THE WORLD THIS WEEK

Possibility of New Rules One Cause of Market Jitters

Soviet Still Acts Friendly Despite Malenkov's Ouster

By TOM WHITNEY
Associated Press Foreign Staff Writer

GEORGI MALENKOV was ousted as Soviet premier and Nikolai Bulganin put in his place over a month ago but so far there are no signs of big changes in Soviet foreign policy. It's apparent that for the present the Kremlin wishes to continue to appear friendly and conciliatory to the West.

When Malenkov was thrown out of his job on Feb. 8 there were many predictions in the West that this signaled the adoption of a much more belligerent attitude. This prediction was bolstered by the general interpretation of Soviet Foreign Minister Molotov's speech of that same day as warlike. The fact that Molotov's address was followed immediately by an anti-Western military tirade by Soviet Marshal Ivan Konev added stress to this impression.

Whitney

In addition there were other facts in the changes of Feb. 8 and 9 which looked at the time to be ominous. Preceding the Malenkov dismissal there had been a drumfire in the Soviet press on the theme that development of Soviet heavy industry must have absolute and relative priority over light industry. It appeared this meant more stress on economic war potential including arms industries. The changes involved the promotion of two men closely associated with Soviet military prowess — Former Minister of Defense Marshal Bulganin and famous war leader Marshal Georgi K. Zhukov, who took Bulganin's place as minister of defense when the latter became Premier. This seemed to give the new setup the aspect of a "war cabinet."

Different Perspective

Given this background it's not unnatural that many commentators on the February changes tended to lose sight of several important facts:

1. The Molotov speech of Feb. 8 did devote considerable space to the theme of Communist revolution and expansion and to fire and brimstone against U.S. foreign policies, but it also devoted a great deal of space and stress to the possibilities of peaceful coexistence of capitalism with communism and included some pretty strong pleas for this direction.

2. When there are internal shifts in the U.S.S.R. which reveal conflicts within the leadership and give the outside world the impression of weakness, it is Kremlin practice to try to counteract this with statements stressing Soviet military hitting power and strength. Shortly after Soviet Police Chief Lavrenty Beria was arrested in 1953, Premier Malenkov announced the U.S.S.R. had the hydrogen bomb—and even set one off to prove it. In the February circumstances Molotov's statement on H-Bomb development seems to fit into this pattern of "smokescreen" or "distraction technique."

3. The talk in Moscow about greater emphasis on heavy industry right now conceals the fact the Kremlin never in fact reduced by a large margin its overwhelming emphasis on this branch of the Soviet economy.

Continuity Apparent

In actual fact, events since Malenkov's dismissal show that far from precipitate change in foreign policy in the direction of belligerence the Russians are maintaining a strong line of continuity with previous policy. Several developments illustrate this:

The Soviet press was quick to pick up an Iowa suggestion for exchange of farm delegations between the U.S.S.R. and the United States. This is certainly not a major policy development, but it is not what one would expect if the Russians were planning to intensify their anti-American campaign to the pitch of the last months of Stalin's era.

The Soviet press has taken an exceedingly conciliatory attitude toward criticism from President Tito of Yugoslavia.

Day to day developments in the Soviet Union, in the impression they sometimes give of very sharp change, obscure the actual strong continuity in policy towards the outer world regardless of persons who execute it. This is probably particularly true at the present time when policy is not being determined by any one person but by a group among whom Khrushchev and Bulganin are the leaders.

Khrushchev a Gambler

The impression prevails that Khrushchev may be a man who is much more inclined to gamble and take risks than ex-Premier Malenkov. In the long run this might have considerable effect on Soviet foreign policy should he become an absolute dictator on the Stalin pattern. For the present at least Khrushchev is not this and it seems probable his colleagues in the Soviet leadership might put the brakes on him should he get too brash.

Of course it might well be that neither Khrushchev nor his colleagues would be averse to seeing the United States get involved in a long and exhausting conflict with Communist China—provided they were certain the Soviet Union could stay out of it. One is bound to wonder at the current juncture of affairs whether the Kremlin does not see in such a conflict the solution of its foreign affairs problems.

