
Franklin D. Roosevelt — “The Great Communicator”
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**Drafts of a Proposed Message to Congress re
Investment Securities in Interstate Commerce**

P.P.F.

TO THE CONGRESS:

IF

I recommend to the Congress legislation ~~under the~~
~~powers vested in Congress by the Constitution in relation to~~
~~Interstate Commerce~~ for Federal supervision of traffic in
investment securities *in interstate commerce.*

In spite of many state statutes the public in the
past has sustained severe losses through practices neither
ethical nor honest on the part of many persons and corporations
selling securities.

Of course, the Federal Government cannot and should
not take any action which might be construed as approving or
guaranteeing that newly issued securities are sound in the
sense that their value will be maintained ^{*in that*} ~~and~~ the properties
which they represent will earn profit.

There is, however, an obligation upon us to insist
that every issue of new securities to be sold in interstate

commerce shall be accompanied by full publicity and information, and that no essentially important element attending the issue shall be concealed from the buying public.

This proposal adds to the ancient rule of caveat emptor, the further ^{doctrine} ~~maxim~~ "let the seller also beware."

It puts the burden of telling the whole truth on the seller.

It should give impetus to honest dealing in securities and thereby
~~to bring back public confidence, in the integrity of securities~~

~~should greatly increase their sale through honest dealing.~~

The purpose of the legislation I suggest is to protect ^{the} public ~~and honest business~~ with the least possible interference to honest business.

^{Then}
~~The legislation which I propose at this time~~ is but one step in our broad purpose of protecting investors and depositors. It should be followed by legislation relating to the better supervision of the purchase and sale of all property dealt in on exchanges, and ~~it should be followed~~ by legislation

3.

to correct unethical and unsafe ~~action~~ ^{practice} on the part of officers and directors of banks and other corporations.

What we seek is a return to a clearer understanding of the ancient truth that those who manage banks, corporations and other agencies handling or ~~acting~~ ^{using} other people's money are trustees acting for others.

File



TO THE CONGRESS:

In my message to you last March proposing legislation for Federal supervision of ^{national} traffic in investment securities I said

"This is but one step in our broad purpose of protecting investors and depositors. It should be followed by legislation relating to the better supervision of the purchase and sale of all property dealt with on exchanges."

in regulating the investment business on the part of
~~providing for the divestment of commercial banks~~
~~from the investment business and for the protection~~
~~of the investing public by securing the true information~~
~~relating to offerings of securities)~~
financial houses and in protecting the investing public in its acquisition of securities.

There remains the fact, however, that outside the field of legitimate investment, naked speculation has been made far too alluring and far too easy for those who could and for those who could not afford to gamble.

Such speculation has run the scale from the individual who has risked his pay envelope or his meager savings on a margin transaction involving stocks with whose true value he was wholly unfamiliar, to the pool of individuals or corporations with large resources, often not their own, which sought by manipulation to raise or depress market quotations far out of line with reason, all of this resulting, in loss to the *Average uninformed investor who is of necessity personally uninformed.*

The exchanges in many parts of the country which deal in securities and commodities conduct, of course, a national business because their customers live in every part of the country. The managers of these exchanges have, it is true, often taken steps to correct certain obvious abuses ^{we must be certain} ~~and not because~~ ^{that the abuses are eliminated and to this end a} ~~there is a~~ broad policy of national regulation ^{is required.} ~~cannot be certain that abuses are eliminated~~

It is my belief that exchanges for dealing in securities and commodities are necessary and of definite value to our commercial and agricultural life. Nevertheless, it should be our national policy to restrict, as far as possible, the use of these exchanges for purely speculative operations.

I therefore recommend to the Congress the enactment of legislation providing for the regulation by the Federal Government of the operations of exchanges dealing in securities and commodities for the protection of investors, for the safeguarding of values, and so far as it may be possible, for the elimination of unnecessary, unwise and destructive speculation.

THE WHITE HOUSE

February 9, 1924.

To the Congress

In my message to you last March proposing legislation for Federal supervision of traffic in investment securities I said

"This is but one step in our broad purpose of protecting investors and depositors. It should be followed by legislation relating to the better supervision of the purchase and sale of all property dealt with on exchanges."

I now recommend to you that further legislation.

A quarter century of indulgence to securities markets promising self reform has been over-long and calamitously expensive to our whole business and social system. The credit facilities of the nation and the savings of the people have been sucked into such markets, to be used by pool manipulators, corporate insiders and others accustomed to treat exchanges as gambling places. Everyone with a legitimate interest in the use of exchanges, including those brokers who seek nothing more than the right to make an honest living, will be benefited by their sound government regulation.

Effective government regulation must lodge continuing power in a government administrative agency to formulate necessary regulations and enforce compliance with the law. It should prohibit manipulation of prices and the creation of fictitious values, restrict gambling, (and) discourage the speculative use of hard earned savings and capital by persons of limited means (and protect the farmer against artificial depression of the value of his products.) It should make promptly and disinterestedly available to the public the facts about securities offered

for sale on exchanges and make the seller beware of misrepresentations or half truths. It should make bankers and brokers entrusted with responsibility for the financial welfare of the nation sensitive to that trust, and prevent the starving of commerce and industry and the risking of funds of bank depositors in the uneconomic diversion of national credit resources to market speculation.

In short, the Federal Government should arm itself with full power to purge securities (and commodities) exchanges and similar markets so that the average investor (and producer) may hereafter be assured of fair treatment, so that our economic system may be insulated against violent and unsound gyrations, and so that insiders may no longer levy vast tribute by unscrupulous use of such market places.

TO THE CONGRESS

It is well known to us that economic depressions in the past have been brought on not by unethical methods of finance and banking alone, inordinate speculation has also been a contributing factor.

This Congress has performed a useful service in providing for the divorcement of commercial banks from the investment business and ^{for} the protection of the investing public by requiring true information relating to offerings of securities.

There remains the fact, however, that outside the field of legitimate investment, naked speculation has been made far too alluring and far too easy ^{for} for those who could and those who could not afford to gamble.

Such speculation has run the scale from the individual who has risked his pay envelope or his meager savings on a margin transaction involving ~~some~~ stock with whose true value he was wholly unfamiliar, to the pool of individuals or corporations with large resources ^{after not their own} which sought by manipulation to raise ~~some~~

or depress market quotations far out of line with reason.

The exchanges in many parts of the country which deal in securities and commodities conduct, of course, a national business because their customers live in every part of the country. The managers of these exchanges have, it is true, often taken steps to correct certain obvious abuses: and yet because there is no broad policy of national regulation, we cannot be certain that abuses are eliminated.

~~Operations by wild speculators in grain in Chicago last summer and the recrudescence of pools on the New York Stock Exchange are matters of common knowledge.~~

It is my belief that exchanges for dealing in securities and commodities are necessary and of definite value to our commercial and agricultural life. Nevertheless, it should be our national policy to restrict, as far as possible, the use of these exchanges for purely speculative operations.

I therefore recommend to the Congress the enactment of legislation providing for the regulation by the Federal Government of the operations of

exchanges dealing in securities and commodities for the protection of investors, for the safeguarding of values, and so far as it may be possible, for the elimination of unnecessary, unwise and destructive speculation.