credit, some of us sponsoring H.R. 11601 felt that it was time—and long past time—that Congress took a critical look also at futures trading practices on very low margin which lead to great gyrations in prices of foodstuffs and essential defense materials. I do not consider bags of 1,000 silver dollars as essential defense articles, although silver, of course, certainly is. So are the other metals and nonagricultural commodities traded on futures markets, and so, of course, are those raw and partly processed agricultural commodities also traded in futures contracts but not now subject to any futures trading regulation.

Hence the inclusion of section 207 in this bill. We want to know why this large segment of our economy—unlike the stock exchanges—is outside of the scope of investor protection and economic stabilization powers. If the Federal Reserve doesn't know enough about futures trading even to hazard a guess as to how to regulate margins, should the job go to the SEC? Or—as the witnesses today will undoubtedly maintain—should this type of trading continue to go on in rubber, zinc, lead, copper, platinum, silver, tin, mercury, and so on, with no Government agency looking over the shoulders of speculators or manipulators, even though the effects of their operation may determine the prices paid by the Defense Department for equipment or the prices paid by consumers for essential items?

And on the agricultural commodities—whether regulated or not, and many of them are not regulated—should the relative ease with which contracts can be purchased or sold on little or no cash be of no concern to the Government either?

This subcommittee has had occasion in previous years to look into spirals in two important consumer items—coffee and sugar. In both instances, frantic speculative activity in unregulated futures trading set off a spiral of consumer prices. Ironically, it was trading primarily in foreign sugar futures—sugar which would never come to the United States—which pulled up domestic sugar prices in 1963 to the highest level in many, many years. In 1954, a deliberate hoax about a Brazilian coffee shortage provided the atmosphere for a rigged futures market, and sent the price of a pound of coffee here in the United States to $1.32.

That is the backdrop on which we have set up this hearing this morning. We want to know why there is something so special and unusual and mysterious about futures trading that the public has no right to set limits on gambling with borrowed money in this area, even though the public must pay the consequences of speculative excesses.

We invited a representative group of the major exchanges—not just in grains and other agricultural commodities, but in the metals and minerals—to send representatives here this morning, and most of them quickly accepted. Other exchanges also asked to be included, and we invited them, too. Several have since had a change of heart and the group here this morning represents the hardy survivors who have agreed not only to tell us why we should not enact section 207 but also to answer our questions and let us learn something about their operations. We are glad to have all of you.

Before calling the witnesses, I want to insert in the record a most unusual document in the light of most of the testimony we will receive this morning. It is a letter addressed to me by the president of an ex-