

increasing the security of the creditor, make him willing to extend credit to borrowers that he otherwise might not accommodate. We have no estimate of the number of credit contracts that would not be made in the absence of wage garnishment and confessions of judgment. But it is obvious that there must be many small borrowers with relatively poor credit records who have little in the way of security to offer the lender other than the right to quick legal action and attachment of wages.

As you know, the President has directed the Attorney General, in consultation with the Secretary of Labor and the Director of the Office of Economic Opportunity, to make a comprehensive study of the problems of wage garnishment. The Board believes that a decision on this matter, and on the related problems of confessions of judgment, should be deferred until the Attorney General's report and recommendations become available for your consideration.

Section 207 of the bill assigns the Board broad authority to prescribe regulations governing the extension and maintenance of margin requirements on commodity futures contracts. It is stated that the purpose of such regulation is to prevent excessive speculation in, and use of credit for, trading in such contracts with undesirable effects on prices.

There may well be need to attempt through regulation to dampen some of the speculative movements in commodity futures markets, with their possible repercussions on spot commodity prices. The Board recognizes that the futures markets perform a valuable economic function in permitting producers and users of commodities to hedge their operations against near-term price changes, and that speculators are an essential part of the futures market in balancing the supply of and demand for futures contracts. But we also recognize that speculative sentiment at times can be so massive and one-sided that it constitutes a disruptive force in the functioning of markets.

In any event, however, we feel that the Department of Agriculture, rather than the Board, would be much the more appropriate agency to administer any such commodity market legislation. The formulation of workable regulations, as well as their administration, requires close and continuing contact with the futures markets and a knowledge of present and prospective demand-and-supply conditions in the spot commodity markets underlying them, which the Board simply does not have.

Furthermore, the principal concern of the Federal Reserve is with credit conditions, and it is our belief that relatively little credit is used in connection with futures trading. The margin in such trades, as we understand it, is in the nature of "earnest money" assuring completion of the contract by buyer and seller at a later date. Unlike the stock market, title to property does not change hands; there is no immediate payment and hence no need for credit.

The statutory purpose of margin regulation as applied to stocks is to prevent the excessive use of credit in stock market trading. Since rapid growth of credit-financed margin purchases can contribute to destabilizing speculative advances in stock prices, one indication that use of stock market credit may be becoming excessive is a rapid growth in margin credit coincident with sharp increases in stock trading ac-