fact England's major contribution to political science is responsible rather than representative government.

As Mr. Jennings frankly admits, British political institutions and their operation do not conform to the Platonic ideal. The same criticism may be leveled against our institutions and their processes, although of course on different counts than in England, and, due to our sharp separation of constitutional law and political science, it would be differently phrased.

Such deficiencies induced many dreamers of an ideal blueprint society—we in the United States seem to have had more than our due share of them—to deny the right of England and the United States to accept on behalf of the democracies the totalitarian challenge. Mr. Jennings will convince his readers that these deficiencies are overshadowed by the unimpaired resolve of the British people to preserve the fundamental liberties of free men. Although our institutions are unlike those of England and our evolution followed a different path, democracy in that country and ours clearly rests on the common basis expressed in the identical resolve of the American people.

FRANCIS DEÁK†

The Regulation of Stock Exchange Members. By Raymond Vernon.* New York: Columbia University Press, 1941. Pp. xvi, 152. $2.00.

By organizing and presenting both data and historical facts, the author has made a real contribution to the learning on the subject on which he writes. Patient digging at many sources has produced an excellent compilation of statistics relative to various forms of trading activity. There are several illuminating tables. The tabulation of loan values as determined by the Securities Exchange Act of 1934 and Regulations T and U of the Board of Governors of the Federal Reserve System[1] is of special practical value. To a well-done job of research the author adds good interpretative writing. Each topic receives threefold analysis covering its historical background, a survey of available material, and a discussion of the aims which have existed and the questions yet to be answered.

The book is short. Its five chapters deal with the regulation of members of stock exchanges under these headings: "Aims of Member Regulation"; "Brokers' Lending and Borrowing"; "Specialist Activities"; "Dealer Transactions by Other than Specialists"; "Proposed Principles of Regulation." The study is directed to two principal tasks: "The problem of studying the nature of specialists' trading, floor trading, margin trading, and so forth in order to learn in what manner these trades affect the individual and the public interest; and the task of formulating principles by which to be guided in reconciling the interests of the public with those of the individual and in reconciling various aspects of the public interest with one another."[2]

Anyone putting his hand to the two handles of the above ploughshare has indeed set himself an enormous chore. Mr. Vernon has been, since 1935, an expert on the staff of the Securities and Exchange Commission; he brings to the tasks high qualifi-

† Assistant Professor of Law, Columbia University.

* Member of the staff of the Securities and Exchange Commission.

[1] P. 28.

[2] P. 9.

cations. It seems improbable, however, that he expected to find the complete answers. It is too much to expect any individual to do more than make some progress with these two tasks.

This reviewer is of the opinion that the first task has been better performed than the second. And this notwithstanding that the chapter on members as specialists concludes: "Lengthy as this exposition has been on the broker and dealer features of specialists' activities, it nevertheless provides only the merest skeleton of information which is needed in order to cope with the basic dilemma presented by the institution of the specialist. Armed with the facts presented above, we still know comparatively little about the necessity of the specialist to act as a dealer in connection with his brokerage trades and about the effects of his dealer transactions upon market action."[3]

One closes the book with the feeling that the principles proposed for regulation leave the problem unsolved. The proposals are introduced with the forthright statement that "there appear to be a few such principles permeating Federal legislation and regulation of the security markets which if clearly recognized and consistently applied may do much to lend clarity and directness to the course of stock market regulation, which at times in the past have not always been in evidence."[4] The legislative fabric is permeated by the congressional aim for a "fair" market and an "orderly" market. Hence the test principle, " 'What contribution does such trading make to the stability and orderliness of stock price movements?' If as a result of thorough investigation the decision should be reached that the net contribution of a given type of speculative trading adds to such stability, in the absence of offsetting undesirable secondary consequences such trading should be more than tolerated—it should have earned national gratitude."[5]

But the author realizes that he has merely arrived at the necessity of distinguishing "good" from "bad" speculation and confesses he is at a loss to formulate a satisfactory distinction between speculative and non-speculative transactions. He calls for greater stress upon studies of the characteristics of trading and concludes with the sentence, "This viewpoint explains the constant stress thoughout preceding chapters on the need for more data and more facts of all kinds which will help to evaluate the contribution of various classes of transaction to the stability and orderliness of stock price movements."[6]

JESS HALSTED†

[3] P. 89.

[4] P. 132.

[5] Pp. 140–41.

[6] P. 142.

† Member of the Illinois Bar.