

Exchange Act. So your initial statement referring to the entire panel, I can't speak for all of them, but for me it is incorrect.

Mr. HALPERN. You tend to identify speculation with volume trading. Yet, is there not a difference between stabilizing speculation which leads to a balanced market and destabilizing speculation which tends to overemphasize trends in one direction or another?

Mr. GRAY. There can be that distinction. I tried in my statement to draw the distinction a little bit differently. I think that the chronic difficulty with some of our thin futures markets is inadequate speculation. Now, this gets to be something of a hen and egg proposition. Did the pricing go up because somebody traded, or did the price go up because when somebody traded there wasn't a sufficiently large body of speculators in that market to defend that price? And I think most of the evidence would suggest that the latter is a better interpretation of the events. If you have a large body of professional speculators, they will generally be right on the price. The market is more likely to be right on the price. The price fluctuations are likely to be smaller in those circumstances which is, still, of course, not to deny that you can find circumstances when the best collective judgment of traders will be mistaken for a period of timing and that there you have the ultimate safeguards that it is supply and demand of a commodity that brings the futures price ultimately back into line.

Mr. HALPERN. My time is up. Thank you very much.

Mrs. SULLIVAN. Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Madam Chairman.

As to wheat grain futures and the activity in that market, did the recent depletion of the storage quantities have any effect upon the market?

Mr. GRAY. I was thinking the Kansas City man could speak more accurately, and he may wish to expand on my statement.

The depletion of wheat stocks—it has been my impression the wheat stocks has improved the opportunity for trading in wheat so that the volume has gone up. Not to the extent, however, that it has in other grains where the extent or degree of Government interference into pricing is still less than it is in wheat.

Mr. GONZALEZ. Do you recall any recent manipulative efforts in this market, say, within a year, within the past year?

Mr. GRAY. No, I do not have any; no, sir.

Mr. GONZALEZ. Could you explain to us how a manipulation is accomplished? What are the usual tricks of the trade?

Mr. GRAY. To cite an example of a case in which the CEA did obtain, as I recall, a consent decree for alleged manipulation of wheat futures prices in 1959, two people—two men employed by a brokerage firm endeavored to run up the price of the May wheat futures on the Chicago Board of Trade simply by heavy concentrated buying. This effort did cause prices to be briefly distorted—they were too high for awhile because of the buying. The punishment for this effort was first the people who were in a position to move wheat to Chicago, recognizing that this price was too high, did so and delivered the wheat to people who had to pay too high a price for it, so it cost them, and second, they were penalized by the Commodity Exchange Authority, and I have forgotten what the penalty was. This was just concentrated buying to