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THE SECURITIES SNAG

THERE are ugly rumors concerning administration of the new securities act.

The federal trade commission is engaged in writing regulations which will govern it in enforcing the act. Experience in the past has shown that no matter how excellently a law may be drawn, the regulations determine whether enforcement is effective or lax.

Thirteen years ago congress passed the federal water power act, a piece of legislation which still stands as a model for carefully thought out regulatory measures. The power companies were not able to defeat it. But once it was enacted, they sent their best lobbyists to Washington to watch the framing of regulations.

The story of what was done at that time was told a few years ago by two employees of the commission, William V. King, chief accountant, and Charles A. Russell, solicitor, who were dismissed summarily from office.

On the strength of regulations formulated in those early days, plus a policy of keeping appropriations to a starvation point, the power companies were able to evade most of the important provisions of the act until a few years ago.

This story must not be repeated with the securities act. The people still are too indignant over sharp corporation practices which have fleeced them of millions of dollars, their life savings in many cases.

They will not again invest money until they are reasonably sure they can know what they are buying. Only strict and honorable enforcement of the securities act can assure business the flow of money it will need in coming years.

The federal trade commission should be particularly scrupulous about calling in or consulting with the investment bankers whose practices, recently disclosed by the senate committee, so have shocked the American people.

Hundreds of Negroes voted in North Carolina. In South Carolina they were barred by a grotesque rule providing that no one could qualify as a Democratic voter who had not voted for Wade Hampton as Governor in 1876 and voted the Democratic ticket continuously since.

In Tennessee the state primary board refused to exclude Negroes. In Miami, Fla., 20 Negroes paid their poll taxes, but did not vote, because of intimidation.

The results of the first voting appear dismaying. But confirmation of the right is of extreme importance. The start toward actual voting has been made.

The rest will depend to some extent upon the determination of the Negroes themselves to exercise their suffrage.

BREAD PROFITEERS

SECRETARY OF AGRICULTURE WALACE's sharp rebuke to Iowa bakers for announcing a 60 per cent increase in bread prices should serve as a national warning that profiteers are entitled to no cards from the new deal.

It is evident from the schemes of these bakers that congressmen who saw danger to the consumers under the new recovery laws were not just seeing goblins. The Iowa bakers, at most, were entitled to raise their bread prices 11-3 cents a pound loaf.

Their costs might be increased by that amount through the rise in wheat prices and the new 30-cent processing tax that goes into effect July 9. Instead of raising a loaf of bread from 5 cents to 61-3 cents, they proposed to increase it to 8 cents and pocket the difference.

Secretary Wallace told them that "the anti-trust laws still are in effect" and that both the agricultural adjustment and industrial recovery laws are implemented "to prevent unreasonable advances in retail prices."

Power to check profiteering rests partly with the administrators of the farm and industries relief acts. If these carry out congress' will, they will protect consumers against the pyramiding of profits quite as zealously as they protect the producers and workers against unsocial competitive practices.

Power rests also with the attorney-general.

Bakers and law enforcement officers should realize that the public is particularly sensitive about profiteering in the staff of life. A long line of government investigations have shown that a large fall or rise in the price of wheat usually results in injustice to the bread-buying public.

The public is not given the full benefit of a falling market, and it carries more than its share of a rising market.

For instance, the United States bureau of labor statistics show that while the price of wheat in 1932 averaged 45 per cent less, bakers cut the price of bread only 22 per cent. A senate investigation in 1931 also disclosed that bakers generally do not pass on to consumers a decrease in wheat prices.

The baking industry has justified this with the explanation that wheat is only a small part of the cost of a loaf of bread.

By the same logic, a rise in wheat prices should not materially increase the price of bread.

TURNING ON THE LIGHT

GENERAL HUGH S. JOHNSON, administrator of the government's industrial recovery machinery, promises that this tremendously important new experiment is going to take place "in a goldfish bowl."

Industrialists who devise a code for their plants must get up where everybody can see and hear them, to explain just what they believe about working hours, wages, profits, prices and the like.

This is perhaps the most wholesome part of all the "new deal."

It means that the hush-hush days at Washington are over. The lobbyist who trots about the corridors, lurks in the shadows

of the capitol pillars, buttonholes congressmen on the quiet, and talks softly in the privacy of a bureaucrat's office—he has stepped out into the open, now, and all that he says and does takes place in the brightness of the spotlight.

That, anyhow, is the theory. But some of the big boys don't seem to have heard about it yet.

Washington correspondents reported that old-style lobbyists swarmed all over the capitol during the last session of congress. A sizable army of them remains there.

They are trying to work in the traditional manner: Making deals, putting on the fix, applying pressure, trading favors, exerting pull, exercising all the old tricks.

If anything is obvious, it is that the time for this sort of thing is past.

What the big business man, the financier and the company director do nowadays is strictly the public's business.

The country is embarking on a vast new experiment in economics, and it has a right to know which of its business leaders are going to play ball and which are trying to drop a monkey wrench in the machinery. Reformation of the federal enforcement

staffs will be hailed as a welcome general sign of the approaching end of all the snooping, hypocrisy, corruption and police demoralization inseparable from pretenses of enforcing an unenforceable law. Repeal is on the way. Forgive and forget.

