

and generally are, unlike the special competence, and the practical experience in trade, needed to enable one to test the accuracy of invoice values on a particular day, upon which test our appraising officers so largely rely, and the integrity of our customs revenue so greatly depends.

I invite attention to a communication from the Customs Division (Appendix B, p. 52,) in regard to the admission of articles of small value without a consular invoice.

CONSIGNED MERCHANDISE.

In my annual report of 1885, my subsequent report to Congress of February 16, 1886, and my letter to the Senate sub-committee on undervaluations, of February 25, 1886, there is to be found among the communications to me from the special agents of the Department, and customs officers at the several ports, as well as in my own comments thereon, allusions to what is therein described as the "consignment system." The same subject was, in Boston, and in March last, brought to the attention of the Senate sub-committee on undervaluation, by a committee of merchants and manufacturers at that port. (See Appendix H, pages 149 *et seq.*)

The opinions expressed by the special agents, by customs officers, and by Boston merchants and manufacturers, were to the effect that in New York has been, and is now, the warehouse and chief centre in our country of the consignment system, and that its direct influence has been and is most injurious to our national welfare, and especially to our customs revenue.

A consignment system, such as was known in our ports three-quarters of a century ago, and was described to Congress by Secretary Crawford in 1818, (see Ex. Doc. No. 684, 9th Cong., 1st sess., p. vii,) whereby European manufacturers sent hither accumulations of fabrics to be sold at auction or otherwise, on their account and risk, has been, it is said, largely superseded by a system whereby enterprising agents of foreign manufacturers, or dealers, come hither, solicit and accept orders on samples to deliver their fabrics to buyers in our country, at a prearranged price, the duties and all charges of every sort to be paid by the foreign seller. From this system results, say the Boston committee, and results especially in New York, "the greater part of the evils of undervaluations, wrong classifications, and other errors of customs administration, and for which we complain." The system having, in the opinion of so many, grown to such large, and such dangerous proportions, and intimations more or less distinct hav-

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ing been made that it had not encountered a vigorous execution of the customs law at our larger ports, I invited the views thereon of the collector at Boston and the naval officer at New York. (See Appendix H, pages 149-53 and page 193.)

This growth of the consignment system in international trade and in relation to our own consular officers as verifiers and certifiers of invoices destined for this country, and to our appraising officers who are to ascertain and report to collectors foreign dutiable values,—has recently assumed an important significance by the official action during the present year of the British Foreign Office at London. Early in February last, several British Boards of Trade complained that, owing to the inefficiency of British diplomatic and consular agents, and the inadequate as well as dilatory publication by the Government of information respecting production and trade in foreign countries, British manufacturers and dealers were supplanted by rivals.

This complaint by British manufacturers and merchants that the functions of British diplomatic and consular agents were too circumscribed in respect to British trade, and that those diplomatic and consular agents were inefficient in doing even the work prescribed by the existing regulations of the Foreign Office, was transmitted to those agents for explanation and report, with the natural result that the arraigned diplomatic and consular officers told the Foreign Office in reply what they thought of British merchants, and of the reasons why competitors are beating them out of the fields where hitherto British traders have been supreme. The controversy resulted in a Parliamentary publication of "correspondence respecting the question of diplomatic and consular assistance to British trade abroad." In these volumes which contain letters from British ministers and consuls scattered all over the world, who are some of them men of eminence and large experience, as well as in the published reports of the Trade-Depression Commission, is most valuable information, bearing not only on the growth of the "consignment system," but on what American manufacturers and merchants must speedily do, and must insist that their Congress shall speedily do, if they would share in the trade of foreign markets. This information demonstrates and emphasizes the fact that in these days of railways, telegraphs, ocean cables, and swift steamships, the foreign trader is abroad with his samples and artful solicitations, and everywhere comes into rivalry with his British competitors, and that if England would recover and preserve on the American continent, in Asia and Africa, the trade which Swiss, Germans, Frenchmen, Belgians, and Italians are rapidly gaining, her manufacturers and merchants must

