the N. R. A. went into operation the gentleman's mills and the mills of the South, as well as the wholesale merchants and retailers, marked up their merchandise on hand, thereby making millions at the expense of the consuming public. Textile mills in New England that had been closed for sometime wiped the cobwebs from their spindles and proceeded to take advantage of the textile code

under the N. R. A., which was written by the representatives of the large textile mills, all of which has helped to bring about the serious condition that these mill owners find themselves in at this time. They are slowing down and many of them are closing down for the sole purpose of checking over-production, as they did prior to 1933.

Mr. MARTIN of Massachusetts. Mr. Chairman, will the gentleman yield for a comment on his resolution?

Mr. FULMER. Not now.

For the first time in the history of this country, under Mr. Roosevelt, a man who is more interested in humanity than he is in the nobility of those who possess the wealth of this country, we have placed the agricultural interests on a parity with industry. For 10 years prior to the time of Mr. Roosevelt's election I served in this Congress on the Committee on Agriculture with men representing the agricultural West. They voted the Republican ticket all these years under a promise that they would be given an agricultural program, and finally we succeeded in passing the equalization-fee bill that was sponsored by these people. I voted for it because I believed it would help the situation, only to have it vetoed by Mr. Coolidge and, in the second instance, by Mr. Hoover.

The Republican administration gave us a Farm Board, which attempted to increase farm prices without any control over production, in line with the rubber scheme and the Brazilian coffee scheme, which failed as did these other schemes. I stated in a speech on the floor of the House when the Farm Board legislation was up for consideration that without controlled production it would be just like putting that much money in a rat hole.

After Mr. Roosevelt's election, farmers found that we had a surplus of 13,000,000 bales of cotton, a supply for 1 year without planting any cotton in 1933. The thing that I cannot understand as a farmer and as a business man why it is good business for industry and business to control their activities and wrong for farmers to adjust their production.

When the tariff policy was instituted, over 100 years ago, it was said by someone at that time, "If you do not provide a bounty for agriculture, the time will come when you will find agriculture bled to death." I want to tell you now that prior to 1933 this condition had been brought about. Although industry, banking, and business had no interference at that time, they hesitated—in most cases closed down. The Republican administration was largely controlled by these well-organized groups. They got practically everything they asked for. Speculation and monopolistic price fixing went unchecked. We had during that period on the stock exchange what was known as the "Coolidge and Hoover boom." Millions of worthless foreign stocks and bonds were unloaded on an innocent investing public. The purchasing power of the people was bled white. Now we are told that industry, banking, and business is hesitating because of what the present administration is doing. Yet every report that you get and every paper that you pick up you read of increased profits, extra dividends, and increased sales.

It has been stated on the floor of the House and in the press that these complaints are coming from a combination of the New England and Southern textile cotton mills.

I believe that I have as many cotton mills in my district in South Carolina as there are in any district in the United States. I believe I am in a much better position to speak for the cotton mills in my district than those who represent New England; and I want to say to you who represent the great New England section of this country, that you are not going to find the cotton mills of the South going along with you to destroy an administration that for the first time in the history of this Republic has been willing to give to every class of people equal rights. Some cotton-mill representative from New England some days ago stated that the farmers of New England were not receiving any benefits from Mr. Roosevelt's program. May I state, neither are my farmers or the farmers of the South getting any benefits from your tariff policy. All of these years they have paid millions to the protected interests of this country, but have been forced to sell their products on an open, unprotected market at a world-basis price.

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This unfair scheme has brought poverty to the South and has made tenants and share-croppers out of my people, as will be shown by the figures that I am placing in the Record at this point.

