

tortions can be identified in a careful retrospective analysis after all the facts have emerged, but it would be virtually impossible to identify them while they are occurring. In April of this year, for example, a front page article in the Wall Street Journal analyzed wheat prices in relation to the weather and pointed to the likelihood that prices would rise to \$2 per bushel from the \$1.75 level then prevailing. Instead, as the weather improved, prices subsequently declined to \$1.50 per bushel. If speculation had carried prices to \$2, we can now see that it would have been a mistake. Yet in April it would have required clairvoyance to make that judgment.

The implications for margin controls may now be summed up. There is no general case for higher margin levels. Existing levels have provided the protection sought whereas higher levels, to the extent that these would discourage futures trading would be a disservice to the economy. Raising margins on occasion, to discourage temporary excesses of speculation, is not feasible because it is not possible to identify excessive speculation at the time of its appearance. Nor should the fact be ignored that futures markets are essentially hedging markets used by commodity firms because of the great economy of trading futures. Anything which reduces that economy necessarily raises the cost of doing business, which must be reflected in higher consumer prices and lower prices to growers.

I conclude that excessive speculation in futures contracts is rare, that it has no significant effect upon consumer prices, that consumer prices would likely be inflated if margins were raised for the purpose of curtailing speculation, that margin control is not a form of credit control and that credit is not extended nor maintained on commodities futures contracts, hence there can be no need for the Board of Governors to regulate the amount of such credit. (2)

Is it your desire now, Mr. Theis and Mr. Brooks and Mr. Chartrand, to read your statements?

Mr. THEIS. In compliance with a letter we have received from you in the past week I believe it would not only be proper to ask that our statement be submitted for the record, however, I would like to have the opportunity to give a short résumé of what is within the statement.

Mrs. SULLIVAN. That will be fine. Without objection, your full statements will be placed in the record, and we will be very happy to have you summarize them. We will then place in the record following these proceedings the statements we received from other exchanges not represented here in person today.

Mr. THEIS. Thank you. As stated in the prepared statement before the committee, the Kansas City Board of Trade was officially designated a "contract market" under the original Grain Futures Act on May 5, 1923, by Henry C. Wallace, then Secretary of Agriculture.

We have listed the different titles here, and we have analyzed section 207 of H.R. 11601 and shall direct our remarks specifically to the effects of section 207 to commodity futures contract trading.

In the first part of the statement we have referred to the title of section 207 which is entitled, "Regulation of Credit for Commodity Futures Trading." Here we again believe that the intent was to call attention and ask for control in the setting of margins, and not of credit. Our entire thinking is contained within that first paragraph. Also, we attach an appendix A which is our thinking and we accept the premise of the paper—written by Dr. Gray some few years ago—when we also now for the record accept the statements and make them a part of our feeling today as well.

Going on to part 2 of our statement, where the excessive speculation is used within the section itself, we allude to the fact that excessive speculation is what we believe you are calling volume trading. We have