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FOOD RESEARCH INSTITUTE STUDIES

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PROCEEDINGS OF A SYMPOSIUM
ON PRICE EFFECTS OF SPECULATION
IN ORGANIZED COMMODITY MARKETS

Supplement to Vol. VII, 1967

FOOD RESEARCH INSTITUTE STUDIES

FOOD RESEARCH INSTITUTE

Established at Stanford University, Stanford, California, in 1921, jointly by Carnegie Corporation of New York and the Trustees of the Leland Stanford Junior University, for research in the production, distribution, and consumption of food.

Address communications to
FOOD RESEARCH INSTITUTE STUDIES
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ERRATA

- p. 16, section 4, line 5. For “selling” read “sell”
- p. 23. Chart title should read “Price Changes in Chicago December and March Wheat, and Transactions of One Scalper During Sixteen Minutes”
- p. 26, line 18. For “successive” read “success at”
- p. 27, line 30. Line should read “a practice of cutting losses and letting profits run suggests that”
- p. 46. C. S. Brinegar, *A Statistical Analysis of Speculative Price Behavior*, will be published shortly by the Food Research Institute

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Proceedings of a Symposium on Price Effects of
Speculation in Organized Commodity Markets

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PREFACE

This issue of our *Studies* deals with a subject which has been under continuous investigation at the Food Research Institute, in one form or another, for many years—the performance and contribution of organized commodity futures markets. Holbrook Working's pioneering analyses and interpretations of futures price behavior appeared in the *Wheat Studies* in the early 1930's, since which time he has made numerous contributions toward understanding futures markets, including some which required major revision of received doctrine. Other scholars, attracted to the Institute by his work, have extended the analyses to a wider range of commodities while adding significant findings of their own.

During the past decade, outstanding economists and econometricians in other institutions have turned some of their attention to futures price analysis. Several valuable publications have emerged, but the growing body of literature has also revealed some conflicting interpretations and gaps in the evidence. As more scholars have come to recognize the opportunity which futures markets afford for research into questions of price determination, so the markets themselves, especially in the United States, have grown in importance. In the present period, the volume of futures trading is at the highest level in history. Together with growing markets and growing scholarly interest in the markets, the public interest has also widened.

New and improved understanding of the price effects of speculation in commodity futures has been achieved; but better understanding is still needed. It was with this in mind that the Food Research Institute sponsored a symposium in which the leading American economists who had published studies in this area were invited to participate. Studies were commissioned almost a year in advance of the symposium, allowing ample time for seasoned scholars to develop new research results.

After all of the papers had been read by all participants, a three-day meeting took place at Stanford to discuss each of the papers. Authors were then encouraged to revise their papers in light of the discussions. The authors, as well as the Food Research Institute, are much indebted to the following people, whose discussions of the various papers stimulated a lively symposium and led to important revisions: Armen Alchian, University of California at Los Angeles; Hendrik Houthakker, Harvard University; Ronald McKinnon, Stanford University; and Seymour Smidt, Cornell University.

Financial support for the symposium was generously provided by the Chicago Board of Trade, the Farm Foundation, and the Minneapolis Grain Exchange. Additional support for the research underlying some of the papers is acknowledged by the authors elsewhere in this issue. The symposium was conceived and organized by Roger W. Gray, who also assumed editorial responsibilities for this issue.

William O. Jones
Director
Food Research Institute