



The benefits and costs of the tariff on wool
by Edward Dean Vaughan

A THESIS Submitted to the Graduate Committee in partial fulfillment of the requirements for the degree of Master of Science in Agricultural Economics at Montana State College
Montana State University
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Abstract:

In 1947 legislation was again proposed, that would have, effected a rise in wool tariffs and once more the question of tariffs became a current issue. This study entitled, "The Benefits and Costs of the Tariff on Wool", begins In Part I with a description of the climate, geography, location, and marketing systems of wool producers in various sections and countries of the world. Part II is a discussion, of United States wool from the standpoint of producers Incomes, costs, and returns, the consumption of wool and competing textiles; and the prices and production of wool.

Part III gives the dates, rates, and economic situations out of which United States wool tariffs were formed. The basis of the study will be found in Part IV which presents a discussion of supply and demand, domestic and foreign competition, and an analysis of the dollar costs and dollar benefits of the wool tariff* Part V is made up of conclusions drawn from the study* In the appendix there is included, a discussion of the principal arguments for and against tariffs as a national policy and a glossary of wool terms.

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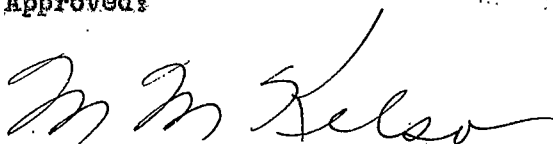
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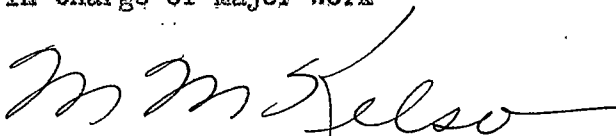
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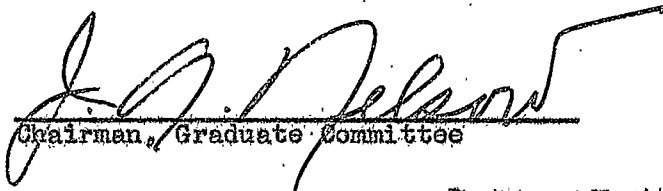
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ABSTRACT

In 1947 legislation was again proposed that would have effected a rise in wool tariffs and once more the question of tariffs became a current issue. This study entitled, "The Benefits and Costs of the Tariff on Wool", begins in Part I with a description of the climate, geography, location, and marketing systems of wool producers in various sections and countries of the world.

Part II is a discussion of United States wool from the standpoint of producers incomes, costs, and returns, the consumption of wool and competing textiles; and the prices and production of wool.

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Part V is made up of conclusions drawn from the study. In the appendix there is included a discussion of the principal arguments for and against tariffs as a national policy and a glossary of wool terms.

INTRODUCTION

An analysis of the tariff policy of a nation offers the researcher two alternative approaches. One may be called the general approach; the other the single commodity approach.

Any analysis of the over-all tariff policy of a nation can, at best, result in a few broad generalizations. The magnitude of the tariff problem makes it impractical if not impossible to undertake any general approach.

To be of practical value, a study of tariffs must be reduced to consideration of the costs and benefits of the tariff for a single commodity. The fault of the single commodity approach is the failure to consider the effect of the tariff on the dutiable commodity on other dutiable and non-dutiable goods and their reciprocating effects, singly and collectively, on the dutiable commodity studies. On the other hand, the single commodity approach reduces the problem to more convenient size and gives an indication of the effects of a tariff in terms of costs and benefits received from the duty on an individual item.

This study follows the second of the two approaches.

Part I

WOOL: A WORLD COMMODITY¹

Principal Producers

Although produced in varying amounts in nearly every country of the world, the production of wool is concentrated in ten leading countries. Table I, giving production figures for the years 1931 to 1947, shows that the ten leading countries consistently produce from 79 percent to 81 percent of the total world wool supply. Australia, Argentina, the United States, and New Zealand are predominant in world wool production.

¹Principal sources of information for this part were: Hultz, F. S., and Hill, J. A., Range Sheep and Wool, John Wiley and Sons, N. Y., 1931; Walker, J. F., "Some Factors Affecting the Marketing of Wool in Australia, New Zealand, The Union of South Africa, England, and France", U.S.D.A., Technical Bulletin No. 124, Washington, D. C., 1929; Dalgety's Annual Wool Review for Australia and New Zealand, Dalgety and Co., Ltd., Sydney, Australia, 1946; Connor, L. G., A Brief History of the Sheep Industry in the United States, U. S. Government Printing Office, Washington, D. C., 1920; Smith, M. A., The Tariff on Wool, Macmillan Co., New York, 1926; Klimm, L. E., and Starkey, O. P., Introductory Economic Geography, Harcourt, Brace and Company, 1940; Coon, J. M., Cooperative Marketing of Fleece Wool, FCA Bulletin No. 33, Washington, D. C., May 1939, pp. 3 to 16, and 57 to 59; Coon, J. M., and Randell, C. G., Wool Auctions in the United States, FCA Special Report No. 86, Washington, D. C., May 1941, pp. 1 to 7 and 15 to 25; Hyson, Charles D., "Maladjustments in the Wool Industry", Journal of Farm Economics, Menasha, Wisconsin, Volume XXIX, May 1947, p. 426; Walker, J. F., Wool Production and Marketing, Breeders Publication, Chicago, 1941, Chapter VI, pp. 75 to 93, and 107 to 122.