In Short . . .

Unveiled: The Falcon, newest Air Force guided missile with an electronic brain enabling it to strike its target no matter how the target maneuvers.

Sunk: Ten small warships in a Nationalist air strike which scattered a Communist flotilla in Amoy Bay, a short distance from the Nationalist-held island outpost of Quemoy.

Sent Home: All members of the Czechoslovak and Romanian legations in Sweden, after 11 suspects were jailed in an espionage investigation.

AID: Report From Stassen

More for Asia

Returned from a 30,000-mile tour of free Asia, Foreign Aid Director Harold E. Stassen said this week the administration's requests for all foreign aid spending in the next fiscal year will be held to 3½ billion dollars.

This compares with a total of more than five billion dollars made available for the current year.

Stassen's remarks came at the same time President Eisenhower submitted to Congress a Foreign Operations Administration report covering activities in the last half of 1954.

The report showed that the total value of military aid the United States has shipped to free world countries now stands at 10½ billion dollars. Its main point was that with recovery in Europe, there has been a significant speedup of foreign aid to Asia "where communism is stepping up its efforts of expansion."

When the administration's new foreign aid requests hit Congress next month, even if they are at the level Stassen mentioned, they are likely to run into serious difficulties.

Chairman Byrd (D-Va) of the Senate Finance Committee, for example, has said he will try to end foreign economic aid next July 1 except for a "reasonable amount" of technical assistance.

People

Excitement in Moscow

A fur-hatted young Russian appeared at the high iron gates of the British Embassy courtyard in Moscow this week, and there suddenly whipped out a pistol and blasted the Russian guard in the chest.

Racing across the 30 yards which separate the front door of the embassy mansion from the gate, he shoved aside a British guard and vaulted up the broad stairs to the second floor—where the living-quarters of British Ambassador Sir William and Lady Hayter are located.

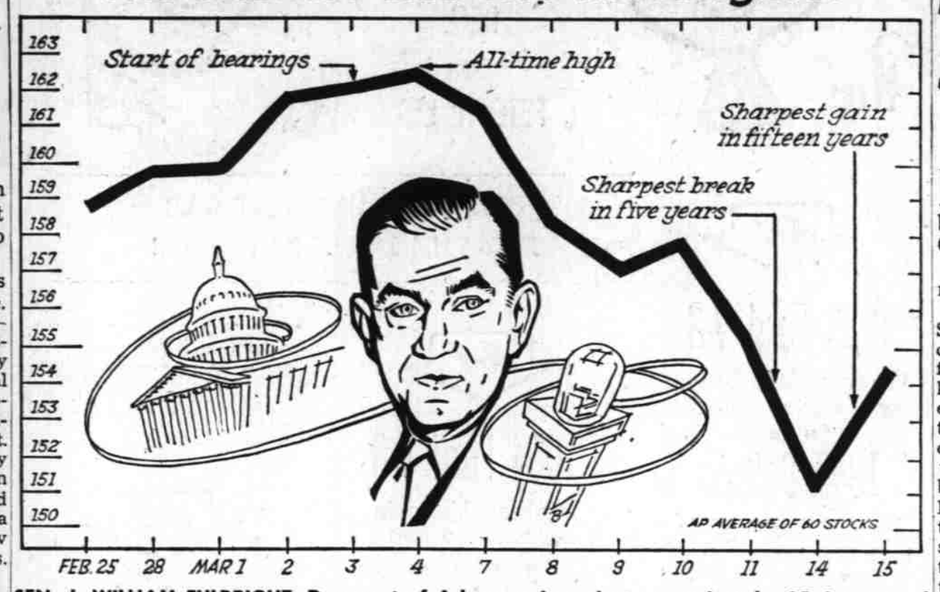
Minutes later he was forcibly disarmed by two husky members of the embassy staff.

Sir William refused any official comment, but Moscow diplomatic observers were inclined to attach no political significance to the incident. They dismissed it as the individual action of a person presumably mentally disturbed.

