

February 14, 1935

Dear Colonel Howe:

I have given considerable thought to the letter of Karl M. Mitchell because therein are expressed sentiments which would receive popular approval. It is not easy to dispose of the matter by reminding the correspondent that interest of society in general is of paramount importance. Yet it seems to me that is the only answer that can be given. It is necessary to protect the public utility consumer of the future by making it impossible to continue supporting an unreasonable structure of holding companies upon a basic operating company through the device of rates charged the consumer by the operating company.

It is unfortunate that in the removal of the holding company burden from the operating company those owning securities of holding companies must suffer. But after all, the total number of investors, much less the total number of investors in utilities securities, is so much smaller than the total number of the public affected by unjust public utility rates that the interest of the latter must prevail. It goes without saying that greater violence would be done the public as a whole if utility holding companies were allowed to continue as at present than that being done to investors by the proposed legislation.

Of course, your correspondent will not agree with this point of view because he is an owner of holding company securities, and he states that his savings represented by his securities are as sacred and worthy of protection as a bank deposit or a home or a farm. But society as a whole has never considered that the man who put his savings in the stock of any corporation, even though it be a public utility or railroad company, was as prudent or conservative, or as worthy of governmental protection as the man whose money was saved in a bank, or invested in a home or a farm. You cannot discuss

rate structures with the correspondent other than to say that the philosophy of rate making which is part of the Administration's program, is the result of the most careful scientific study and analysis over a series of years made by the best experts the Government could engage for the work.

As to whether there is "urgency in the reduction of rates", this must remain a matter of opinion, and the opinion of those in the Government who have made the most careful study of the situations is that an urgent public demand for lower rates for heat, light, and power does exist.

All historic developments in the regulation of public affairs have involved hardships to someone. The regulation of utility companies in response to insistent public demand unquestionably and unfortunately affects some investors who cannot easily withstand monetary losses.

Many of these are the victims primarily of the unprecedented campaign for the promotion of utility company securities conducted in recent years against which there has been such an outburst of popular indignation. As stated before, it is unfortunate that no method can be devised for meeting this popular demand for reformation of these abuses in the public utility field which will not work some hardship to those who find themselves owners of securities in the utility holding companies complained of.

Yours sincerely,

Joseph P. Kennedy

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