



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Proceedings

WESTERN FARM ECONOMICS ASSOCIATION

Third Annual Meeting
Oregon State College
Corvallis, Oregon

June 13-17, 1929

UNIVERSITY OF
MINNESOTA
LIBRARY

Also includes programs and secretary-treasurer's reports of first and
second annual meetings.

EXPERIMENT STATION WORKERS AND THE TARIFF QUESTION

Report of a committee appointed at the 1928
meeting of the Western Farm Economics Society.*

Shortly after the appointment of this committee the chairman sat at dinner opposite a gentleman who was to speak on the subject of Farm Relief through legislation. The speaker recommended, as a method of establishing the amount of tariff protection needed, the calling of a conference of farmers. Such a conference was to be "made up of business farmers," and emphatically was not to include any "professional economists or college professors because they are always free traders".

That expressed rather vigorously a prevalent view. The very men who should most fully understand tariff principles are to keep hands off the subject. Interestingly enough, that is also the point of view a considerable number of research workers in the field of agricultural economics in our experiment stations. The tariff touches men's pocket-books, hence is supposed to be dangerous to men whose work is largely dependent upon state appropriations. Your committee holds, however, that it is highly important that the light of research be thrown on the subject. Those who are urging tariff protection on farm products are more and more calling upon our experiment stations for certain kinds of data. It is unfair to these constituents and their political representatives, neither of whom ordinarily know tariff workings, not to give them as complete a picture as possible, both as to immediate results and as to long time effects. The time for such research is not, however, the heat of a tariff battle, but the subsequent period of cool reflection when men are wondering just how much the tariff is helping them, or what has become of promised tariff benefits.

Most "practical" men find difficulty in following out the maze of readjustments that are set up in this economic world the moment economic balance is disturbed by the levying of a tariff on a product at any commercial gateway. Indeed most economists find difficulty in doing the same thing, particularly when adequate data are not available for any adequate analysis of even parts of the problem. But as economic research is developing in our experiment stations data are becoming available which should make possible the analysis of specific aspects of the tariff problem which may be highly enlightening, both to protectionists and to free-traders. It is the aim of this report to suggest some approaches to this problem. Obviously no approach to the tariff problem can be simple, even when applied to a specific commodity. Thus, in addition to the whole series of economic charges which are brought on by the levying of an effective tariff, there are other changes, whose results must be "unscrambled" from those of the tariff. For example, tariff or no tariff, there are changes from time to time in the general price level, both here and abroad; there is progress in the arts of production which leads to changes in the relative price level for specific goods; there are seasonal changes in movements or in prices; there is growth of population, change in habits of consumers,

* Since it has been impossible to get the entire committee together, the chairman has sought to get their views and suggestions by conference and by correspondence. Because of limitations of these methods and lateness in getting the report into its present form, the chairman assumes responsibility for the report unless fellow committeemen choose to agree. Acknowledgment for valuable suggestions is made to A. B. Ballantyne and to Mordecai Ezekiel. The latter met with two members of the committee and prepared the suggested project outlined.

new products are being developed, etc. The best that we may hope for the immediate future is that new light may be thrown on the problem here and there, and that we obtain a clearer vision as to the usefulness or uselessness for the purpose in hand of data which are being or may be collected in the next two decades.

In most cases it may not be desirable to establish projects dealing only with the tariff problem. There are a great many points, however, at which many of our industry studies, price analyses, and farm organization studies could incidentally throw light if our research workers are alert to their opportunities and are familiar with the tariff in theory and in practice.

NEED FOR TARIFF STUDIES

There are a number of reasons why our experiment station workers should pay attention to the tariff problems in connection with their various studies if a broad agricultural policy is to be developed.

First, since tariff tinkering is certain to affect the agriculture of any state or region, tariff making should be based on as complete a set of facts as can be made available, and these should be considered in correct perspective.

Second, station men are in a position to get important data, often without greatly expanding projects, in fact, often necessarily as parts of other projects.

Third, experiment station men themselves should know the tariff problem thoroughly, particularly as it applies to the crops and products of their state.

