

May 8, 1938.

The President,
The White House

My dear Mr. President:

In accordance with our conversation last week, I am enclosing herewith a copy of my letter to the Acting Director of the Bureau of the Budget, dated April 22, 1938, requesting a supplemental appropriation for the fiscal year 1939, in connection with the administration of the Public Utility Holding Company Act of 1935.

I also enclose herewith a draft of a letter to the Speaker of the House, drawn along the lines which we discussed last week.

I am also enclosing a statement of the justification in support of the supplemental estimates as submitted by us to the Bureau of the Budget.

Respectfully,

William O. Douglas,
Chairman.

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May 3, 1938

I have the honor to transmit herewith for the consideration of Congress deficiency and supplemental estimates of appropriations for the fiscal year 1939 for the Securities and Exchange Commission. The request is in the amount of \$655,640 for salaries and expenses and \$5,000 for printing and binding. A draft of the justifications in support of the supplemental estimates as submitted by the Commission is attached.

This request for additional funds is made necessary by reason of the fact that on March 28, 1938, The Supreme Court rendered its decision in the Electric Bond and Share case sustaining the constitutionality of the registered provisions of the Public Utility Act of 1935. As a consequence of that decision, the full program embraced in the Act must now be launched in a thorough and constructive manner.

I am impressed with the reasonableness of this request in view of the magnitude of the task confronting the Commission. Only approximately half of the industry (measured in terms of assets) was registered prior to the Electric Bond and Share case. In terms of assets, over 99% is now registered. These companies have assets (at book value) of more than thirteen and a half billion dollars. Adequate supervision under the Act of the myriad companies involved and of the husbandry of these huge assets requires, as a minimum, these additional funds. Otherwise effective administration of this important Act will not be possible. Parenthetically, when I think of the vast sums that were spent in fighting this legislation in Congress and of the great resources at the command of the companies in the industry subject to the Act, the amount of this request, which will enable initiation of the healthy program of reconstruction envisaged by the Act, seems especially reasonable. For it will be recalled that the amount in excess of \$3,000,000 was spent by the industry in an attempt to defeat the statute, \$1,000,000 being spent by one company alone for that purpose. This does not include such sums as were spent in 1927 and 1928 in an attempt to defeat the resolution, introduced into the Senate by the late Senator Thomas Walsh, leading to the utilities investigation by the Federal Trade Commission, which was in part the basis for the present Act.

I therefore have approved this request for submission to the Congress of the United States. It is my hope the Congress will find it possible and appropriate to take such steps as may be necessary to secure passage of a supplemental appropriation act providing these funds for the Securities and Exchange Commission so that no part of this constructive program, so vital to investors and consumers alike, may longer be delayed.