-254-

J. W. Hampton, Jr. & Co. v. United States, 276 U.S. 394 (1928)

Syllabus | Case

U.S. Supreme Court

J. W. Hampton, Jr. & Co. v. United States, 276 U.S. 394 (1928)

J. W. Hampton, Jr. & Company v. United States

No. 242

Argued March 1, 1928

Decided April 9, 1928

276 U.S. 394

CERTIORARI TO THE UNITED STATES

COURT OF CUSTOMS APPEALS

Syllabus

1. Section 315(a), Title III, of the Tariff Act of Sept. 21, 1922, empowers and directs the President to increase or decrease duties imposed by the Act so as to equalize the differences which, upon investigation, he finds and ascertains between the costs of producing at home and in competing foreign countries the kinds of articles to which such duties apply. The Act lays down certain criteria to be taken into consideration in

ascertaining the differences, fixes certain limits of change, and makes an investigation by the Tariff Commission, in aid of the President, a necessary preliminary to any proclamation changing the duties.

Page 276 U. S. 395

Held that the delegation of power is not unconstitutional. P. 276 U. S. 405.

2. Congress has power to frame the customs duties with a view to protecting and encouraging home industries. P. 276 U. S. 411.

14 Ct.Cust.App. 350 affirmed.

Certiorari, 274 U.S. 735, to a judgment of the Court of Customs Appeals, which affirmed a judgment of the United States Customs Court, 49 Treas.Dec. 593, sustaining a rate of duty as increased by proclamation of the President.

Page 276 U. S. 400

MR. CHIEF JUSTICE TAFT delivered the opinion of the Court.

J. W. Hampton, Jr., & Co. made an importation into New York of barium dioxide which the collector of customs assessed at the dutiable rate of six cents per pound. This was two cents per pound more than that fixed by statute. Paragraph 12, c. 256, 42 Stat. 858, 860. The rate was raised by the collector by virtue of the proclamation of the President, 45 Treas.Dec. 669, T.D. 40216, issued under, and by authority of § 315 of Title III of the Tariff Act of September 21, 1922, ch. 356, 42 Stat. 858, 941, which is the so-called flexible tariff provision. Protest was made, and an appeal was taken under § 514, Part 3, Title IV, ch. 356, 42 Stat. 969-970. The case came on for hearing before the United States Customs Court, 49 Treas.Dec. 593, T.D. 41478. A majority held the Act constitutional. Thereafter, the case was appealed to the United States Court of Customs Appeals. On the 16th day of October, 1926, the Attorney General certified that, in his opinion, the case was of such importance as to render expedient its review by this Court. Thereafter the judgment of the United States Customs Court was affirmed.

Page 276 U. S. 401

14 Ct.Cust.App. 350. On a petition to this Court for certiorari, filed May 10, 1927, the writ was granted. 274 U.S. 735. The pertinent parts of § 315 of Title III of the Tariff Act, ch. 356, 42 Stat. 858, 941, U.S.C. Tit.19, §§ 154, 156, are as follows:

"Section 315(a). That, in order to regulate the foreign commerce of the United States and to put into force and effect the policy of the Congress by this Act intended, whenever the President, upon investigation of the differences in costs of production of articles wholly or in part the growth or product of the United States and of like or similar articles wholly or in part the growth or product of competing foreign countries, shall find it thereby shown that the duties fixed in this Act do not equalize the said differences in costs of production in the United States and the principal competing country, he shall, by such investigation, ascertain said differences and determine and proclaim the changes in classifications or increases or decreases in any rate of duty provided in this Act shown by said ascertained differences in such costs of production necessary to equalize the same. Thirty days after the date of such proclamation or proclamations, such changes in classification shall take effect, and such increased or decreased duties shall be levied, collected, and paid on such articles when imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands, the Virgin Islands, and the islands of Guam and Tutuila): *Provided,* That the total increase or decrease of such rates of duty shall not exceed 50 percentum of the rates specified in Title I of this Act, or in any amendatory Act. . . ."