It is often pointed out that the making of such studies involves dangers to a publicly supported institution. For example:

1. Data are in many cases inadequate, and often ambiguous.
2. Research methods may be used which may be unintelligible to those who are to use the results and therefore subject to abuse and misinterpretation.
3. The reasons for making such studies may be misinterpreted. A recommendation against tariff increases, for example, may be taken as an unfavorable attitude toward the agriculture of the region.
4. Negative results will generally be received critically.

It should be pointed out, however, that the above dangers are frequently present in many lines of research that lead to action, particularly in such fields as land, utilization, price analysis, transportation, farm management, and taxation.

USUAL TARIFF ARGUMENTS AND PROCEDURE

Among the more usual tariff arguments which every research worker should know are:

1. The military argument.
2. The infant industry argument.
3. The argument that tariff keeps up wages and maintains standards of living.
4. Revenue arguments.
5. Anti-dumping arguments.

Among the usual arguments for free trade are (1) comparative advantage, (2) disturbance of amicable international relations which often lead to retaliatory tariffs and sometimes even to war, and more recently (3) the group of arguments which relate to reparations payments. The student workers who are likely to be involved in any phase of tariff research should first of all become thoroughly familiar with the usual types of arguments pro and con.

The methods used in the past to obtain or change tariff schedules have involved such political devices as (1) pressure on congressional committees from interested groups, (2) trading between interested groups, (3) tariff commission studies and hearings, (4) presidential edicts, (5) treaty arrangements.

The data more commonly considered in recent years are: cost data collected by private or public agencies; general data designed to picture the economic position of given groups of producers; increases, actual or threatened, of imports; and the standards of living among foreign producers.

Many of the data presented may well be questioned not only as to degree to which they are typical, but also because they are largely or wholly erroneous and often, as a lawyer would say, "irrelevant, incompetent, and immaterial". The tariff commission was supposed to remedy matters but has only partially succeeded. Even the use of carefully collected cost data is now being questioned by the keenest students of the tariff problem, and would probably already have dropped out of use completely but for the fact that our legislators themselves either do not grasp the tariff problem or feel that cost data are as good as any as props for tariff demands.

SOME POINTS FOR STUDY

Among the questions which are likely to be involved in proposals to establish or to change tariffs on particular commodities perhaps the more important are the following:

1. What is likely to be the effect of any tariff rates on prices of a specific commodity?
2. What is likely to be the effect of any price changes on consumption? To what extent, for example, would a higher tariff on silk stimulate rayon production, and therefore lumber consumption? Or a tariff on butter stimulate margarine consumption? A tariff on hides stimulate the development and manufacture of leather substitutes, thus indirectly benefiting the cornstalk industry, or the rubber industry?

3. What is likely to be the effect of given price changes on production?
4. How much of a given industry is it desirable to maintain in this country if it requires a tariff to maintain it?
5. Do producers need a tariff in specific instances to keep an industry at a desired point, and just how much protection do they need? What is to be the measuring stick for "need"?
6. What will be the gains to farmers producing the commodity to be protected?
7. What will a tariff (1) on the commodity in question, (2) on other commodities involved in "trades", cost consumers?
 - a. Farmers in the given group on which the tariff is requested?
 - b. Farmers in general?
 - c. The consuming region as a whole, i.e. the region producing boxed apples?
 - d. The nation as a whole?

Specific points at which to attack the tariff problem may perhaps best be indicated by submitting a roughly outlined research project. Many of the data are, of course, not available. Perhaps, however, they may be made available at some point if research workers are aware of the possibilities of using them. A suggested project follows:

SUGGESTIONS FOR A TARIFF PROJECT

A. Would a tariff on dried apricots be effective, and how far?

1. It may be -

- a. Entirely on a domestic basis (like cantaloupes).
- b. Partly on a domestic basis, exporting part of the time (like soft wheat).
- c. Partly on a domestic basis, importing part of the time (like certain grades of wool).
- d. Partly on a domestic basis, importing part of the time, exporting part of the time (like butter).
- e. Wholly on world market basis exporting all of time (like short-staple cotton).
- f. Wholly on world market basis, importing all of time (like sugar).

