Prior to the period when there was active futures trading in onions and subsequent to the period when there was active futures trading in onions, we published the results of this study, the price variability was much greater prior to futures trading and after futures trading than it was during the era of active futures trading.

One other example. In November 1965 Secretary of Defense McNamara took the tripartite action to halt what he considered to be an unjustified rise in copper prices. He released, I believe, it was 200,000 tons of copper from the stockpile which of course had the immediate effect of causing the weakness in copper futures and spot copper prices. He raised margins in copper futures trading to prohibitive levels, and he took some steps with regard to the importation and exportation of copper. Having prohibited by raising the margins to prohibitive levels futures trading in copper really had simply the effect of breaking the thermometer but it didn't keep the temperature from rising.

Subsequently, in April 1966, copper futures and cash copper reached the alltime high level in history. He didn't stop the price rise. He did not change the law of supply and demand. He simply deprived copper users and copper consumers and copper sellers of the opportunity to protect themselves against price change which the futures market had provided. (See p. 632.)

Mrs. SULLIVAN. Can you say that that held true also in the sugar market of 1963?

Mr. GRAY. I did not, Madam Chairman, personally conduct an investigation into sugar futures prices at the time of the rise. I am quite willing to say that from studies that I have done of many commodity futures markets, that without the sugar futures market you still would have had—because of the basic underlying shortage of sugar supplies in the world—you would have had the price rise that you had. The futures markets provide the best device known to enable people to adjust to the facts of life and price. If you had closed down the sugar futures market you would have left sugar users and sugar producers in a much poorer position than they were in because they could protect themselves against the price rise and against the subsequent decline which occurred, of course, after the supplies had once again been built up.

Mrs. SULLIVAN. I certainly have not been proposing an end to speculation in the futures markets. I want to see it regulated in order to protect the public, not end it.

Mr. GRAY. Indirectly, my fear is that the proposal may amount to that, particularly insofar as any analogy is drawn and this analogy continues to be drawn, even in the financial community. Between trading in stocks and trading in commodity futures, it is of the utmost importance that the commodity futures margins be kept as low—at the lowest level possible. The essential reason for this, going back to part of my statement, these are essentially hedging markets. They enable the firms that I am representing here to protect themselves and thereby operate on a smaller profit margin than they otherwise could do.

Now, from their standpoint, they always use a futures contract as a hedge, which means they use it as a temporary substitute for an intended later transaction in the cash commodity. So they routinely