meekly accept the teachings of their younger rivals, adapt their wares to the fancy and habits of foreign customers, open in foreign countries, warehouses for the exposure of their goods for sale, send out competent and efficient "drummers" who speak the language of the country to which they are sent, give foreign buyers the long credit to which they may have been accustomed,—in a word, that Englishmen must give up the idea that American trade, or any other trade, will come to them as it did to their forefathers, must go abroad and find it, and when found artfully nurse it. In other words, trade, becoming more and more international and world-wide, has taught merchants the lesson which merchants are slowly learning, that the consumer is the objective point to which the seller must adjust himself. Taxation anywhere interposed in the course of trade, suggests to legislators and statesmen a similar lesson which they as reluctantly learn, that the interests of the consumer are the objective point to which laws for the inland or seaport tax-gatherer must be adjusted. The advice of British consuls to British merchants, most emphasized, is this:

"Meet the wishes of customers, and especially by stating prices in local currency, duty-paid, either at the place of delivery of the goods, or at a neighboring port."

The facts presented in these most interesting documents bear at two points on the welfare of the United States; one of which is our present ad valorem war-tariff tax system, which requires our consular and appraising officers to ascertain and report foreign values thus made under the strife of international competition, and the other is the promotion of our own export trade. The facts press and push on the question whether or not we, in the United States, shall attempt, by tariff legislation, to prevent the application to our country, by foreigners, of this "consignment system," which our own manufacturers and merchants must vigorously apply in other countries if they would there successfully compete.

The magnitude and importance of the subject will, I hope, justify me in inviting the attention of Congress to extracts from the reports, to which I have referred, of British diplomatic and consular officers, which bear on our own welfare.

Sir Edward Thornton—so long known in this country as the British Minister, who, before coming here, had diplomatic experience in Brazil, and since leaving Washington has had opportunities of observation at St. Petersburg and Constantinople—wrote to the Earl of Rosebery from Constantinople on May 1, 1886:

"Englishmen complain that in Turkey Germans are getting the advantage of them in point of trade, and attribute it to the want of

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assistance from Her Majesty's diplomatic and consular officers. For many years past, during my residences on the River Plate, Brazil, and the United States, I have been painfully impressed by the conviction that English merchants are indeed being driven out of the field by Germans, but that the latter attain this superiority, not by protection from their authorities, but by their own unaided and independent energy, by the greater economy of their establishments, and by downright hard work on the part of both chiefs and subalterns."

Consul Bennett, in Brazil, tells the British Foreign Office:

"The Rio Grande trade is now practically in the hands of Germans, who leave no stone unturned to strengthen the position gradually acquired. Not only are German sample-men more frequently seen here than English, but they are a superior class to our own, both commercially and socially."

Consul Bidwell writes from New Orleans of the chance which the recent Exposition in that city gave to British traders, of which Britons did not, but Belgians did, avail themselves; and adds:

"This is the way, in my humble judgment, to make a market. It is the way in which we might have kept and increased that which we once had in this district, but our trades do not seem to understand that the day in which the manufacturer or the wholesale house might wait at home to be dealt with has passed. The producer must now go out and meet the retailer more than half-way, or he will be intercepted by some more enterprising rival. An American lock gains a gold medal at the "inventions," and is sold freely in the city of Chubb and Bramah! During a recent leave of absence I met a gentleman who has eight agencies for the sale of American goods in England, and he can be met in Long-acre with orders for American carriages and carriage materials in his pocket. The fact that there is nothing about the New Orleans of to-day to render it impervious to foreign goods is proved by the establishment of the Belgian agency, and the success which it has met with; I therefore venture to repeat what I wrote in March, 1884, on the subject of the World's Cotton Centennial Exposition, and which applies, I think, to the present:

"The intending exhibitor will do well to give up preconceived ideas as to what will suit the American market. The time in which expense and gaudiness were the principal qualities looked for has passed. For every one person who had the means and taste to buy objects of decorative art, or who appreciated art in the shape or coloring of common things ten years ago, they now are 100."