Percentage of all farms operated by tenants, 1930 census

	Percent
Mississippi.....	72.2
Georgia.....	68.2
Louisiana.....	65.6
South Carolina.....	65.1
Alabama.....	64.7
Arkansas.....	65.0
Oklahoma.....	61.5
Texas.....	50.2
North Carolina.....	49.3
Iowa.....	47.9
Nebraska.....	47.1
Tennessee.....	46.2
South Dakota.....	44.8
Illinois.....	43.1
Kansas.....	42.4
Kentucky.....	42.4
North Dakota.....	35.1
Missouri.....	34.8
Colorado.....	34.5
Delaware.....	28.3
Minnesota.....	31.1
Indiana.....	30.1
Florida.....	28.4
Virginia.....	28.1
Maryland.....	26.5
Ohio.....	26.3
Idaho.....	25.3
Montana.....	24.3
Wyoming.....	22.0
New Mexico.....	20.2
West Virginia.....	18.6
Wisconsin.....	18.2
California.....	18.0
Oregon.....	17.8
Washington.....	17.0
Arizona.....	16.4
Pennsylvania.....	16.2
New Jersey.....	15.6
Michigan.....	15.5
New York.....	13.2
Nevada.....	12.9
Rhode Island.....	12.5
Utah.....	12.3
Vermont.....	9.7
Connecticut.....	8.6
Massachusetts.....	5.6
New Hampshire.....	5.3
Maine.....	4.5

Take a look at these figures and you will see that only about 25 to 35 percent of the farmers in the South own their lands while in New England only 5 to 12 percent do not own their lands. I have heard my good friend, Mr. Treadway, stand up on that side and plead for tariffs and more tariffs. I have heard him say, "America for Americans." Yet today the mail of this country is going through every post office in the United States tied with jute string imported from India at the expense of the textile mills and the cotton farmers of the South. I have tried for the last 5 years to pass a net-weight cotton bill whereby we might be able to use cotton bagging in covering cotton instead of jute, and the Representatives from Massachusetts, and those who have jute mills in their districts, have opposed and have defeated the passage of the bill. This is the only cotton country in the world that sells cotton on a gross-weight basis. This is the only cotton country in the world that covers cotton with old heavy, wasteful, and disgraceful jute bagging. Jute is imported from India, but they do not use this old heavy jute in covering their cotton.

I have a bill now pending before the Ways and Means Committee proposing a tariff on jute. I challenge you who are talking about the loss of our foreign markets to join with me in passing this bill and thereby preserve our own markets for cotton farmers and the textile industry. We would be able to market and consume 3,000,000 more bales of cotton right here in the United States which is being taken away from us by India and the jute interests. The textile mills of New England are calling long and loud for an increased tariff on foreign textiles, but I have not heard a word about a tariff on jute. You state India is increasing her cotton production and that we are losing our exports

to India. Why are you willing to let India take our cotton market and in the meantime refuse to stop the importation of jute?

Now, it is stated that the Bankhead control bill is destroying our foreign markets. In 1921, 1922, and 1923 we only produced 9,000,000 bales of cotton annually. That was brought about because of a severe bollweevil infestation—a production of only 27,000,000 bales in 3 years. It was stated at that time that America was losing her foreign markets. Did we? In 1923 and 1924 the farmers received an average of 28½ cents for cotton.

In 1924 farmers increased their production three and one-half million bales, and the price fell from 28½ cents to 6 cents per pound.

In 1926, when the purchasing power of this country and all foreign countries was at its height, our farmers produced 18,000,000 bales, the largest cotton crop ever produced in this country.

Immediately, because of overproduction, the price declined from 19½ cents to 12½ cents. For this fine, splendid crop of cotton of 18,000,000 bales the farmers of the South received \$200,000,000 less than they received for the 10,000,000-bale cotton crop. In other words, instead of being compensated for the extra labor, fertilizer, and the extra acres planted in cotton, they were penalized \$200,000,000.

(The time of Mr. FULMER having expired, he was given 5 minutes more.)

Mr. FULMER. In the beginning of 1933 we had a surplus of 13,000,000 bales of cotton, a sufficient amount of cotton, as stated, to take care of the demand, both our market and our foreign markets, without producing a bale of cotton in 1933.

Under the program of 1933 we plowed under 4,000,000 bales of cotton. In 1934 we held the production down to around 10,000,000 bales. If we are able to control production this year around 11,000,000 bales, at the end of this year we will have produced 33,000,000 bales during the controlled program. We will have produced 6,000,000 bales more during the 3 years of orderly control than we did during the 3 years of boll-weevil control.