"(c) That, in ascertaining the differences in costs of production under the provisions of subdivisions (a) and (b) of this section, the President, insofar as he finds it practicable, shall take into consideration (1) the differences

Page 276 U. S. 402

in conditions in production, including wages, costs of material, and other items in costs of production of such or similar articles in the United States and in competing foreign countries; (2) the differences in the wholesale selling prices of domestic and foreign articles in the principal markets of the United States; (3) advantages granted to a foreign producer by a foreign government, or by a person, partnership, corporation, or association in a foreign country, and (4) any other advantages or disadvantages in competition."

"Investigations to assist the President in ascertaining differences in costs of production under this section shall be made by the United States Tariff Commission, and no proclamation shall be issued under this section until such investigation shall have been made. The commission shall give reasonable public notice of its hearings, and shall give reasonable opportunity to parties interested to be present, to produce evidence, and to

be heard. The commission is authorized to adopt such reasonable procedure, rules, and regulations as it may deem necessary."

"The President, proceeding as hereinbefore provided for in proclaiming rates of duty, shall, when he determines that it is shown that the differences in costs of production have changed or no longer exist which led to such proclamation, accordingly as so shown, modify or terminate the same. Nothing in this section shall be construed to authorize a transfer of an article from the dutiable list to the free list or from the free list to the dutiable list, nor a change in form of duty. Whenever it is provided in any paragraph of Title I of this Act that the duty or duties shall not exceed a specified *ad valorem* rate upon the articles provided for in such paragraph, no rate determined under the provision of this section upon such articles shall exceed the maximum *ad valorem* rate so specified. "

Page 276 U. S. 403

The President issued his proclamation May 19, 1924. After reciting part of the foregoing from § 315, the proclamation continued as follows:

"Whereas, under and by virtue of said section of said Act, the United States Tariff Commission has made an investigation to assist the President in ascertaining the differences in costs of production of and of all other facts and conditions enumerated in said section with respect to . . . barium dioxide, . . ."

"Whereas, in the course of said investigation, a hearing was held of which reasonable public notice was given and at which parties interested were given a reasonable opportunity to be present, to produce evidence, and to be heard;"

"And whereas the President, upon said investigation . . . , has thereby found that the said principal competing country is Germany and that the duty fixed in said title and Act does not equalize the differences in costs of production in the United States and in . . . Germany, and has ascertained and determined the increased rate of duty necessary to equalize the same."

"Now therefore I, Calvin Coolidge, President of the United States of America, do hereby determine and proclaim that the increase in rate of duty provided in said Act shown by said ascertained differences in said costs of production necessary to equalize the same is as follows:"

" 'n increase in said duty on barium dioxide (within the limit of total increase provided for in said Act) from 4 cents per pound to 6 cents per pound."

"In witness whereof, I have hereunto set my hand and caused the seal of the United States to be affixed."

"Done at the city of Washington this nineteenth day of May in the year of our Lord one thousand nine hundred and twenty-four, and of the Independence of the

Page 276 U. S. 404

United States of America the one hundred and forty-eighth."

"Calvin Coolidge"

"By the President: Charles E. Hughes, Secretary of State"

The issue here is as to the constitutionality of § 315, upon which depends the authority for the proclamation of the President and for two of the six cents per pound duty collected from the petitioner. The contention of the taxpayers is two-fold -- first, they argue that the section is invalid in that it is a delegation to the President of the legislative power, which by Article I, § 1 of the Constitution, is vested in Congress, the power being that declared in § 8 of Article I that the Congress shall have power to lay and collect taxes, duties, imposts, and excises. Their second objection is that, as § 315 was enacted with the avowed intent and for the purpose of protecting the industries of the United States, it is invalid because the Constitution gives power to lay such taxes only for revenue.