Only class (f) can be affected by a tariff all the time and classes (c) and (d) can be affected part of the time.

2. To determine which group each grade of dried apricots falls into, it is necessary to have figures -

- a. As to imports and exports, by grades, and crop seasons or months.
- b. As to consumption in this country, by months or crop seasons.
- c. As to production in this country, by months or crop seasons.
- d. As to prices prevailing on principal central markets in this country and in principal competing countries, by grades.

These data would then be analyzed to determine whether this country usually produced a surplus above or a deficit below consumption, how far apricot prices in this country follow those in other markets, or how far they are independent of them, and how the situation differs for different grades. This would lead to conclusions as to whether a tariff would affect prices, what grades it would affect, and whether the effect would be continuous or would vary from period to period.

B. If effective in raising prices, would the higher prices affect production or consumption?

1. How far have increases in prices in the past affected production of apricots?

- a. Data on acreages, planting, prices received by producers, and prices received for competing or alternative products, prices of principal cost items, year by year for as many years as possible, by producing areas, to be collected.
- b. For each area, analyze the data (by correlation or otherwise) to determine the effect of changes in the prices received by producers for this and for alternative products, and of changes in cost items upon subsequent plantings or production.
- c. How far would such an increase in prices as would result from the proposed tariff increase production, judging from these results?

2. How far have changes in prices affected consumption of apricots in this country?

- a. Data on wholesale prices and retail prices of apricots, by grades, in each of the important consuming centers; similar data on retail prices of important alternative food products; data on quantities consumed during each week, month, or crop period. (May be worked out from figures on production and storage).
- b. For each consuming area, analyze the data to determine extent to which changes in apricot prices in the past have affected consumption and the closeness to which consumption has tended to vary with price.
- c. How much would such an increase in wholesale prices of apricots as would result from the proposed tariff decrease consumption in each area? In the U.S.?

C. How far can the tariff raise prices. Comparison of the supply curve, from B-1, with the demand curve, from B-2, gives one indication of the point at which prices would ultimately settle if the tariff were raised so high as to shut out all supply, solely due to the U.S. supplies, the advance in price being halted at that point by increased U. S. production.

The length of time it takes production to catch up with plantings, and the tendency, if any, for planting to be over-done following any price increase, should be studied to determine what danger, if any, there is that the price advance following a tariff imposition would cause too great an increase in acreage, and, by the time it finally came into bearing, a disastrously heavy over-supply.

BRIEF BIBLIOGRAPHY

It may be well to suggest a few readings that deal with certain phases of the subject. One of the widely recognized works is "Some Aspects of the Tariff Question", F. W. Taussig. (Harvard University Press. 1915). A recent work by a protectionist is "The Tariff: An Interpretation of a Bewildering Problem". George Crompton. (Macmillan. 1928).

Two specific studies of recent date are "The Tariff on Wool", M. A. Smith, (Macmillan. 1925), and "The Tariff on Animal and Vegetable Oils", P. G. Wright, (Macmillan. 1928). Both are Institute of Economics studies.

For an excellent treatise on comparative advantages, see J. D. Black, "Production Economics", Chapter V. (Henry Holt. 1926).

On the use of supply and demand schedules as a basis for determining the effect of a given tariff duty as compared with cost data see:

- (1) Black, J. D. Elasticity of Supply of Farm Products, vol. 7, pp. 145-155. April, 1924.
- (2) Schultz, H. Cost of Production, Supply and Demand, and the Tariff. vol. 9, pp. 192-209. April, 1927.
- (3) Elliott, F. F. The Nature and Measurement of the Elasticity of Supply of Farm Products. vol. 9, pp. 288-302. July, 1927.
- (4) Page, T. W. Making the Tariff in the United States. Chapter 4, N.Y. McGraw-Hill & Co. 1924.

Respectfully submitted,

H. E. Erdman, Chairman

E. W. Gaumnitz

Wm. A. Schoenfeld

Berkeley, California
June, 1929