We did not lose the market when the production went down to 27,000,000 bales during the 3 years of boll-weevil control. I want to ask you, my friends, what would have happened to farmers, textile mills, and business generally had we not plowed under 4,000,000 bales in 1933 and if we had produced a normal crop in 1934 around twelve to fifteen million bales?

My friends, why are we losing our foreign markets? There are three outstanding reasons: First, the tariff wall built around this country in 1930 by a Republican administration in the interest of industry that practically prevents the importation of foreign goods; in the second place, foreign countries have not the cash purchasing power, and in that they are unable to buy our cotton on a credit as they used to do the reason for the loss of our foreign markets is simple; third, the standard of the United States currency and that of foreign countries all being on a different standard has as much as anything else to do with exporting and importing.

Who pays the processing tax? Textile mills tell you that they do. This is not true. Textile mills simply act as collecting agents for the Government and, like the tariff, it is passed on to the consuming public.

Now, much has been said about the tax increasing prices on cotton goods. It has been stated because of this tremendous burden consumers are refusing to buy cotton goods. I contend, and so does the Secretary of Agriculture, that if textile mills and the various handlers of cotton goods would be fair with the consuming public the added price on account of the tax would not be a burden on consumers.

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Here is the trouble, my friends, and that is one of the things we want to find out about under the investigation proposed by me. Mr. McCuen, a cotton merchant in Greenville, S. C., stated some time ago that the added cost would not amount to much by adding the 4.2 cents on a pound of cotton, but we have a selling agency in New York, manufacturers of cotton goods, wholesale and retail merchants, and until all of these added on their profits the price is too high for the consuming public.

Why should you add anything after adding the 4.2 cents? That is exactly what we want to find out in this investigation, about the manner of adding profits by all handlers of cotton goods after the lint cotton has been manufactured by the textile mills. Farmers have no selling agents. Each individual farmer does his own selling and has to take the other fellow's price on that which he produces. When a bale of cotton is placed on the market immediately the cotton buyers commence to pounce upon it and each and every one of them secures a sample and makes a profit, and after it passes into the hands of the mill, and then on through their selling agents, manufacturers, wholesalers, and retailers, their profits are added. I tell you the time has come when we should pass legislation whereby we may be able to establish an up-to-date marketing and distributing system for farmers—a system that will give to farmers and consumers some bargaining power and some say about the prices they receive and the prices they have to pay. The spread between what farmers receive and the price that consumers have to pay, in a great many instances, is simply highway robbery on the part of many middlemen, many of which are nothing more or less than real parasites sapping the very lifeblood out of both producer and consumer.

I have the deepest regard for the very valuable Members of Congress from that great southern State, Georgia, but I am humiliated to read in the newspapers that Governor Talmadge of that State is ranting all over the State and into other States against the President of the United States and his administration.

Mr. McCuen, who resides in Greenville, S. C., in the district represented by that able statesman, my colleague Mr. McSWAIN, stated some days ago in the Greenville Observer, a paper that carries but little else than ridicule for the agricultural program and the processing tax, that "Party loyalty meant everything, but it was more important to save the cotton textile industry than to reelect Franklin D. Roosevelt." I am sure that the statement of this cotton merchant who makes his profits per bale—more bales, more profits—sounds like sweet music in the ears of the people who reside in New England and in the ears of the Republican Party. I am very happy that Mr. McCuen does not live in my district.

Mr. Chairman, this Nation has a productive capacity, men, material, and knowledge sufficient to double the production that we have at this time and I believe if we would expand production in an orderly manner, a balanced production, it would do more to bring about recovery than anything we have done up to this time. We all know that the unbalanced production prior to 1933 brought about the serious depression in which we find ourselves. I believe that although the generation ahead of me and during my own time we have submitted to this monopolistic price fixing, tariff benefits for the well-organized and well-financed groups at the expense of agriculture and the consuming public, centralizing the wealth of the country in the hands of the few will not be tolerated by the young manhood and young womanhood of this and future generations.

In closing may I state that I am glad that we have a President who is in sympathy with a square deal, one who will lead us out of the predicament we were carried into under a Republican administration. [Applause.]