First. It seems clear what Congress intended by § 315. Its plan was to secure by law the imposition of customs duties on articles of imported merchandise which should equal the difference between the cost of producing in a foreign country the articles in question and laying them down for sale in the United States, and the cost of producing and selling like or similar articles in the United States, so that the duties not only secure revenue, but at the same time enable domestic producers to compete on terms of equality with foreign producers in the markets of the United States. It may be that it is difficult to fix with exactness this difference, but the difference which is sought in the statute is perfectly clear and perfectly intelligible. Because of the difficulty in practically determining what that difference is, Congress seems to have

doubted that the information in its possession was such as to enable it to make the adjustment accurately, and also to have apprehended that, with changing conditions, the difference might vary in such a way that some readjustments would be necessary to give effect to the principle on which the statute proceeds. To avoid such difficulties, Congress adopted in § 315 the method of describing with clearness what its policy and plan was, and then authorizing a member of the executive branch to carry out its policy and plan and to find the changing difference from time to time and to make the adjustments necessary to conform the duties to the standard underlying that policy and plan. As it was a matter of great importance, it concluded to give by statute to the President, the chief of the executive branch, the function of determining the difference as it might vary. He was provided with a body of investigators who were to assist him in obtaining needed data and ascertaining the facts justifying readjustments. There was no specific provision by which action by the President might be invoked under this Act, but it was presumed that the President would, through this body of advisers, keep himself advised of the necessity for investigation or change, and then would proceed to pursue his duties under the Act and reach such conclusion as he might find justified by the investigation and proclaim the same, if necessary.

The Tariff Commission does not itself fix duties, but, before the President reaches a conclusion on the subject of investigation, the Tariff Commission must make an investigation, and in doing so must give notice to all parties interested and an opportunity to adduce evidence and to be heard.

The well known maxim "*delegata potestas non potest delegari,*" applicable to the law of agency in the general and common law, is well understood, and has had wider

application in the construction of our federal and state constitutions than it has in private law. Our federal Constitution and state constitutions of this country divide the governmental power into three branches. The first is the legislative, the second is the executive, and the third is the judicial, and the rule is that in the actual administration of the government Congress or the legislature should exercise the legislative power, the President or the state executive, the Governor, the executive power, and the courts or the judiciary the judicial power, and in carrying out that constitutional division into three branches it is a breach of the national fundamental law if Congress gives up its

gislative power and transfers it to the President, or to the judicial branch, or if by law it attempts to invest itself or its members with either executive power or judicial power. This is not to say that the three branches are not coordinate parts of one government and that each in the field of its duties may not invoke the action of the two other branches insofar as the action invoked shall not be an assumption of the constitutional field of action of another branch. In determining what it may do in seeking assistance from another branch, the extent and character of that assistance must be fixed according to common sense and the inherent necessities of the governmental coordination.

The field of Congress involves all and many varieties of legislative action, and Congress has found it frequently necessary to use officers of the executive branch within defined limits, to secure the exact effect intended by its acts of legislation, by vesting discretion in such officers to make public regulations interpreting a statute and directing the details of its execution, even to the extent of providing for penalizing a breach of such regulations. *United States v. Grimaud,* 220 U. S. 506, 220 U. S. 518; *Union Bridge Co. v. United States,* 204 U. S. 364; *Buttfield v.*

Page 276 U. S. 407

Stranahan, 192 U. S. 470; *In re Kollock,* 165 U. S. 526; *Oceanic Steam Navigation Co. v. Stranahan,* 214 U. S. 320.

Congress may feel itself unable conveniently to determine exactly when its exercise of the legislative power should become effective, because dependent on future conditions, and it may leave the determination of such time to the decision of an executive, or, as often happens in matters of state legislation, it may be left to a popular vote of the residents of a district to be affected by the legislation. While, in a sense, one may say that such residents are exercising legislative power, it is not an exact statement, because the power has already been exercised legislatively by the body vested with that power under the Constitution, the condition of its legislation going into effect being made dependent by the legislature on the expression of the voters of a certain district. As Judge Ranney of the Ohio Supreme Court, in *Cincinnati, Wilmington & Zanesville Railroad Co. v. Commissioners,* 1 Ohio St. 77, 88, said in such a case:

"The true distinction, therefore, is, between the delegation of power to make the law, which necessarily involves a discretion as to what it shall be, and conferring an authority or discretion as to its execution, to be exercised under and in pursuance of the law. The first cannot be done; to the latter no valid objection can be made."