"Writing especially of this city and the South generally, 'I recommended display of the following articles in the best designs and at all prices: China and earthenware, table and bed-room services, furniture of all sorts, table decorations, wall papers, hangings, carpets, rugs, house decorations and ornaments, oleographs, prints, &c., and kitchen and dairy utensils; all sorts of printed calicoes, cretonnes, chintz; all sorts of fine cutlery, toilet articles, dressing case and bags (mounted,) work-boxes and fancy stands, screens and holders; all sorts of sporting (shooting and fishing) tackle, garden ornaments, window-gardening materials, tents and awnings, stable fittings and utensils, school furniture and appliances; designs for street pavement, cleaning, and drain-

age, drainage pipes, traps, valves, tanks, &c. ; cotton carding, spinning, and weaving machinery, machine-tools, hospital furniture, (surgical appliances, not instruments,) and steam cranes and winches for loading and discharging ships from the wharf."

Consul Merlin says of the trade of the Piræus in Greece:

"For one English commercial traveller in the Levant there are twenty Germaus and Frenchmen.' * * * No orders, Mr. Merlin says, are too insignificant for the German commission houses; the German and Austrian manufacturers give long credits, while English firms only do so in isolated cases. 'They are also more careful in executing orders and according credits, and a general system is established on the continent of obtaining information respecting the means and standing of small tradesmen. In fact, judging from what is taking place on a small scale in Greece, the trade of the Levant appears to have passed from Englishmen to foreigners. The old Levant houses have disappeared, and British enterprise with them. The truth is, the French, Germans, and Italians adapt themselves more easily to their foreign surroundings than Englishmen, who, as a rule, expect foreigners to submit to them, and be guided by their fixed methods of doing business, without which no transactions are thought possible.' * * * To sum up, foreigners have taken away our Levant trade, says Mr. Merlin in effect, because we have no commercial travellers, no organization for ascertaining the credit of our customers, no enterprise, and we expect people to buy what we sell, not what they want, in our way, not in their own."

Consul Leats Browne, at Genoa, tells the British Foreign Office:

"It is notorious that German and Swiss manufacturers take far more trouble than we do in these things; that when they take their holidays they come not to see sights and spend their money in buying doubtful antiquities, as many of our wealthy manufacturers do, but to employ part of their time in making the personal acquaintance of their correspondents and looking into business with their own eyes. * * * 'The prevailing impression here is,' pursues Mr. Leats Browne, 'that our people are too grand for the present times of keen competition, and have the air of replying to any observations in a "take it or leave it" spirit, which is far removed from the tone of their rivals and is out of keeping with the present state of business relations between producers and their customers.' Again, in warning our merchants of the danger of losing the cloth trade altogether, he writes: 'I am often told that we seem to make just what best suits ourselves and expect the "foreigners" to adopt their tastes accordingly. This might do when we held almost a monopoly of capital and of undertakings on a grand scale, but is no longer suitable, now that in all countries there are great establishments competing, not only for home, but for the foreign trade also.' We are being supplanted in a score of things by the Germans, for 'in all ways they take far more trouble than we do to acquire a thorough knowledge of this market and to adapt themselves to its wants.'"

The British consul-general at Shanghai declares:

"German and American manufacturers have, it has been noticed, been far more alive to the necessity of keeping their agents well supplied with musters or models of the articles they are anxious to supply.

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and giving them the fullest information in regard thereto. In several cases at least the foreign article which could be shown has been accepted in preference to better and cheaper articles which the British agent was only able to describe. It would, of course, necessitate a certain expenditure to establish and maintain these show-rooms, but they would, in my opinion, repay the cost; and the establishment of a museum at home of articles in common use in China would be of equal utility, in that it would enable manufacturers at home to see for themselves what they are called on to supply, or in many cases to supersede."