In the same day's news that told of the furloughs appeared the following dispatch:

"ST. PAUL, June 28.—Andrew J. Volstead, co-author of the prohibition enforcement act bearing his name, lost his job today as legal adviser to the Eighth district dry administrator. He was indefinitely furloughed, effective July 1, along with the district administrator, Robert D. Ford, and six state deputy administrators."

Brief but significant, inconspicuous but appropriate.

How are the mighty fallen! Behold the great warriors of prohibition despoiled of their armor, the illustrious names already fading, the tents struck, the banners furled!

To many people even the great repeal procession of the states will seem hardly more striking than the trumpeting fact that Andy Volstead himself has been fired from his prohibition job.

NEGRO VOTERS

THE Negroes are not free yet—not entirely, as the twenty-third annual report of the National Association for the Advancement of Colored People shows. But they have been making better strides toward the liberty which the Constitution decrees.

The last important step resulted from the supreme court decision upholding the right of Negroes to vote in primaries, a privilege long denied them in certain southern states. But in many places in the last—their first—primary they were barred. Relatively few seem to have voted where the doors were freely open to them.

In Dallas, Tex., Negroes were permitted to vote. Six voted at Beaumont. A few who tried to vote at Ft. Worth were turned away. At Fort Arthur two Negroes attempted to vote, but were ordered away from the polls. The same was true in several other important cities. At Sherman sixteen Negroes voted.

Hundreds of Negroes voted in North Carolina. In South Carolina they were barred by a grotesque rule providing that no one could qualify as a Democratic voter who had not voted for Wade Hampton as Governor in 1876 and voted the Democratic ticket continuously since.

In Tennessee the state primary board refused to exclude Negroes. In Miami, Fla., 20 Negroes paid their poll taxes, but did not vote, because of intimidation.

The results of the first voting appear dismaying. But confirmation of the right is of extreme importance. The start toward actual voting has been made.

The rest will depend to some extent upon the determination of the Negroes themselves to exercise their suffrage.

TURNING LOSS INTO PROFIT

A N article in the American Bankers' Association Journal points out that it isn't always necessary for the man who is stuck with what looks like a bad real estate investment to take an unpleasant loss.

A New York savings bank, the article relates, issued a \$40,000 mortgage several years ago on a group of East Side tenements. Hard times came, the owner began to let his property deteriorate, tenants began to move out and presently the owner couldn't pay. The bank had to foreclose.

So the bank found itself the owner of a \$40,000 tenement block which looked as if it would be a steady loser for years to come.

But instead of taking the loss, the bank put \$40,000 more into its investment. It modernized the tenements completely, installed a new heating system, incinerators and the like, did a lot of remodeling—and now has rented every suite and is drawing in \$14,000 a year in rents. An apparent loss has been turned into a first-rate money maker.

SAVING THE PUBLIC'S MONEY

WHEN a public official rolls up his sleeves and does battle to protect the public interest he deserves a cheer or two; and a little demonstration for Interior Secretary Harlan Ickes seems to be in order just now.

When the cement makers offered their first bids for Boulder Dam, Mr. Ickes threw out all bids, on the ground that they were too high and looked remarkably like the product of a combination in restraint of trade.

So new bids were submitted, and again the first time out.

Then the cement makers hinted that if he expected to get any cement for Boulder Dam he would better speak a little more softly. Mr. Ickes, however, countered by threatening to have the government build its own cement mills and produce its own cement.

So at last he got some satisfactory bids—and, as a result, Uncle Sam has saved \$500,000 on its bill for Boulder Dam cement.

Mr. Ickes seems to have a pretty good conception of the duties of a public official.

SAFEGUARDING THE INVESTOR

A. A. BERLE JR., a member of the Rooseveltian "brain trust," writes in the current issue of the American Bankers' Association Journal that investment bankers should form a sort of "committee of public safety" to scrutinize all investment banking proposals from the standpoint of public interest and to oppose all such transactions of which it did not approve.

In the same issue, a Massachusetts banker objects to the plan, on the ground that while such committee would have little trouble in passing on really high-grade issues or in rejecting issues of a frankly suspicious character, "it would have great difficulty in passing on the mass of securities between these extremes, because the final determination of

their investment value always would rest in the future."

Here, it seems, is a slight misconception of the case. Certainly no committee could be wise enough to say that any given security issue will always be worth 100 cents on the dollar. The investor always must face a certain element of risk.

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IN FULL RETREAT!

LET us find only words of kindness and forbearance for the host of dry agents who have gone on "indefinite furlough" in the interest of national economy.

Reduction of the federal enforcement staffs will be hailed as a welcome general sign of the approaching end of all the snooping, hypocrisy, corruption and police demoralization inseparable from pretenses of enforcing an unenforceable law. Repeal is on the way. Forgive and forget.

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If anything is obvious, it is that the time for this sort of thing is past.

What the big business man, the financier and the company director do nowadays is strictly the public's business.

The country is embarking on a vast new experiment in economics, and it has a right to know which of its business leaders are going to play ball and which are trying to drop a monkey wrench in the machinery. Reformation of the federal enforcement

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