Early in 1954, the administration proposed a new approach to the wool problem. Direct payments were to be made to growers at the end of season, in amounts sufficient to make up the difference between the average prices received by growers and the incentive prices specified. The payments were to be made from the general revenues of the Government, but could not exceed the unobligated tariff receipts from imports of wool and wool products.[22]

This plan eventually was incorporated in the National Wool Act of 1954 (see below). One feature of this act was an attempt on the part of the Congress to provide an ostensible solution of the wool problem without raising tariffs and thereby leaving international trade relations undisturbed. Before examining the act in greater detail, and appraising the usefulness as a point of departure for a readjustment assistance program for the domestic wool industry, a brief survey of the wool tariff is in order.

THE TARIFF ON WOOL

The domestic woolgrowing industry has become established with tariff protection which has continued for a long period. Price support by means of tariffs also has long been the procedure most favored by woolgrowers. But wool prices and the level of tariffs have not always been closely related. The drastic decline of wool prices in 1921, for example, may have been affected to some extent by the preceding period in which wool was on the free list, but only in a limited way.[23]

Wool had been placed on the free list by the Underwood Simmons tariff (approved October 3, 1913). This constituted a very large reduction since previous to that, wool had borne an ad valorem equivalent of 44 percent. During World War I, however, wool prices stood high, despite heavy imports. After the war, there was a decrease in demand, severely affecting wool prices.[24] The Emergency Tariff Act of 1921 thereupon provided for a sharp increase in wool duties, and further increases were provided in the Fordney-McCumber Tariff Act of 1923.[25] The Smoot-Hawley Tariff Act of 1930 established rates for raw wool which in general were the highest in the history of the wool tariff since 1816. But wool prices in 1932 were even lower than in 1921.[26]

In the beginning of a depression the tariff cannot have much effect on wool prices. Mills with access to their own stocks and to stocks readily available through trade channels can carry on without importing much foreign wool or even buying in the domestic market. Wool prices thus can go very low without causing much increase in the amounts of wool purchased by the mills. But once readily available stocks are used up, the mills turn to imported wools. These must come in over the tariff and are therefore more highly priced. In this situation the price of domestic wool tends to improve rather quickly, unlike the prices of other farm products of which there is a surplus.

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[22] Similar supports were proposed for pulled wool and mohair, with appropriate rate differentials.

[23] Benedict, "Farm Policies of the United States," p. 143.

[24] Benedict, op. cit., p. 170.

[25] Benedict, op. cit., pp. 202 and 204. See also Taussig, F. W., "The Tariff History of the United States," 8th edition (New York 1931), p. 460. sq.

[26] Benedict, op. cit., p. 251.