Board of Trade you would find—and I am speaking first of cash wheat prices and let's suppose for illustration they are $1.50 a bushel, you might find the September contract for future delivery would be $1.55 a bushel or $1.53. If that were the case then the market would be reflecting a carrying charge, the cost of carrying a bushel of wheat from now until the September delivery date.

In other circumstances when there is a current shortage of commodity this relationship is still guided by the same consideration, but it may turn out to be an inverse carrying charge because there is need to pull the commodity out of storage now and use it. So the futures are always guiding present usage versus future usage, and thereby again performing this allocative function of the commodity and thereby, incidentally, achieving a diminution in price variation through time.

Mr. HALPERN. You suggest that more rather than less speculation tends to stabilize prices, yet there have been times when speculation has been destabilizing and has driven commodity prices upward.

I have two queries in this regard.

If margin requirements are not the proper vehicle for regulating such speculation, what is?

Second, what sort of controlling, if any—what sort of control, if any, has in the past been exercised over excessive destabilizing speculation by the Commodity Exchange Commission?

Mr. GRAY. I did say in my statement that margin control would be ineffective because one can really only ascertain in retrospect whether the price change that occurred was warranted or not by supply and demand conditions.

But if you should encounter instances, which you will rarely, on the well-used futures markets where the price change that occurred is subsequently seen to be upward—unwarranted or could be demonstrated to be unwarranted, this would typically be for one or two reasons, either because the market was mistaken in its aggregate judgment. It makes a collective judgment and it can make mistakes. About that, sir, I think you can't do anything. You cannot legislate against people making mistakes if they are honest mistakes.

Alternatively, occasionally this may occur because of manipulative endeavors on the part of users of the market. We do have at present the Commodity Exchange Authority which is at all times concerned to prevent these efforts. We further have the business conduct committees on the exchanges which are also concerned to prevent these efforts. The penalties are severe for those who attempt this. Most such attempts fail. Most such attempts do not change prices. But those attempts that do succeed in changing prices I think are usually caught under the present law. Moreover, the bill which the Department is now introducing further tightening regulations over commodity exchange trading includes one provision of making the penalty more—the penalty for manipulative attempts more severe, making this a felony, and that provision I support and that provision the grain and feed dealers national association supports. I support and they support every constructive effort to improve the regulation of the commodity markets.

Mr. HALPERN. I have one more question.

Mr. GRAY. Excuse me. I am just reminded of one other point. I also support the inclusion of other commodities under the Commodity