-259-

See also Moers v. Reading, 21 Penn.St. 188, 202; *Locke's Appeal,* 72 Penn.St. 491, 498.

Again, one of the great functions conferred on Congress by the federal Constitution is the regulation of interstate commerce and rates to be exacted by interstate carriers for the passenger and merchandise traffic. The rates to be fixed are myriad. If Congress were to be required to fix every rate, it would be impossible to exercise the power at all. Therefore, common sense requires that, in the fixing of such rates, Congress may provide a Commission,

Page 276 U. S. 408

as it does, called the Interstate Commerce Commission, to fix those rates after hearing evidence and argument concerning them from interested parties, all in accord with a general rule that Congress first lays down that rates shall be just and reasonable considering the service given and not discriminatory. As said by this Court in *Interstate Commerce Commission v. Goodrich Transit Co.,* 224 U. S. 194, 224 U. S. 214:

"The Congress may not delegate its purely legislative power to a commission, but, having laid down the general rules of action under which a commission shall proceed, it may require of that commission the application of such rules to particular situations and the investigation of facts, with a view to making orders in a particular matter within the rules laid down by the Congress."

The principle upon which such a power is upheld in state legislation as to fixing railway rates is admirably stated by Judge Mitchell in the case of *State v. Chicago, Milwaukee & St. Paul Railway Co.,* 38 Minn. 281, 298 to 302. The learned judge says on page 301:

"If such a power is to be exercised at all, it can only be satisfactorily done by a board or commission, constantly in session, whose time is exclusively given to the subject, and who, after investigation of the facts, can fix rates with reference to the peculiar circumstances of each road, and each particular kind of business, and who can change or modify these rates to suit the ever-varying conditions of traffic. . . . Our legislature has gone a step further than most others, and vested our commission with full power to determine what rates are equal and reasonable in each particular case. Whether this was wise or not is not for us to say, but, in doing so, we cannot see that they have transcended their constitutional authority. They have not delegated to the commission any authority or discretion as to what the law

Page 276 U. S. 409

-260-

shall be -- which would not be allowable -- but have merely conferred upon it an authority and discretion, to be exercised in the execution of the law and under and in pursuance of it, which is entirely permissible. The legislature itself has passed upon the expediency of the law and what it shall be. The commission is intrusted with no authority or discretion upon these questions."

See also the language of Justices Miller and Bradley in the same case in this Court. 134 U. S. 134 U.S. 418, 134 U. S. 459-461, 464.

It is conceded by counsel that Congress may use executive officers in the application and enforcement of a policy declared in law by Congress, and authorize such officers, in the application of the congressional declaration, to enforce it by regulation equivalent to law. But it is said that this never has been permitted to be done where Congress has exercised the power to levy taxes and fix customs duties. The authorities make no such distinction. The same principle that permits Congress to exercise its ratemaking power in interstate commerce by declaring the rule which shall prevail in the legislative fixing of rates, and enables it to remit to a ratemaking body created in accordance with its provisions the fixing of such rates, justifies a similar provision for the fixing of customs duties on imported merchandise. If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative power. If it is thought wise to vary the customs duties according to changing conditions of production at home and abroad, it may authorize the Chief Executive to carry out this purpose, with the advisory assistance of a Tariff Commission appointed under congressional authority. This conclusion is amply sustained by a case in which there was no advisory commission

Page 276 U. S. 410

furnished the President -- a case to which this Court gave the fullest consideration nearly 40 years ago. In *Marshall Field & Co. v. Clark,* 143 U. S. 649, 143 U. S. 680, the third section of the Act of October, 1, 1890, contained this provision:

