

## Foreword

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THE financial and economic orgies of the 1920's not only resulted in securities controls acts but also economic controls acts. One of the most important of the latter is the Public Utility Holding Company Act of 1935. It combines securities and economic controls and places tremendous power of control over public utility companies with the Securities and Exchange Commission. Section 11(b) of that Act required the Commission as soon as practicable after January 1, 1938, to take action to limit the operations of each holding company and each subsidiary company thereof to a "single integrated public utility system" and "to such other businesses as are reasonably incidental, or economically necessary or appropriate to the operations of such integrated public utility system." This popularly described "death sentence" provision is the basis of Mr. Ritchie's study. As was true of all the early New Deal legislation restricting business activities formerly carried on, the Holding Company Act, and particularly Section 11(b), was subjected to all the legal attacks under the Constitution and survived, as is pointed out by Mr. Ritchie.

The economic consequences of enforcing integration can only be answered by time and experience. Mr. Ritchie's careful and thoughtful analysis of the Commission's developing attitudes and rules in the process of effecting the admonition of Congress, his conclusions on the effects of integrations thus far completed and in process, as well as the accumulation of the factual data, form a valuable document for utility executives, their lawyers, and the general public interested in utility problems. Mr. Ritchie has performed a valuable service.

LAYLIN K. JAMES

## Preface

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**T**HE Public Utility Holding Company Act of 1935 was one of the most controversial pieces of legislation ever enacted by Congress, but despite this fact it has withstood numerous and vigorous attacks upon its constitutionality and, further, it has never been amended in any material respect. The Securities and Exchange Commission was confronted in 1935 with one of the most difficult administrative tasks in modern history. How it met and resolved the difficult problems of geographical and economic integration, arising under the so-called "death sentence" provisions of this Act, is the subject matter of this publication.

The research involved in the preparation of this book included the examination and study of the legislative history of the Act, contemporaneous legal, economic and political comment, all court decisions concerning the problem of integration, and all of the official releases of the Securities and Exchange Commission issued under the Public Utility Holding Company Act of 1935, through release number 11606, dated November 28, 1952. All decisions of consequence issued by the Commission pertaining to integration are cited herein. As of this date the U.S. Government Printing Office has published only twenty volumes of the Commission's decisions, the latest release published therein being dated October 12, 1945. Consequently, citations to releases after this date can only refer to release numbers and their dates. For convenience in referring to releases which do not appear in the bound volumes, the exact dates of such releases have been included in the footnotes. The Securities and Exchange Commission decisions included in the bound volumes are set forth in chronological order and releases published in such volumes

in the future may therefore be readily located by the date reference.

All of the illustrative maps were taken from official Securities and Exchange Commission releases. The enclosures indicating the extent of integrated systems on these maps have been added for the purposes of this book, however.

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