Quote

Secretary of State Dulles, in testimony before a Senate committee considering a bill to extend the reciprocal trade law and give the President additional tariff-cutting powers: "The Trade Agreements Act symbolizes a willingness of the world's greatest economic unit to follow a self-interest that is enlightened by a decent regard for others whose destiny has become inevitably interlocked with our own."

The Market and the Investigator



SEN. J. WILLIAM FULBRIGHT, Democrat of Arkansas, in caricature against the AP Average of 60 Stocks, which give ample testimony of the dizzy market since the senator's "friendly study" began: the attainment of an all-time high, the sharpest break in five years, and the biggest rise in a single day in 15.

CONGRESS: Ike Wins in Senate

Tax Cut Beaten

Forty-five Republicans and five Democrats joined forces this week to defeat a Democratic proposal to cut income taxes 900 million dollars a year and give the Eisenhower administration its biggest round in the battle over taxes.

After killing this plan, the Senate went down the line for the White House by proceeding to pass on a voice vote a bill extending present corporate income and major excise tax rates for another year from April 1.

The legislation went back to the House, which approved the tax rate extensions but added a provision which would have reduced the tax bill of every taxpayer and dependent by $20 each.

In bitter debate which preceded the Senate showdown, opponents of any tax reduction at this time called the Democratic proposal "nonsense and a hoax." It was a compromise between the House measure and no cut at all, providing for a $20 reduction for a large group of taxpayers next year, plus $10 for each dependent except a spouse.

Supporters argued in vain that it would distribute the tax burden more evenly, push up purchasing power and actually increase revenues by withdrawing some tax relief given corporations and stockholders last year.

There were predictions that House spokesmen would put up a strong last-ditch stand for their plan. The chances for success, however, did not appear strong.

POLITICS: More Advice

Shifts Recommended

A "broad reorganization" of the federal government's 104 lending, insuring and guaranteeing agencies was recommended by the Hoover Commission this week.

In its continuing series of reports, the Commission on Government Reorganization headed by the former President said federal loans, guarantees and insurance now amount to 244 billion dollars. Advice from the commission was that some of the agencies handling this money be abolished, and others put under combined federal-private operation with higher charges to make them self-supporting.

Among the agencies the commission recommended shifting to private enterprise under government control were the Federal Housing Administration, which insures housing loans of millions of home buyers, and the Rural Electrification Administration.

The commission proposed that the government cease making price support loans to farmers but instead make crop purchase contracts, at price support levels, leaving it up to the farmer whether he wished to sell his crop to the government or to private buyers.

The report said this would make no change in the farmers' price support situation, but would relieve the government of managing many thousands of small loans. With a government contract to purchase the crop in hand, the commission said, the farmer would be able to borrow on his crops up to their price support worth from private banks.

According to the commission these recommendations and others would result in annual savings to the government of about 200 million dollars.

In a vigorous dissent, commission member Rep. Chet Holifield (D-Calif.) said that if carried out the recommendations "would make it harder for American citizens to buy homes or to get loans for their farms or businesses."

COURTS: Provoo Freed

"Oppressive Delay"

Once convicted and sentenced to prison for the rest of his life on charges of treason during wartime, John David Provoo became a free man this week.

Last August his conviction had been reversed by an appeals court on the grounds the government had wrongfully tried him in New York instead of Maryland and that the judge had wrongfully admitted certain evidence.

This week Federal Judge Roszel C. Thomsen in Baltimore, presiding at what was expected to be a second trial, dismissed the indictments against the 38-year-old former San Francisco bank clerk on the grounds he had been denied the right of a speedy trial within the meaning of the 6th Amendment. He said the government's "deliberate choice for a supposed advantage" in trying him originally in New York caused "oppressive delay and damage to the defendant."

"Further prosecution would violate the fundamental principles of justice and fairness which we must apply even in the case of those charged with the most heinous offenses," the judge continued.

Provoo's indictment and trial grew out of one of the strangest cases of World War II. He was at Corregidor when that bastion fell to the Japanese in 1942. The government charged Provoo shaved his head and donned the robes of a Buddhist priest, greeting the conquering Japanese with offers of his service. At the New York trial two years ago he was convicted of offering to aid his captors, informing on and causing the execution of a fellow prisoner, and of willfully broadcasting propaganda for the enemy.

