trading in commodity futures contracts. Congress did not approve the grant of this authority.

In 1966 a Subcommittee of the House Committee on Agriculture held hearings on a bill which would have granted a number of authorities to the Secretary of Agriculture, including the authority to set margins on commodity futures contracts. According to the U.P. ticker of April 6, 1966, Congressman Matsunaga, after the hearings had been concluded, told newsmen that if this committee approved any part of the bill it would only be in greatly modified form. The same news item reported that comments by other subcommittee members indicated the margin control section of the bill was not expected to survive.

That subcommittee did not report a bill.

We are now here today faced with a proposal to grant authority to the Board of Governors of the Federal Reserve which, according to their spokesmen they do not wish to have and are not qualified to administer. This subcommittee is in effect considering a proposal which in substance has been considered by other committees and subcommittees in prior Congresses and found wanting. We recommend that this subcommittee make a similar finding.

We oppose this grant of authority because we are convinced that this method of attempting to prevent inflated consumer prices will not work. We oppose this grant of authority because an attempt by the government to exercise control over margins may well cause a breakdown in the entire marketing structure, leaving State trading as the only alternative. Raising margins will not keep prices from going up. It seems to be admitted that commodities that have no futures market are usually more erratic in price than those that have. By raising margins, you can reduce and eliminate volume of trading. But you cannot control prices. And you might wreck the market structure.

Statement Submitted for Inclusion in the Hearing Record by the New York Commodity Exchange, Inc.

My name is Matthew S. Fox. I am President of Commodity Exchange, Inc., 81 Broad Street, New York City. I reside at 201 East 19th Street, New York City.

I have been authorized by the Board of Governors of Commodity Exchange, Inc. to appear before this Committee to express the views of the Board with respect to H.R. 11601 and, in particular, with respect to Section 207 of the Bill. Before doing so, I should like to give the Committee a brief picture of the operations of our Exchange and its background.

The Exchange is a non-profit membership corporation which operates a trading floor at 81 Broad Street, New York City, to enable its membership to engage in the purchase and sale of futures contracts for the following commodities: copper, lead, mercury, silver, tin, zinc, hides and rubber. The Exchange does not buy or sell commodities or futures contracts for its own account. It merely provides the trading floor and facilities for the operation of a futures market.

Transactions executed on the floor of the Exchange are reported by ticker service to all areas of the United States and other countries, providing instant dissemination of information as to the price of each purchase and sale. Trade interests and others who have need to follow the price movements of the commodities on the Exchange are thus provided with continuous price quotations as a guide to marketing policy.

All transactions on the Exchange are entered into as the result of open outcry at rings at which the floor brokers gather. It is a true auction market with bids and offers freely and openly made. It thus reflects with great accuracy the relative impact of demand and supply upon the price of a given commodity at any given moment. In a true sense the Exchange provides an accurate instrument in a free marketing system.

We wish to call the attention of the Committee to the following considerations:

1. The purpose of the Bill, as set forth in the introductory paragraph, is, among other things, to authorize the Board of Governors of the Federal Reserve System "to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices".

It is a misconception of the mechanics of futures trading to speak of the "excessive" use of credit. When a man buys or sells a futures contract, his broker requires a deposit of original margin in an amount specified by the Exchange. This deposit is a down payment on the contract. The full purchase