

CENTRAL HUDSON GAS & ELECTRIC CORPORATION
POUGHKEEPSIE, N. Y.

April 2, 1934

The Honorable Philip A. Goodwin,
House of Representatives,
Washington, D. C.

Dear Mr. Goodwin:

The President's letter to the Chairman of the Senate Committee on Banking and Currency and the Chairman of the House Committee on Interstate and Foreign Commerce, quoted in the daily press on March 27, 1934, concisely states that the two principal objectives of the proposed legislation to regulate the national traffic in securities are:

- "1. The requirements of what is known as margins so high that speculation even as it exists today will of necessity be drastically curtailed; and
2. That the government be given such definite powers of supervision over exchanges that the government itself will be able to correct abuses which may arise in the future."

With these objectives in view, the "National Securities Exchange Act of 1934" (House Resolution 8720 as amended) provides for the regulation of exchanges, for increased margin requirements, for prohibition against manipulation and for limitation of the functions of brokers specialists and dealers. I am in full accord with the principles of these provisions.

The proposed Act, however, goes far beyond these objectives. In addition to the regulation of speculation and interstate traffic in securities, it accords to the Federal Trade Commission substantially unlimited powers over the financing and management of American industry.

1. Certain provisions of the Act are so vague as to grant virtually blanket authority to that Commission to regulate industry.
2. Other provisions grant that Commission specific authority to dictate to management policies involving expert judgment for which it is primarily responsible to its stockholders and thereby to usurp the legal and moral responsibility of management.
3. Other provisions involve costs that are burdensome to industry out of all relation to the benefits to be gained.
4. Other provisions impose unfair and indeterminate liabilities upon officers and stockholders which at best will be a source of endless litigation.

The Honorable Philip A. Goodwin, - 2

April 2, 1934

5. Other provisions appear to restrict unjustly the rights of an owner of unregistered securities to offer such securities as collateral for productive loans.
6. And other provisions deprive an industry from the protection of a court review of facts involved in a pending case and at the same time impose upon it the possibility of secret star chamber proceedings.

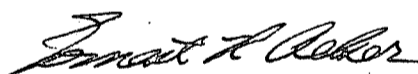
(These provisions are identified in the attached notes.)

It is my belief that the proposed Bill if enacted would, by dividing responsibility for industry between management and a bureaucratic commission, tend to destroy the confidence of investors in American industry. By diminishing the liquidity of investments and further complicating the issuance of new securities it would greatly reduce the flow of any but government funds into such industry. It would so limit the incentives and increase the liabilities incident to business management that industrial progress would be greatly retarded. These obstacles to the path of prosperity are not warranted at any time, let alone the present.

Accordingly, I respectfully protest to you against the enactment of this Bill in its present form and especially I urge that the foregoing provisions specifically referred to be eliminated or substantially modified.

And I further submit that if Federal control and supervision of private industry is the considered policy of the Congress it should give serious consideration to Federal incorporation of industry engaged in interstate commerce and to the regulation of industries separately, as in the case of banks, railroads, insurance companies and public utilities. As compared to granting virtually unlimited powers to one commission over all industry, I believe that these alternatives would be far closer to the American social and political tradition and far more acceptable to the independent spirit of the American people.

Yours very truly,



President

E. R. Acker/CBH

NOTES

IDENTIFICATION IN H.R.8720 OF PROVISIONS
REFERRED TO IN ATTACHED LETTER

1. Sec. 11(b) I - Requires Issuer to undertake to comply with regulations made or to be made under the act.
- 11(b) II - Requires Issuer to undertake to file such information as Commission may require.
- 11(d) - A registered security may be withdrawn only upon such terms as the Commission may impose.
2. Sec. 12(b) - Commission may prescribe methods to be followed in - accounting, valuation of assets, determination of depreciation, etc.
3. Sec. 11(b) II (10 - Issuer must file with Commission accounting statements
(11 for an indeterminate number of years, and any similar
(12 matters requested.
- Sec. 12(a) 2 - Issuer must file such annual, quarterly, monthly and other reports as the Commission may prescribe.
4. Sec. 15(b) - Any officer, director or controlling stockholder of a corporation who profits from a purchase and sale of its securities within a six months period, shall owe the profit to such corporation; but any loss from a similar transaction must apparently be stood by the individual.
- Sec. 17(a) - Directors, officers, accountants, etc. shall be liable for misleading statements in any document filed pursuant to the Act (except in the event of proved good faith) to any person who shall have purchased or sold a security, whether or not such person knew of such statement or even suffered any actual loss.
5. Sec. 6(a) - No "member of an exchange, broker or dealer" as defined may extend credit to a customer except on exempted or registered securities.
6. Sec. 24(a) - In any proceeding, the finding of the Commission as to the facts, if supported by evidence, shall be conclusive, and not subject to court review.
- Sec. 21 - Hearings by the Commission may be public.
- Sec. 23 - Information contained in any document filed with the Commission may be made available to the public.