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Statement before the Wiggins Committee on State Financing

Strom Thurmond

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Mr. Chairman, Members of the Committee:

You invited me here to discuss a problem which has been of great concern to me since the introduction in the House last January of HR-1, the Reciprocal Trade Bill. The reason for my concern was that the old Reciprocal Trade Law gave authority to the President to reduce tariffs by as much as 50 per cent, and HR-1, as introduced, not only continued this authority, but it also included a special provision favoring the importation of Japanese textile products.

I realized that the effects of this bill, if not amended, would be detrimental to the employees of the textile industry, the textile industry itself, and to the State of South Carolina. Also, I realized this same detrimental effect would apply to certain other smaller, but very important, industries in the economic structure of our State.

The trend in 1954 of increasing imports of textile goods from Japan and other countries showed that unless HR-1 was amended, the payrolls of the employees of the textile industry were in danger, the margin of profit of the textile operators was being severely reduced, and that the revenue collected by the State of South Carolina from corporate income tax, from individual withholding taxes, and from the sales tax would be in great danger of severe reductions if adequate safeguards were not established against the invasion of foreign textile goods.
When HR-1 came to the Senate, I was able to secure the fine cooperation and great assistance of several members of the Senate in persuading the Finance Committee to approve and the Senate to pass amendments to guard against the dangers which I have mentioned as existing in the old law.

However, under the old Reciprocal Trade Agreements Act, which expired in June, negotiations were already under way in Geneva for General Agreement on Tariffs and Trade under which the State Department negotiators conceded tariff reductions on textile products averaging about 27 per cent.

When it is taken into account that in 1954, even with the higher tariff rates prevailing, the Japanese were greatly increasing their shipments of textile goods to this country, it appears that the inevitable result will be an increasing flow of foreign textile products to this country.

The results of the GATT Conference at Geneva increased my concern for the continued high employment of our textile workers, for a reasonable profit being earned by the stockholders in the textile plants, and for a sufficient collection of revenue by the state government. I introduced a resolution, which was approved by the Senate, and called upon the Tariff Commission to begin an immediate study of the effects of the tariff reductions on the effective date of the agreements on September 10. I also wrote a letter to the President calling his attention to the dangers existent in the situation and asked that he invoke the Escape Clause from the agreements if it were found that
increased importation of textile goods under the lowered tariffs was damaging the domestic textile industry.

Then, on July 30, Senator Eastland of Mississippi and I, with 60 co-sponsors, introduced a bill to encourage the sale of cotton for export and to limit imports of manufactured cotton products. It is my hope that the Tariff Commission will recommend to the President that he invoke the Escape Clause of the Reciprocal Trade Act so as to hold within reasonable bounds the flow of foreign-made textile products into this country. Also, I am hopeful the Bill, S-2702, which Senator Eastland and I introduced, will be passed by the Congress at the session beginning in January so as to improve the position both of the farmers and of the textile industry.

However, I realize fully that the information this Committee is seeking is data to provide a greater insight into the expectation for increased or decreased revenue as a result of the tariff agreements which have affected the textile industry, which is the largest industry in South Carolina.

I would not attempt to predict with exactness, and I do not believe anyone can determine at this time, just how great will be the effect of the tariff reductions on the revenue of the State as a result of the influence on textile activity.

Let me cite a few statistics which might be of some assistance to you in a general estimate of the situation. I secured the following information from the Tariff Commission
on October 7 as a result of a special request I made so as to be able to present this information to this Committee.

In the first quarter of 1954, the value of cotton goods imported into the United States totaled $4,447,000. Of this total, $1,411,000 was from Japan. In the first quarter of 1955, the value of cotton goods imported into the United States totaled $7,347,000. Of this total, $3,205,000 was from Japan.

In the second quarter of 1954, the value of cotton goods imported into the United States totaled $5,270,000. Of this total, $1,814,000 was from Japan. In the second quarter of 1955, the value of cotton goods imported into the United States totaled $7,363,000. Of this total, $3,522,000 was from Japan.

These figures make the trend clearly evident.

Based on the first five months of the year, the imports of cotton goods from Japan in 1955 will almost double the quantity of imports of cotton goods from Japan in 1954. In 1954 such imports amounted to 68,700,000 square yards of goods. The estimate for this year is 128,900,000 square yards of goods. Also, I am sure you have already noted in the press that the Japanese Ministry of International Trade and Industry reported that in August it approved for future delivery to the United States orders totaling 52,000,000 square yards of cotton cloth. This is the largest monthly order by the United States of Japanese textiles in the history of the Japanese textile industry. If such orders continued at the same rate, the annual volume of imports into the
United States would amount to 624,000,000 yards, which would be almost ten times as much as in 1954.

In spite of the statistics I have cited above, I have a letter of August 22 from Mr. Earl L. Butz, Assistant Secretary of Agriculture, in which he stated that production of cotton textiles in the United States has ranged between "an estimated nine and eleven billion square yards annually during the postwar years," and ventured the following statement:

"Under this full production pattern, exports of these cotton textiles have remained fairly constant with a slight decreasing trend ranging in the 700 million and 600 million square yard level during the last few years. The present trend of imports is upward, averaging about 53 million square yards for the period 1950 to 1954. The 1954 imports of approximately 74 million square yards represent about 0.70 per cent of the supply provided by imports and production. The Japanese imports, represented 65 per cent of the total imports and only 0.5 per cent of the supply provided by production and imports. It would appear that other factors are affecting the industry in a more measurable degree than the present rate of imports."

Mr. Butz also declared:

"The foregoing considerations are based on present conditions. The effects of the pending tariff reduction cannot be accurately estimated just yet. We have received expressions of concern on this point from numerous individuals and groups. This aspect of the problem is being watched
carefully. Should imports increase to the extent that they interfere materially with the Department's program or the quantity of goods processed, appropriate action will be recommended without delay."

Mr. Butz, however, has given only a part of the picture. As all of us know, while the volume of imports may be small when compared to the total production in this country, the effect of these imports on prices is considerable. And prices determine profits, which, in turn determine the amount of taxes paid. So, even though a government official may point to the small volume of imports with some measure of truth, this cannot be done with the same measure of fairness without taking into account the disruptive and demoralizing effect such imports have on textile prices and profits.

In view of the conditions and statistics to which I have referred, I do not believe it possible at this time to predict with any degree of accuracy what effect the reduction in the textile tariffs and the resulting increase in textile imports will have on revenue collections in South Carolina.

However, I do not see how any increase in revenue, at the present rate of taxation, can be anticipated from the sources dependent upon textile activity. As time passes and the record of longer experience under the prevailing tariff rates is available for study, the projection of revenue estimates should be easier and more accurate.
As I understand the purpose of this Committee, it is to make recommendations for sound state government financing over the years to come and not simply for a short period. Therefore, I am sure you will want to base your findings regarding the revenue to which I have referred in my statement on fuller findings than are available to any of us at this time.

Let me express my deep appreciation to each of you for the time and attention you have given me.

THE END