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The Tariff on Animal and Vegetable Oils by Philip G. Wright

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The last part of the book discusses Viennese rules of 1926 and concludes with a survey of legislation on the gold clause in a number of European countries.

Dr. Nussbaum's work is based on a large number of judicial decisions and should prove of interest not only to the lawyer who writes the contract between debtor and creditor, but offers a good deal as well to the economist and the banker.

MARCUS NADLER

- REVETA, M. *La pratica bancaria. I. Massimario. II. I bilanci nelle banche.* (Parma: Zanlari. 1927. Pp. 292. L.30.)
- ROBERTS, G. E. *The credit situation.* Address delivered at the fifth conference of the National Association of Finance Companies held in New York City, November 20, 1928. (New York: National City Bank of N.Y. 1928. Pp. 18.)
- ROSBOCH, E. *La riforma monetaria italiana.* (Milan: Casa Ed. A. L. P. E. S. 1927. Pp. 267. L.16.50.)
- SAUNDERS, R. W. *The first thousand dollars, and other essays.* (New York: Bankers Pub. Co. 1928. Pp. 168. \$1.)
- SEGRE, A. *Metrologia e circolazione monetaria degli antichi.* (Bologna: N. Zanichelli. 1928. Pp. xiv, 546. L.80.)
- VENDETTUOLI, G. *Le casse di risparmio.* 2nd ed. (Turin: Unione Tip. Ed. Torinese. 1927. Pp. 364. L.25.)
- WARREN, G. F. and PEARSON, F. A. *Interrelationships of supply and price.* Bull. 466. (Ithaca, N.Y.: Cornell Univ. Agricultural Experiment Station. 1928. Pp. 144.)

An effort to determine the variations of price accompanying variations in supply, and thereby give the supply and demand theory greater precision. It is believed that prices of agricultural products offer a more advantageous approach for such analysis, because the demand factor is more constant in this field. Curves showing the relation of supply to price are given for more than 15 agricultural commodities. The subject is treated by mathematical formulæ, and the authors present in detail the data upon which conclusions are based. For those interested in the question of agricultural or "farm" relief, the study is especially timely.

- WHITE, C. P. and PATTEN, S. M., editors. *Stabilization of commodity prices.* Annals, vol. CXXXIX, no. 228. (Philadelphia: American Academy of Political and Social Science. 1928. Pp. v, 228. \$2.)
- An analysis of bankers' balances in Chicago.* Bull. no. 21. (Urbana: Univ. of Illinois, Bureau of Business Research. 1928. Pp. 69. 50c.)
- The Household Finance Corporation.* (Chicago: Household Finance Corp., 360 N. Michigan Ave. Pp. 10.)
- Lending money to small borrowers.* (Boston: Lee, Higginson & Co. 1928. Pp. 10.)

Public Finance, Taxation, and Tariff

- The Tariff on Animal and Vegetable Oils.* By PHILIP G. WRIGHT. With the aid of the Council and Staff of the Institute of Economics. (New York and London: Macmillan. 1928. Pp. xviii, 347. \$2.50.)

The task Dr. Wright has set for himself in this volume is to ascertain how far the protective duties on animal and vegetable oils, by which Congress in 1920 and 1922 sought to give agricultural relief, have served their purpose, and what undesirable effects, if any, have resulted from that legislation. The book contains a compact body of information, set forth with unusual lucidity, such as a conscientious legislator, bent on a tariff in the public interest, would wish to have. The properties and uses, production and consumption, and trade movements are set forth in the first hundred pages, followed by a series of chapters on the new duties and their effects on price, production, and trade movements as far as they may be traced. The last quarter of the book contains basic tables and technical and critical discussions.

Interest centers in the conclusion reached as to the effectiveness of the new duties in affording protection for a dozen of the more important animal and vegetable oils. As might be expected, effectiveness is found to vary greatly with the commodity. Flaxseed, *e.g.*, received a 100 per cent increase, and the price has been maintained above the foreign price, in spite of unabated imports and increased production, but, comparing Minneapolis and Winnipeg prices, by something less than the amount of the duty. Linseed oil received a compensating duty of 150 per cent above that of 1913; and the price has been maintained above the foreign price by more than the amount of the duty. These duties have achieved success in maintaining price. But, since for every farmer who raises flaxseed there are ninety-nine who do not, and most of them do use paint, not much can be said for the duties as a means of agricultural relief.

