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## The Journal of Commerce

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### Special Articles

#### New York's Financial Future.

By W. W. Swanson.

#### The Proposed Tax on Foreign Securities.

By H. M. P. Eckardt.

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#### Cost of Living in the United Kingdom.

By W. E. Dowding.

#### Newfoundland Trade Notes.

(Special Correspondence.)

#### Prosperity Keynote of Millinery Trade.

(Staff Correspondence.)

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## Some "Kernels" in a Fiscal Problem

THERE is no subject upon which it is easier to make mistakes, through hasty or superficial examination, than concerning fiscal matters—tariff duties on imports or exports. Where an unsatisfactory trade condition is found to exist well meaning people often rush to the conclusion that the only remedy is to be found in the raising of tariff barriers. There are occasions when conditions justify or perhaps even demand a departure from the ordinary rules of business. But it sometimes happens that measures adopted under strong provocation have a much wider influence than is at first contemplated. If a ruffian attacks one in the street the first and very natural inclination is to hit back. If the blow can be so given as to reach the enemy alone, all may be well. But it sometimes happens that the club thus hastily wielded strikes the innocent and friendly bystander, or, indeed, the instrument rebounds and wounds the one who has raised it. So it may be in the case of the hasty adoption of tariff legislation. It will be well if this fact is kept in mind at this time, when there is a widespread disposition to enact measures for the punishment, in the field of commerce, of the enemies against whom our Empire is now obliged to wage war.

A step taken by the Colonial Office in London in relation to the West African Colonies forms an interesting subject for study. These Colonies belong to what is called the Crown Colonies group. They are British Colonies, with very restricted powers of self-government, controlled very largely by the Colonial Office in London, presided over at present by Mr. Bonar Law. A departmental committee—a committee named by the Colonial Office—has, though not unanimously, recommended and Mr. Bonar Law has approved the taking of steps in these Colonies to impose an export duty of two pounds per ton on palm kernels, with a proviso that the duty will be refunded upon the production of evidence that the kernels have been crushed in Great Britain or the British possessions. The object is to strike at Germany, an object which will readily enlist the sympathy of British subjects. No blow that can be administered can be too hard to punish Germany for her infamy. Nevertheless, there is room to doubt whether the step that has been taken will work out to the ends that are being sought by Britain and her Allies.

It has been found during the war that the business of importing the palm kernels and crushing them had become a very extensive one in Germany, while less attention had been paid to it in England. To make this a British instead of a German industry is the object of the West African export duty. But while Germany is the object aimed at, Germany is not the only one that is hit. There are innocent

and friendly bystanders who will receive some part of the punishment; and indeed there is a strong probability that the measure may so react as to strike the West African producer himself.

All trade with Germany is now prohibited. The new export duty, therefore, does not at present affect her. But it will affect any of the Allies which may desire to import the kernels, for of course the producer will put a much higher price upon the article when offered to others than he will demand from the British purchasers, because in the case of the latter he can obtain a refund of the export duty. Thus at the very moment when the Paris Economic Conference has been adopting resolutions looking to co-operation between Great Britain and the Allies, in commercial affairs, the British Colonial Office takes a step that penalizes the Allies by subjecting their trade with British Africa to restrictions that have not hitherto existed. Is it reasonable to suppose that such a policy will make for the increase of good relations between Great Britain and the Allies?

Let us see now how the new duty will affect the West African producer. It is one of the simplest things in economic studies that a broad market tends to give the producer good prices, while restricted markets place him at a disadvantage. Germany has taken the larger share of the palm kernels from West Africa for a reason easily understood, a reason which creates room for doubt as to whether under peace conditions Great Britain will furnish an adequate market for the goods. Palm kernels are used for the production of oil which is a chief ingredient in the manufacture of oleo-margarine, and the cake remaining after the oil has been extracted is used for cattle food. For both articles a large market has grown up in Germany. Margarine, as a substitute for butter, and oil cake as cattle food, while much used in Germany, have been but little used in Great Britain. Other cattle foods have been preferred by the British farmer. As to margarine, the British householder has had such objection to this substitute for butter that its use has hitherto been confined to the poorer classes. The German workman was content to have margarine; the British workman demanded real butter. We in Canada should be able to appreciate this dislike of the imitation article, for here we have totally prohibited its importation and sale. The export duty would be refunded in the case of kernels crushed here, but there can be no such crushing where the margarine trade is prohibited. Recent reports indicate that, owing to the great increase in the price of butter in Great Britain, which has advanced to about two shillings a pound, margarine is coming into wider use. But it is only the high price of butter which has brought this about. When peace comes and prices are restored to normal figures it is certain that the demand for margarine will fall