"That, with a view to secure reciprocal trade with countries producing the following articles, and for this purpose, on and after the first day of January, eighteen hundred and ninety-two, whenever and so often as the President shall be satisfied that the government of any country producing and exporting sugars, molasses, coffee, tea, and hides, raw and uncured, or any of such articles, imposes duties or other exactions upon

the agricultural or other products of the United States, which in view of the free introduction of such sugar, molasses, coffee, tea and hides into the United States he may deem to be reciprocally unequal and unreasonable, he shall have the power, and it shall be his duty, to suspend, by proclamation to that effect, the provisions of this act relating to the free introduction of such sugar, molasses, coffee, tea, and hides, the production of such country, for such time as he shall deem just, and in such case and during such suspension, duties shall be levied, collected, and paid upon sugar, molasses, coffee, tea, and hides, the product of or exported from such designated country, as follows, namely:"

Then followed certain rates of duty to be imposed. It was contended that this section delegated to the President both legislative and treatymaking powers, and was unconstitutional. After an examination of all the authorities, the Court said that, while Congress could not delegate legislative power to the President, this Act did not in any real sense invest the President with the power of legislation, because nothing involving the expediency or just operation of such legislation was left to the determination of the President; that the legislative power was exercised when Congress declared that the suspension should take effect upon a named contingency. What

Page 276 U. S. 411

the President was required to do was merely in execution of the Act of Congress. It was not the making of law. He was the mere agent of the lawmaking department to ascertain and declare the event upon which its expressed will was to take effect.

Second. The second objection to § 315 is that the declared plan of Congress, either expressly or by clear implication, formulates its rule to guide the President and his advisory Tariff Commission as one directed to a tariff system of protection that will avoid damaging competition to the country's industries by the importation of goods from other countries at too low a rate to equalize foreign and domestic competition in the markets of the United States. It is contended that the only power of Congress in the levying of customs duties is to create revenue, and that it is unconstitutional to frame the customs duties with any other view than that of revenue raising. It undoubtedly is true that, during the political life of this country, there has been much discussion between parties as to the wisdom of the policy of protection, and we may go further and say as to its constitutionality, but no historian, whatever his view of the wisdom of the policy of protection, would contend that Congress, since the first revenue Act in 1789, has not assumed that it was within its power in making provision for the collection of

evenue to put taxes upon importations and to vary the subjects of such taxes or rates in an effort to encourage the growth of the industries of the nation by protecting home production against foreign competition. It is enough to point out that the second act adopted by the Congress of the United States July 4, 1789, ch. 2, 1 Stat. 24, contained the following recital:

"Sec. 1. Whereas it is necessary for the support of government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures,

Page 276 U. S. 412

that duties be laid on goods, wares and merchandises imported: Be it enacted,"

etc.

In this first Congress sat many members of the Constitutional Convention of 1787. This Court has repeatedly laid down the principle that a contemporaneous legislative exposition of the Constitution when the founders of our government and framers of our Constitution were actively participating in public affairs long acquiesced in fixes the construction to be given its provisions. *Myers v. United States,* 272 U. S. 52, 272 U. S. 175, and cases cited. The enactment and enforcement of a number of customs revenue laws drawn with a motive of maintaining a system of protection since the revenue law of 1789 are matters of history.

More than a hundred years later, the titles of the Tariff Acts of 1897 and 1909 declared the purpose of those acts, among other things, to be that of encouraging the industries of the United States. The title of the Tariff Act of 1922 of which § 315 is a part is "An Act to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes." Whatever we may think of the wisdom of a protection policy, we cannot hold it unconstitutional.

So long as the motive of Congress and the effect of its legislative action are to secure revenue for the benefit of the general government, the existence of other motives in the selection of the subjects of taxes cannot invalidate congressional action. As we said in the *Child Labor Tax Case,* 259 U. S. 20, 259 U. S. 38:

"Taxes are occasionally imposed in the discretion of the legislature on proper subjects with the primary motive of obtaining revenue from them, and with the incidental motive

of discouraging them by making their continuance onerous. They do not lose their character as taxes because of the incidental motive. "

Page 276 U. S. 413

And so here, the fact that Congress declares that one of its motives in fixing the rates of duty is so to fix them that they shall encourage the industries of this country in the competition with producers in other countries in the sale of goods in this country cannot invalidate a revenue Act so framed. Section 315 and its provisions are within the power of Congress. The judgment of the Court of Customs Appeals is affirmed.

Affirmed.