In no part of the study perhaps does Dr. Wright show his skill in marshalling and analyzing his facts to better advantage than in dealing with the cottonseed oil duty and that on peanuts, peanut oil and soya bean oil, closely associated with it. Without protection the production of cottonseed oil had grown by 1914 to about 1800 million pounds and was selling around 6 or 7 cents per pound. Production fell off from local causes during the war; and in 1920 we were producing 1142 million pounds and importing 9.4 millions. A peak price of 19.8 cents was reached in January of that year. The price fell rapidly during the next year, and in April, 1921, when the Emergency act was passed, reached 5 cents. The tables show that imports declined sharply, and in 1924 and 1925 no oil was imported. The price soon rose to 8 or 9 cents and has been well maintained around 9 or 10 cents. In 1926 it rose to nearly 14 cents. Imports began that year, and by the end of the year the price had fallen off about 50 per cent. Throughout the period the American price was higher than the English price, a good part of the time substantially higher.

On the surface, it looks as though effective protection had really been achieved for a product regularly exported in considerable volume. But Dr. Wright's unequivocal conclusion is that "there was no connection between the duty and the rise in the price of oil." In stating the grounds for this conclusion he discloses a defect in his price tables. The English prices are for Egyptian oil of lower grade than the American but by what differential is not indicated. The conditions of domestic supply and demand were more important than the duty in determining the price. The years when the difference between the domestic and the foreign price was greatest were years of a short crop of cotton. No indication is given as to what extent if at all the fairly well maintained price of oil worked back to the price which growers got for their seed. Ordinarily those next to the market, whose business is less industrial and more financial than is the case with farmers, may be relied upon to secure their share of any gain that comes from a rise in price. In this case, however, the oil producers did not prosper under the price recovery. On the contrary, they met with disaster (Chapter 5); and it is one of the ironies of the situation that their reverses were probably due in part to the operation of the duties they had sought. The check to imports tended to depress the European price of Egyptian oil, by means of which English refiners were able to win the European market away from American refiners. This is shown by the remarkable shift in the destination of American export oil. Another untoward effect of the duty, thinks Dr. Wright, is the embarrassment of the soap makers who made large use of Egyptian oil, very little of which went into food products. While thus ascribing some injury to the tariff, Dr. Wright maintains plausibly that there is no reason for thinking that the tariff acts of 1921 and 1922 have increased the price of cottonseed oil, except for a few months in the summer and fall of 1926 when farmers had no cotton seed to sell.

From the point of view of the farm relief expected, the butter duty is perhaps the most significant in the group. The Emergency act raised the duty from 2.5 cents to 6; the Act of 1922—to 8 cents; and by executive order in 1926 it was increased to 12 cents on the finding of an "equalizing cost," by the Tariff Commission. With a 380 per cent increase of the tax and with imports year after year in excess of exports, substantial aid might reasonably be expected. Yet Dr. Wright concludes, after a lengthy analysis of his very full data, that while the price has risen after each increase in the duty, only rarely has the monthly average price in New York exceeded the Copenhagen price by the amount of the duty or more; usually the difference in price has been much less than the duty and sometimes the New York price is less than that of Copenhagen or London (pp. 142-3). The effectiveness of the

tariff changes with the season and with conditions unrelated to it.

He concludes that "taking the period as a whole the gain has been small. In a nutshell the conclusions are that the domestic output is so vast that prices have been determined chiefly by the conditions of domestic supply and demand, but that the tariff has enabled domestic producers, in times of strong demand, which of course may be created by superior marketing methods, to obtain a somewhat better price for their product than would otherwise be possible."

