

SUN OIL COMPANY

J. HOWARD PEW
PRESIDENT

PHILADELPHIA

J. N. PEW, JR.
VICE PRESIDENT

March 28, 1934

Honorable Stephen A. Rudd,
House of Representatives,
Washington, D. C.

My dear Mr. Rudd:

I am writing this letter to you to ask you to vote against the Bill now before Congress, known as the "National Securities Exchange Act of 1934" (Senate Bill 2693) purporting to regulate stock exchanges.

No one is more conscious than I, of the evils of certain practices now permitted on stock exchanges and of the need for correcting such evils. I am convinced, however, that the proposed Bill, while purporting to correct these evils, will in fact create evils which are much more harmful to the public interest and which must inevitably follow from an attempt through a Government agency to regulate and control all business.

May I point out to you a few of the objectionable features of the proposed legislation.

In general, the proposed Bill will extend all the objectionable features of the Federal Securities Act now applicable only to securities issued since its passage, to all securities no matter when issued by any corporation and now listed on any exchange. We know from experience that the drastic provisions of the Federal Securities Act have practically prevented private corporation from securing any new capital, except by means of loans from the Federal Government in the limited cases in which a corporation may be eligible to such loans. The proposed Bill makes it impossible for any corporation to refinance its existing capital ^{assets} without subjecting itself to unlimited control of the Federal Trade Commission.

The proposed Bill gives the Federal Trade Commission power to control practically every activity of every corporation and to prescribe the methods of keeping accounts, the appraisals of assets, the determination of depreciation and depletion and even goes to the length of making it unlawful for anyone to secure from a stockholder a proxy without the permission of the Commission and without complying with elaborate and restrictive regulations with respect thereto.

- 2 -

Numerous sections of the Act set up presumptions that transactions always hereto considered legal, unless tainted with fraud, shall be presumed to be illegal unless the corporation or officers or directors involved prove their good faith or the exercise of reasonable care, which is contrary to the fundamental principle of American jurisprudence that every one is presumed to be innocent of wrongdoing until proven to be otherwise.

The Bill would compel every corporation of any consequence to include in its registration statement an undertaking to abide by all future rules and regulations made with the Federal Trade Commission without any qualifications except a possible right of appeal under certain conditions, which is of little value when limited by the provision that the findings of the Commission as to facts, if supported as to evidence, shall be conclusive.

In addition, the requirements for the elaborate financial and other statements for current and previous years and any information that the Commission may require, all of which shall be considered public records, irrespective of whether it might be used by competitors against the interests of the corporation furnishing the same, necessarily impose heavy burdens of expense and responsibility without any corresponding benefit to the corporation, affected or the public.

Without using numerous adjectives that might be applied to the proposed Bill, it is fair to say that it is destructive rather than constructive and likely to destroy the markets for corporate securities and to extend the regulation of private business by the Government beyond all reason, regardless of whether the corporations are engaged in interstate or intrastate commerce. At the same time it would tend to increase the burden of taxation on account of the additional duties imposed upon the Federal Trade Commission and the numerous experts and accountants it would have to employ to obtain the slightest understanding of the actual conditions in any business it might attempt to regulate.

At a time when industry is exerting every effort to develop its business so as to increase the number of its employees, to raise wages so as to increase purchasing power, and thereby effectuate the President's Recovery Program, it would be disastrous to industry and would tend to destroy the good already accomplished, to impose on industry the burdens and restrictions contemplated by the proposed bill.

Most sincerely yours,

Herbert Hoover