Testimony at hearings preceding Judge Thomsen's dramatic move brought out that the Justice Department arranged with the Army to have Provoo transferred from Ft. Meade, Md., to Ft. Jay, N. Y., for discharge in the fall of 1949 because of a "more liberal" setup in New York and because the chief federal judge in Maryland had been antagonistic to Justice Department lawyers.

U.S. Atty. George Cochran Doub, who has said the government considered Provoo's case the most important treason trial since Aaron Burr's, was away when Judge Thomsen's decision was handed down. There was no immediate word on whether an appeal would be made. If so, it could be taken directly to the Supreme Court.

Hearings

"Point of Order"

The fourth investigation of the promotion and honorable discharge of Army dentist Irving Peress began in Washington this week, and before it was an hour old it had some of the aspects of the tumultuous Army-McCarthy hearings of last spring.

Sen. McClellan (D-Ark), chairman of the Senate Investigations subcommittee, started with an explanation of the proceedings and a charge the Army had once offered and then pulled back some pertinent information.

Then Sen. McCarthy (R-Wis), now only a member rather than the chairman, raised the familiar "point of order" to suggest the investigation try to determine why President Eisenhower issued what McCarthy called a "blackout order" silencing administration officials on a meeting which took place last January.

McCarthy insists that those at this meeting "successfully conspired" to impede a full investigation of the Peress case and acted to instigate "an investigation of McCarthy."

McClellan, after some fireworks, said McCarthy's request for a broadened inquiry would be taken up at a closed session.

Some 25 witnesses have been lined up for the Peress hearings. McClellan says he wants to learn why the Army promoted the dentist to major and then honorably discharged him a year ago apparently "in disregard" of a "considerable amount of derogatory information."

Sidelights

● Giacomo Gracciolo couldn't resist the appeal of a waterside bench in Detroit's Civic Center Park. Daydreaming under the spell of the warm sun, he dropped off to sleep. Then he dropped off into the river. Workmen who saw him splashing about hauled him out. Spring fever had claimed its first victim.

● Yes, it IS possible to sell an icebox to an Eskimo. Frank H. Whaley, touring the United States for the Alaska Visitors Assn., says Eskimos who worked for the Navy at Point Barrow after World War II bought many electric refrigerators and deep freeze units. And when the Navy moved out, taking along the source of electric power, the Eskimos simply set the refrigerations units out in the open air.

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Rise of Dividends Shows Soundness

By J. M. ROBERTS
Associated Press News Analyst

IT LOOKED for a while this week like the question of whether stock prices are too high might be superseded by "Who threw the overalls into the Wall Street Chowder?"

But after a bad break on Monday, one of the worst in many years, the market showed some comeback ability.

Most of the witnesses before Sen. Fulbright's investigating committee had testified to their faith in the long bull market as justified by the country's economic condition. But one or two said it was dangerous. Most of them also welcomed the investigation, but Secretary Humphrey of the Treasury, said it was the dangerous thing.

Roberts

The "everything is all right" group, when the break came, accused the investigators of being responsible, and of undermining public confidence in the state of the nation. Sen. Fulbright replied that he was still conducting his hearings on an exploratory basis, without seeking to prove any preconceived opinion. He just wants, he said, to be sure that everything is really all right, and if things aren't airtight, to see to it that Congress doesn't miss its obligation to apply corrective measures in time.

Uncertainty Results

A good many observers thought that right there the senator had pointed to the cause of the jitters. If there was a possibility that Congress would start remaking the rules, nobody knew what course it would take, and uncertainty was the result.

Market analysts themselves, for the most part, seemed to take the break in prices as one of those shakeouts which occurs from time to time in any bull market.

President Eisenhower, pointing out at his weekly news conference that any group dealing with market operations should proceed with great caution, said he knows of no particular phase of the committee study which has not been conducted in this manner.

The papers were full of statistics showing that prices of stocks had not risen as far and as fast as other prices in recent years, and pointed out that the market was still highly selective. Department store, airline and other stocks which boomed in 1946 on the release of war-stored demand were still in many instances not up to the levels they attained then and later lost when buying leveled off.