One purpose of the Institute's tariff series is to show farmers "the extent to which they do in fact benefit and can expect to benefit by such duties and hence aid them in deciding on the wisdom of the policy on which they have embarked." The net effect of Dr. Wright's study of this schedule will be to cause distrust of the tariff as an aid to agriculture under present conditions of domestic production and consumption. But these conditions may change; and it would be a pity to convince the farmer after generations of barking up the protection tree to give up the game if such changes are imminent. When that time comes the farmers will need their united strength if they are to retain the tariff favors now so gallantly bestowed upon them. It is to be hoped, therefore, that the Institute, in its forthcoming study of the wheat duty and in the promised volume on the general subject of agricultural protection, will examine the grounds for the oft-repeated prediction of the disappearance of our exportable surplus through the growth of domestic consumption.

Mention should be made of two of the appendices with which this excellent study closes. Appendix B deals with the factors which must be known before an accurate forecast of the effect of a tariff duty can be made. The unknowns are imposing enough to make a serious-minded legislator or a theorist for that matter, humble in the presence of a proposed duty. Whatever the practical value of the intricate computation of elasticity of demand and supply as applied particularly to butter in this chapter, the discussion has high theoretical value. Appendix C goes over the difficulties encountered in trying to find the "equalizing" rate under the provisions of the flexible tariff law. In practice they are found to be as great as Dr. Page, in an earlier volume of this series, contended they would be. The cost figures of the Tariff Commission, used to establish the 12 cent duty of 1926, coming out with the conclusion that 74 per cent of the butter in the United States is produced at a loss, are naturally distrusted by Dr. Wright. The figures so far as farm operations are concerned, were necessarily based on imputed costs and can have little value as a guide to tariff making.

Yet it is certain that the tariff-makers will unfortunately turn from

the methods employed and the conclusions reached in this book to the usual sources of information. A recent issue of one of the business services informs its clients of the probably upward revision of the tariff about to be made and points out the "opportunity for obtaining increases" now before them. "Cases for higher duties must be carefully prepared in conjunction with other producers in the same line. It makes a stronger case and saves time if the whole trade gets together in asking a change of duties. Attorneys and statisticians are useful in drawing up a case; but personal appearance of business executives with direct knowledge is highly desirable. Information should be presented on production costs, here and abroad, selling costs, prices, and transportation charges. . . . The shaping of a tariff bill is a big job. To be successful it is essential that cases be well prepared and well presented." It is in behalf of the right method that the Institution of Economics is doing battle.

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NEW BOOKS

ALOISINI, T. *L'imposta sui redditi di ricchezza mobile: manuale teorico-pratico delle leggi, regolamenti, normali e giurisprudenza amministrativa e giudiziaria.* (Naples: Jovene e C. 1927. Pp. 526. L.46.)

BLACHLY, F. F. and OATMAN, M. E. *The government and administration of Germany.* Institute for Government Research, studies in administration. (Baltimore: Johns Hopkins Press. 1928. Pp. xiv, 770. \$5.)

The first of a series of volumes describing the administrative systems of the chief countries of Europe. The preparation is based upon original sources, fully annotated; chapter 7 deals with revenue administration; chapter 8, the budget; chapter 16, administration and regulation of economic enterprises; and chapter 18, with insurance and social welfare. There is appended an exhaustive bibliographical chapter of seventy pages.

BRÄUER, K., editor. *Finanzwissenschaftliche und volkswirtschaftliche Studien.* Heft 13. *Das österreichische Besteuerungssystem*, by OTTO WITTSCHIEBEN. (Jena: Fischer. Etwa Rmk.4.)

CHIUMENTI, V. *Guida del contribuente per il 1927: commento pratico alle disposizioni in materia di imposte e tasse, emanate fino al 31 dicembre 1926.* (Bologna: "Il Resto del Carlino." 1927. Pp. 1040.)

DELLE-DONNE, O. *European tariff policies since the World War.* (New York: Adelphi. 1928. Pp. xiv, 288. \$3.50.)

Three chapters on the tariff situation in Europe just before the war, state intervention during the war in the matter of food and raw materials, and war trade regulations, give an excellent background for this admirable study of post-war commercial policy. The course of tariff legislation in England, France, Germany and Italy is followed in detail. Tariff laws in these countries typify what is going on throughout Europe. Everywhere the slight tendency shown before the war toward freer commercial intercourse has been completely reversed; and, with the wrenching given to industry by the war and by the peace that followed, and with the "eco-