

Robertson stated the Board's belief, which we share, that relatively little credit is used in connection with futures trading.

The proposal embodied in section 207 is based on a misconception of the nature of commodity contracts markets, on the nature of trading in commodity futures contracts, and on the functions of margins in connection with the commodity futures contracts when attempts are made to draw an analogy between them and the downpayment required to obtain title to stock or goods and chattels or real estate.

My statement develops the thesis that there is no analogy between the margin required to enter into a contract for the future sale or purchase of a commodity and the downpayment required to obtain title to stock, or goods and chattels, or real estate.

My statement reviews for the subcommittee the studies and action by this and other committees of Congress when similar proposals to the pending proposal have been considered in the past.

We are now here today faced with a proposal to grant authority to the Board of Governors of the Federal Reserve which, according to their spokesman, they do not wish to have and are not qualified to administer. This subcommittee is, in effect, considering a proposal which in substance has been considered by other committees and subcommittees in prior Congresses and found wanting. We recommend that this subcommittee make a similar finding.

We oppose this grant of authority because we are convinced that this method of attempting to prevent inflated consumer prices will not work. We oppose this grant of authority because an attempt by the Government to exercise control over margins may well cause a breakdown in the entire marketing structure leaving State trading as the only alternative. Raising margins will not keep prices from going up. It seems to be admitted that commodities that have no futures market are usually more erratic in price than those that have. By raising margins, you can reduce and eliminate volume of trading. But you cannot control prices. And you might wreck the market structure.

I shall be glad to answer any questions which anyone cares to ask.

Mrs. SULLIVAN. Thank you very much, Mr. Brooks. Now I will call upon Mr. Stephens to start the questioning.

Mr. STEPHENS. Thank you, gentlemen, for coming to be with us. I appreciate having the opportunity to have the material Dr. Gray has presented of the circumstances involving transactions that you deal in.

I perhaps should point out to you that I have introduced a bill similar to the Senate bill that does not include in the bill the control of the commodity exchanges.

Also, you are familiar with the statement made by Governor Robertson that he did not consider your transactions as credit transactions. One thing I would like to ask for my own understanding is this: Suppose that I put \$500 into futures market. Maybe Mr. Rhodes can give me the answer. If I should buy or put down a margin of \$500 on a cotton futures contract that would mean that I would be able to buy 100 bales of cotton. Now, when would I have to buy the 100 bales of cotton?

Mr. RHODES. That would depend on which month you bought. The futures market operates 18 months in advance, in the case of cotton. You can buy January, March, July, October, or January 1969, cotton futures today. If you decide you want to buy December 1968 you would