

President's Council of Economic Advisers; witnesses from the National Retail Merchants Association, and also from the National Senior Citizens Association, and Mr. David Caplovitz, author of "The Poor Pay More"; and in the afternoon at 1:30 we will hear from the National Consumers League and the National Retail Furniture Dealers Association, and from Prof. Vern Countryman of Harvard University Law School.

With that we thank all of you who contributed to this interesting discussion.

(The complete statements of Mr. Brooks, Mr. Rhodes, and Mr. Watts and a statement submitted by the New York Commodity Exchange, Inc., follow:)

STATEMENT OF WILLIAM F. BROOKS, PRESIDENT, NATIONAL GRAIN TRADE COUNCIL

My name is William F. Brooks. I am President and General Counsel of the National Grain Trade Council. We appreciate this opportunity of registering our views against the approval, by this Subcommittee or the Committee on Banking and Currency, of Section 207.

The stated purpose of this section is to prevent "excessive speculation in and the excessive use of credit for, the creation, carrying or trading in commodity futures contracts, having the effect of inflating consumer prices." To accomplish this, the Board of Governors of the Federal Reserve would prescribe regulations which, according to the Chairlady, would give the Federal Reserve System the same powers to set margin requirements in connection with trading in commodity futures contracts that it now holds in the setting of margins for credit transactions on the stock exchanges.

On a number of occasions Congressional committees have studied proposals which would grant to government officials authority to set margin requirements on futures transactions in commodities. We have opposed this grant of authority because in our considered judgment, no public officials or group of public officials, such as the Board of Governors, are so omniscient as to determine when speculation might become excessive in commodity transactions and to determine when any degree of speculation in commodity futures contracts would have the effect of inflating consumer prices.

We are convinced that speculative transactions have little effect on the price paid by consumers for commodities and that speculation is not a basic factor in determining the general level of prices in the long run. We doubt that it is an appreciable factor even in the short run.

We note that the Board of Governors of the Federal Reserve, through its Vice-Chairman, Mr. Robertson, on August 7 advised the Subcommittee in effect that the Federal Reserve Board would not be the most appropriate agency to administer such commodity market legislation as is contained in section 207 of the pending bills. Mr. Robertson stated the Board's belief, which we share, that relatively little credit is used in connection with futures trading.

Our recollection of his answer to one question put to him by the Chairlady—whether he thought the Department of Agriculture should regulate stock market margins on General Foods or other food companies—is that Mr. Robertson stated that the Department of Agriculture was probably as ill-equipped to deal with security margins as the Board of Governors would be to deal with margins on commodity futures contracts.

We agree with that observation.

The proposal embodied in section 207 is based on a misconception of the nature of commodity contract 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 down payment required to obtain title to stock or goods and chattels or real estate.

Organized contract markets are recognized commercial institutions. Most of the commodities for which futures trading is available, are subject to the Commodity Exchange Act. Additional commodities may become subject to this Act.

These recognized commercial institutions make possible an orderly movement of agricultural commodities from production to consumption. Their operations