Table I

Wool Production in Ten Leading Countries and in the World, with Percentages
1931 - 1947

In Millions of Pounds

Year	PREDOMINANTLY APPAREL WOOL							PREDOMINANTLY CARPET			TOTALS		% that 10 Countries is of Total
	Austra- lia	New Zealand	Union of S. Africa	Argen- tina	Uru- guay	United States	United King- dom	Soviet Union	China	India	Ten Coun- tries	World	
1931	1007.5	269.5	305.1	364.0	106.0	442.4	112.5	212.0	90.0	72.3	2981.3	3720.0	80
1932	1062.6	277.1	319.4	364.0	110.2	418.1	118.5	152.0	90.0	72.0	2983.9	3730.0	79
1933	995.9	289.6	275.2	364.0	104.7	438.3	119.9	141.0	90.0	72.0	2890.6	3630.0	79
1934	1015.4	265.0	210.0	348.0	119.0	429.3	112.3	135.0	90.0	72.5	2796.5	3540.0	79
1935	971.1	304.3	237.8	365.0	113.0	427.5	105.6	158.0	90.0	70.9	2843.2	3600.0	79
1936	982.8	302.9	264.0	374.0	116.2	419.4	103.8	200.0	90.0	70.0	2923.1	3690.0	79
1937	1023.4	296.8	233.0	366.0	116.3	422.3	104.2	260.0	90.0	69.7	2981.7	3700.0	79
1938	983.6	327.7	248.0	399.0	125.4	424.4	115.8	300.0	90.0	69.7	3083.6	3890.0	79
1939	1127.7	310.0	246.2	443.0	133.9	426.2	112.7	300.0	85.0	74.0	3258.7	4070.0	80
1940	1141.8	331.5	270.5	474.0	139.0	434.0	114.0	300.0	85.0	80.5	3870.3	4180.0	81
1941	1167.2	345.0	260.0	494.0	117.0	453.3	91.2	300.0	85.0	81.0	3393.7	4200.0	81
1942	1151.2	340.0	250.0	510.0	124.0	455.0	92.3	290.0	85.0	83.0	3380.5	4160.0	81
1943	1169.0	330.0	250.0	520.0	147.9	444.0	90.4	260.0	85.0	80.0	3376.3	4140.0	81
1944	1017.5	372.0	234.0	500.0	156.6	411.8	86.8	245.0	75.0	76.0	3175.7	3940.0	81
1945	930.0	365.0	210.0	500.0	175.2	378.4	86.6	250.0	75.0	75.0	3045.2	3780.0	81
1946	970.0	350.0	195.0	470.0	175.7	341.2	90.5	260.0	75.0	80.0	3007.4	3730.0	81
1947	970.0	325.0	190.0	485.0	180.0	315.0	75.0	270.0	75.0	83.0	2968.0	3670.0	81

Source: Office of Foreign Agricultural Relations, "Foreign Agriculture Circular", U.S.D.A., Washington, D. C., June 23, 1947, p. 5.

Since wool is a world commodity, it is essential to describe some of the conditions under which wool is produced in various parts of the world.

Sheep and Extensive Agriculture

The sheep and wool industry exhibits the characteristics of "extensive agriculture", and is generally located in areas unsuited for intensive uses. The ideal land areas for sheep coincide with those for corn, wheat, vegetables, and other crops. However, since these crops produce more in money value per acre in these favorable areas than do sheep, the wool and mutton industry is pushed out into the extensive land areas that are less fertile, drier, rougher, or more distant from markets. In such areas, sheep produce more in money value per acre than do the above mentioned crops.

Sheep are produced principally for meat and wool, with the skins and milk as by-products. Sheep are of two main types. One type consists of the mutton breeds that are adapted to humid areas and produce high-quality meat but relatively inferior wool. The other type is made up of the wool breeds, such as the Merino. They produce fine wool but poor carcasses. The wool breeds generally are adapted to dry climates. Many successful crosses of the mutton and wool breeds have been developed to combine the desirable qualities of each.

In comparison with cattle, sheep are particularly well suited to rocky, hilly areas. Their long pointed noses and construction of

