

State undertakes to regulate by legislation the sale of fraudulent securities it is entering a new field, and that there is no obligation on the State to exercise any control over the sale of these securities. Those persons fail to realize that the corporation whose securities are being controlled has been created, and the issue of its securities authorized and sanctioned, by the State.

The right of the State to interfere by legislation is summarized in a report made in January, 1921, by a Special Commission appointed by the Governor of Massachusetts to investigate the sale of corporate securities. The report says:

"Since the State authorizes the issuance of fictitious or watered stock, it must follow that it is the duty of the State to prevent the sale of such securities until the State determines that they are not fraudulent. The State creates the securities and places them in the hands of the fraudulent promoter, who in turn distributes them to the public. Any additional legislation to check the sale of fraudulent securities is nothing more or less than an effort by the State to limit the use by fraudulent promoters of the false tokens which the State itself creates."

All legislation interferes more or less with the liberty of some subjects in order to protect others, even from their own folly. Although an investor should have the right to choose his investments it is not unreasonable that from such investments should be eliminated as far as possible all fraudulent elements. The late Theodore Roosevelt briefly summarized the idea by saying, "It is the business of the State to see that every man gets a square deal."

A report issued by the United States War Corporation, which had complete power to determine what securities should be issued and sold in the United States during the late war, states officially that the people of the United States are being defrauded out of more than \$500,000,000 a year by the sale of worthless and fraudulent securities. If Canada suffers equally in proportion, the necessity for some legislation would appear to be more than desirable. At the present time Canada, and especially the Province of Ontario, is a happy hunting ground for company promotions of every kind, very many of which are far from being honest. One reason for this condition is that