

## Other People's Money

*Hail and Farewell to Mr. Kennedy—Mr. Landis Now Lifts the Scalpel—  
Beware of Riding a Boom*

WHEN Joseph P. Kennedy was named by President Roosevelt as a member of the Securities and Exchange Commission and, in effect, was made its chairman, I expressed in this department a sharp criticism of the appointment. I believed then, as I believe now, that no man should be named to such regulatory commissions from among the groups that are to be regulated. And in the case of Mr. Kennedy, I ventured some criticisms of his record in business which, I thought, made his appointment unwise. Now Mr. Kennedy has resigned as chairman of the Commission. And I think it is but fair to him to say that he disappointed the expectations of his critics. He was, I firmly believe, the most useful member of the Commission.

However, it is not fair to the important objective of the Commission and the Exchange Act to make it appear that the great task of taming Wall Street has been accomplished and that, as so many newspaper articles implied, the chief work of the Commission must now be the enforcement of the new utilities act.

It is true that Mr. Kennedy did set in motion the various explorations essential to the effective restraining of Wall Street within the bounds of honesty and harmlessness. But few of these studies have been completed and, of course, little final action has been taken as yet upon the gravest problems the Commission faces.

The effectiveness of the Commission to restrain pool operations is as yet untested, since that vicious form of brigandage has not offered the rich pickings that flourished in the days before the act was passed. The whole subject of short selling remains to be dealt with. Certain tentative and quite mild regulations have been issued, but they hardly touch the real problem. The subject of broker functions is now being studied, and so far nothing has been done on the subject. The place of the specialist has been only mildly considered. No permanent policy has been settled on. The subject of reports by corporations has been acted on, but grave criticism has been expressed in regard to the inadequacy of the Commission's requirements. The over-the-counter markets are being studied; hence it is not true to say that this problem has been dealt with. A fine study of reorganization is in progress, from which great good should come, but the Commission has not yet acted on this study. It is no criticism of Mr. Kennedy or the Commission that no action has yet been taken. The time to take such action will come when the studies are completed. Indeed, I allude to these things reluctantly, since I do not wish to dilute my own testimonial of good service to the retired chairman, save that I think it of the first importance that the impression ought not to be created that the work of the Commission has been done and that henceforward it is but necessary to enforce the policies determined on. The fact is that the work of the Commission has only begun.

And now Commissioner James M. Landis has succeeded to Mr. Kennedy's post. I, for one, read with some misgivings an editorial in *The New York Herald Tribune* praising the appointment of Mr. Landis and saying, among other things, "Wall Street undoubtedly will be the first to applaud yesterday's announcement that Mr. Landis is to be the new head of the Securities and Exchange Commission."

If men are known by the enemies they make, they must expect also to be judged by the section of the audience from which the applause comes. I do not believe it is necessary to earn the hatred of the men you are called on to regulate. That sort of job may be done with a show of amiability and gentleness. But those of us who have watched the long and disillusioning episodes of regulation have learned to hear with well founded dismay the plaudits of the utilities for the state regulatory commissions. The operation to be performed on Wall Street is a glandular one of a very melancholy character. One may well look with mild surprise at the patient still on the table clapping his hands with glee for a surgeon who is about to sterilize him. He must believe that the good doctor will falter and decide, in the end, to permit him to retain his magnificent potency.

This is an age of grim realities. If the management is to be effective, it must be managed by men who are willing to choose boldly from which side they wish their applause to come. Those who are eager to hear ringing cheers from the partisans of every side will end amid groans. It is as certain as sunrise that any regulation that pleases Wall Street will be a total failure. I believe I may say that no one wishes Commissioner Landis a fuller measure of success than I do. I hope, therefore, that he may be spared the humiliation of having regulated Wall Street to its entire satisfaction.

It becomes apparent that there is gold in these hazy hills. The world was a little startled at the open-handed extravagance of the crowd that descended on New York for the Baer-Louis fight. Like those merry mobs of spenders headed by the famous six hundred millionaires of Mr. Tex Rickard, who flung around their loose dollars under Mr. Coolidge, this throng blew in, we are informed, no less than \$12,000,000 to make a Harlem holiday. But it should not have been surprising to anyone who has watched the moving picture of the times these last twelve months. Government money has been going out each month in increasing volume. This has been going on for two full years. Inevitably, sooner or later, this money, moving about from hand to till and from till to palm, has been creating a reservoir of purchasing power that must sooner or later make itself felt. We are in the first stages, not of anything resembling recovery, but of a mild inflationary movement thoroughly unsound and inevitably doomed to its own collapse. I do not see the signs of its collapse at an early date. It may make a fine opportunity for the professional speculator. But in the end it will do no one any good. On the contrary, it may prove a grievous disaster and will, perhaps, injure no one more than the man who so blithely manages its uncharted drift.

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