Another facet of the situation was that dividends also have been going up for two years along with the market, although many corporations were being very conservative about their rates.

Real Function

Theoretically, it is this matter of dividends about which the real function of the market revolves. Theoretically, it is not a place for buying and selling paper, but a place where the corporations come to gather together the savings of millions of people into chunks of money sufficient to finance the nation's business.

Theoretically, if the money put into stocks is truly investment, stockholders shouldn't worry about market prices at all except when they want to buy more. Actually, however, people with entirely inactive portfolios get worried about the value of their holdings when there is talk of insecurity in the market. Then things begin to happen akin to a run on a bank.

Accusations of Politics

Everybody fears that too much speculation in the market will give it an unhealthy hue and so arouse such uncertainties. That's the chief thing the banking committee is looking into now. It wants to see whether government restrictions on credit operations are sufficient, and whether speculative manipulation of stocks is likely to trap small investors.

Some supporters of the Republican administration also accuse the committee of playing politics with the economy and of trying to make it appear the nation's prosperity is not as sound as it looks. The Democrats did have a lot to say about a "depression" during the 1954 congressional campaign, but now admit, for the most part, that things are on the rise. They don't back down, however, from their thesis that what the Republicans do for the economy is done for big business, not for people.

All this and more is mixed up in the stock market investigation, and there's only one thing you can be sure of. At any given moment you can find an expert to prove just about anything you want to about it.

Dates

Wednesday, March 23
National Health Forum, New York City.

Thursday, March 24
National Science Teachers Assn. convention, Cincinnati.

Friday, March 25
Birthday (88th), Arturo Toscanini.

Monday, March 28
American Academy of General Practice convention, Los Angeles.

BUSINESS: Booming Oil

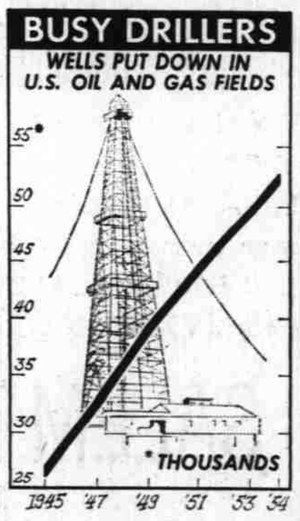
Reserve Increases

Plenty of gasoline for your car, and an abundance of oil for your furnace . . . no shortage of petroleum products for years to come.

That's the conclusion you could draw this week from the latest authoritative survey of the nation's oil and gas resources.

The study, sponsored by the American Petroleum Institute and the American Gas Assn., covered U.S. oil and gas reserves in 1954. It showed that:

1. The nation's underground reservoir of known crude petroleum and natural gas increased for the 11th year in a row, despite record consumption.



2. Known resources of crude oil on Dec. 31, 1954, were at an all-time high of more than 29½ billion barrels—a gain of nearly 616 million over the year before. At current rates of consumption, that would take care of the nation's petroleum needs for at least 10 years, even if no new sources were discovered.

3. Reserves of natural gas at year-end totaled more than 211½ trillion cubic feet—a gain of 263½ billion in 12 months.

Increased known supplies of natural gas and crude oil were the result of intensified hunting for new sources. The industry spent billions on geological surveys, new leases and costly drilling. All told, 52,815 wells were put down in proven or potential U.S. oil fields, an all-time record for a single year. Of these, 29,175 produced oil and 3,880 natural gas. One-third—or 18,715—were written off as non-producers or "dry holes" and abandoned.

Many American companies stepped up their efforts to find new oil fields in foreign countries. It was a global hunt, extending from Borneo and Australia to Iraq, Saudi Arabia, Iran, Egypt, Palestine, Turkey, France, Germany, Italy and—in this hemisphere—Canada, Venezuela and Peru.

Oil men say supply in the United States is catching up with demand. But in Europe, consumption is rising fast, giving promise of new and wider markets.

Alexander, Philadelphia Sunday Bulletin

SECOND BATTLE OF GETTYSBURG

Fletcher, Sioux City Journal

CRYSTAL GAZING