From Reunión, in the Southern Ocean, a British consul reminds his countrymen:

"As a matter of fact, formerly the British trader had only to open his mouth for plums to drop into it. There is no disguising that now this happy state of things is at an end, and that it behooves us to look about and see how other nations are competing with us. I find that shopkeepers in these days of competition will not go in search of goods. Samples must be brought to their doors for them to select and give their orders, the same as in England."

The British consul at Corunna says that:

"Some resistance is still observable on the part of English houses to quote prices in currency, duty-paid, placed in inland towns on easy terms of payment, all of which tend to transfer business to other hands.' As Mr. Crawford, the consul at Oporto, puts it, 'English manufacturers rely on long traditions of success, and often disregard the fact that to hold their own they must exhibit the same qualities as did those who built up English trade.'"

It may be safely assumed by us in the United States that, if Belgians, Swiss, Italians, Frenchmen, and Germans are thus fiercely competing with Britons, and with one another, in South America, Mexico, Europe, Asia, and Africa, they are, all combined, pushing their wares into our own markets, establishing here warehouses of their own, and availing themselves of the advantages of our customs bonded stores. Here are many millions of enterprising and wide-awake men and women who are seeking to buy at the lowest price, the necessities and the luxuries of life, of such character and quality as they require. Even those who demand the maintenance of our war-tariff taxes are among the numbers whose demand for foreign fabrics is the cause of their importation, and of the modern "consignment system," which has intensified the competition that hammers down prices. It is from the Republic of Switzerland, without seaports, and almost without custom-houses on her frontiers, that come to us ribbons, silks, and other fabrics, which, under the "consignment system," so pester our consular and appraising officers. Can the application of that "consignment system" be prevented, or shall not Congress the rather recognize, accept, and deal with it by a more intelligent tariff law? I respectfully commend to Congress, in that rela-

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tion, the letter addressed to the chairman of the Committee on Ways and Means, on June 14, 1886, by the First Assistant Secretary of the Treasury, Mr. Fairchild.

The description of duty levied, and the values of the merchandise on which it was levied, during the last fiscal year, were these :

RATES.	Values on which collected.	Amounts of duty.
Specific, (simple).....	\$202, 733, 702	\$99, 751, 638
Ad valorem, (simple)	168, 176, 052	58, 414, 549
Compound :		
Specific.....	42, 868, 301	14, 289, 208
Ad valorem.....		
Total	413, 778, 055	188, 533, 171

The respective amounts of ad valorem and specific duty collected on dutiable merchandise were, therefore, as follows, making due allowance for immaterial errors of computation :

Specific	\$114, 040, 846
Ad valorem	74, 492, 325
Total	188, 533, 171

APPRAISEMENT.

Whether or not there are now undervaluations of merchandise paying ad valorem rates computed on foreign values, which undervaluation can be fairly described as general, is a question to which I have given much inquiry and consideration. It is the question of questions, if our existing contrivance for levying and collecting our ad valorem rates on such a multitude of enumerated articles, and vast numbers of other articles not specifically enumerated but classified under general terms and phrases in the law, is to be continued. One hears of the suggestion frequently made to buyers by sellers in the large European cities of articles destined for our ports, that "*of course* an invoice containing lower prices will be specially prepared for the custom-house;" and one hears also of *commissionaires* in those cities who do a thriving business by making purchases for our citizens, preparing and swearing to false invoices which contain prices less than those actually paid, and sending the articles and invoices to the agents in our ports of those *commissionaires*, which agents pass false entries through the custom-houses. One also hears that business-men in our ports systematically cause their purchases to be sent to an agent of their own at the centre of shipments, who presents an invoice to the consular officer. What is probable about the existence of such illegal transactions?