

ting up a readjustment assistance fund. The fund would aim at equalizing the burden imposed by readjustment. The Federal contribution to such a fund might be provided out of increased customs revenue. In the course of a program of trade liberalization more duties will be collected, for where nontariff restrictions such as quotas and "Buy American" preferences are reduced and tariff rates remain unchanged, customs revenues must go up. Customs revenues will also rise when tariff duties are reduced while the market for the imported product increases to a greater degree. Other factors, such as the growth of dutiable imports, which tends to accompany the normal growth of the economy, likewise enhance the possibility of greater customs receipts.

If such a fund were established, the amount set aside for it by the Federal Government might be matched by contributions by State and local governments within whose reach the companies participating in the readjustment program are located. This would be one way in which gains from freer trade that permeate the economy, including anticipated savings on expenditures out of tax receipts, could be set off against losses from dislocation. No excessive burden would be placed on any one sector of the economy in order to help finance benefits to be reaped from freer international trade by other sectors.

A major drawback of such a fund would be, however, that what it might add in equity would be lost in the administrative complications it would create. No useful purpose would be achieved if such a formidable piece of financial machinery were to service a relatively small program of assistance disbursements.

Earmarking customs revenue

As a simpler device, a portion of increased total customs revenue that would result from a larger volume of imports following a gradual lowering of trade barriers would be set aside to defray expenses arising in connection with the readjustment program, such as the periodic payments to affected enterprises to help expand research and development activities.

There are precedents for this procedure. One is the provision, under section 32 of the Agricultural Adjustment Act of 1935,⁹ establishing a special fund equal to 30 percent of the gross receipts of tariff duties to be spent for encouragement of export and domestic consumption of agricultural products. Under the Agricultural Act of 1949, this fund is allowed to accumulate until it reaches \$300 million.¹⁰

Another more recent precedent is Public Law 466, 83d Congress, 2d session, which sets aside a portion of the gross receipts from customs duties collected to be used in promoting the sale of domestic fishery products.¹¹

Earmarking of revenues for specific purposes is open to grave objections, however, because preferred budgetary positions are being

⁹ 49 Stat. 774; 7 U.S.C. 612c.

¹⁰ U.S. Department of Agriculture, Production and Marketing Administration, "Section 32 Handbook," Washington, D.C., 1953, passim. A certain amount of this fund is set aside annually for the use of fisheries (sec. 2(a), act of Aug. 11, 1939, 53 Stat. 1411; 12 U.S.C. 713 C-2).

¹¹ This legislation coincided with a Tariff Commission recommendation for an increase on imported groundfish fillets and an import quota for 1 year. See "Groundfish Fillets, Report to the President on Escape Clause Investigation No. 25," etc., Washington, D.C., 1954. The Commission's recommendation was rejected by the President on the grounds that a reduction in imports would not help to expand the industry's market and increase fish consumption.