again. There are cotton futures markets in Liverpool, Japan, and India. If action is taken that would make our markets ineffective in this country, it would result in our business moving to these other markets.

At the present time we have a wool market in New York and much of that business is being transferred to the wool market in Sydney, Australia.

Mr. STEPHENS. In other words, what I understand you to say is that this is a real competitive field, this market business, and that regulation of the price that consumers will pay, if you take that competition out, will make the consumer pay more. Is that what?

Mr. RHODES. That's right.

Mr. STEPHENS. One other question, Madam Chairman.

From what Mr. Rhodes has said about the volume of the cotton business, he could consider it more or less a thin market as contrasted with grain, which would be a larger market, is that right, Mr. Gray?

Mr. GRAY. It would, unfortunately, be such an example. As recently as 1953 the cotton futures market was the world's largest futures market, and incidentally, to further confirm what Mr. Rhodes said, we did publish a study in about 1960 in which we explained the demise of the cotton futures market and its demise was owing directly to the fact that the Government assumed the marketing function.

Mr. STEPHENS. That would give price support to the farmer producing the cotton?

Mr. RHODES. Yes.

Mrs. SULLIVAN. Dr. Gray, the fact still remains, does it not, that the objective sought in playing the commodity market is to maximize gains or minimize losses?

Depending on the ability of the processors to pass on costs, which are extensive, any losses experienced as a result of playing the commodity futures market are passed on ultimately to the consumer.

Given an economic situation characterized by inflation or inflationary pressures, or the prospects of inflation, commodity prices will be bid up. To the extent that restrictions are placed on commodity futures trading—in terms comparable to margin requirements on stock purchases—to this extent pressures to bid up commodity prices, above any justified economic price, will be eliminated. This has been true as far as stocks are concerned, and I do not see how anyone can argue that the same could not be true regarding speculation in the commodity markets.

Mr. GRAY. If that is a question, Madam Chairman, the answer in a word would be "No." If I may elaborate.

Mrs. SULLIVAN. Please do.

Mr. GRAY. The commodity futures markets simply represent the most efficient price-determining mechanism that has ever been devised. If you interfere with the function of the commodity futures markets, then you encounter much greater likelihood of establishing incorrect prices at either too low or too high levels.

If I may illustrate with a couple of recent cases. The Congress did prohibit futures trading in onions in 1958. Subsequent to that time we analyzed the price variability in cash onions.