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Research Title and Abstract as provided upon your funding application to CERF

Federal government regulation and the construction of modern futures markets, 1920-1936. My paper describes the interactions between the stakeholders (the Grain Trade, the CBOT, key legislators and the Department of Agriculture) and juxtaposes their actions to the growing anti-Grain Trade rhetoric extant at the time and evidenced at the quasi-public Hearings and in the press. I conclude that the early legislation was welcomed if not explicitly demanded by the grain exchanges, and, perhaps coincidentally, the weak powers granted to the Grain Futures Administration served to prevent future regulation from restricting speculation in Grains during the post-Great War agricultural depression, the subsequent Great Depression, and the commodity bull markets of the 1960s.

Project Start and End Date

1 October 2013 - 1 February 2017 (est)

Key Research Findings to date

Elements of the US federal government and the commodities futures exchanges collaborated privately to create a robust set of institutions that survive to this day, such as modern clearing houses and self regulatory business conduct committees. Dissimination

Dissimination

This work has been presented at the Agricultural History annual meeting, the Cambridge Centre for Risk Studies Annual Summit, and the Cambridge Centre for Financial History seminar in 2015, as well as the Business History Conference meeting in 2016. I expect it to be published in monograph form in the future, as well as being, of course, my PhD thesis.

Major Difficulties and Other Issues

N/A

Comments and Additional Information

Papers published during the funding period:

**Reputation risk management: Protecting (some) small investors.** *Journal of Financial Regulation and Compliance* 22(4). 2014.

**Can regulation build a better market for securitized bank loans without risking taxpayer bailouts?** *Risk and Regulation* 31 2016.

Revised and resubmitted:

**Robert McNamara's managerial legacy observed through the World Bank's World Development Reports 1978-1990.**

**Can inflation expectations be measured using commodity futures prices?** (with D'Maris Coffman). 2014. *Cambridge Working Papers in Economic and Social History*.

Book published:

**Regulating Securitized Products: A Post-Crisis Guide.** 2015. Palgrave Macmillan.

Link to marketing information here:

<http://www.palgrave.com/page/detail/regulating-securitized-products-rasheed-saleuddin/?K=9781137497949>

This work is intended to influence financial regulatory policy at the national and international level.

Papers presented:

**Going beyond ‘market versus state’ ideological struggles in explaining the existence and longevity of the 1922 Grain Futures Act.** Presented at the Agricultural History Society Annual Meeting in June 2015, the Centre for Financial History seminar in 2015 and the INET YSI Webinar on business history in 2016.

**Regulation in historical context. The case of the CBOT in 1920.** Presented at the Cambridge Centre for Risk Studies Annual Meeting June 2015.

**Were key financial benchmarks irrational during the global financial crisis?** Presented at the CERF Finance Cavalcade, June 2016. Winner of the McKinsey Risk Prize 2016 –GBP 3,000 prize for best essay on risk.

**Speculators versus farmers during the crises of 1921 and 1929.** Presented to the Business History Conference, Portland 2016.

Interviewed for:

Capital Relief Trades Report: Mechanics of Risk Transfer. SCI Publications.  
<http://www.structuredcreditinvestor.com/crtresearch2015/> [also regularly quoted in the weekly newsletter, and a participant on related panels]

Bank of England Open Forum 2015

## **Non-specialist summary of thesis: US wheat crises, federal government regulatory responses, and the making of modern futures markets, 1920-1936**

This thesis provides a history of four major disruptions in the market for one of the world’s most important crops, wheat, and the reactions to these dislocations in traded markets by farmers, the ‘grain trade’ as well as, especially, federal government of the United States of America, in the earliest days of the extension of its power over the States. In 1921, 1924 and 1929, the grain markets fell by significant amounts, and in all three cases there were significant and long-lasting changes to both the institutional and regulatory framework of grain markets. There was no real change after these reforms until the CFTC Act of 1974, while indeed much of the original 1921 Act remains

In 1921, the result was the Futures Trading Act, closely followed by the Grain Futures Act. In 1924, the so-called ‘Cuten Corner’ was followed by three key institutional innovations brought about in 1926 by government coercion of the grain futures trading

industry leaders. After 1929, there the government-run Farm Board intervened in the futures markets of 1930-1931, at great cost. Finally, in the mid 1930s, the ongoing Great Depression gave birth to the development of an industry 'code of conduct' as well as the 1936 Commodity Exchange Act. Running through this period, the government demanded information that was begrudgingly provided and the studies of this data formed the basis of an political and intellectual justification of the usefulness of futures markets to the marketing of farm products that influenced the Act of 1936 and – more importantly - continues to today.

As such, this work is structured around the four crises and the interwoven intellectual history, with chapter two focusing on the 1920 crisis and the government reactions, chapter three addressing the reactions to the 1924 dislocations (by industry and government), chapter four on the role government played in the study of the markets and its result, chapter five on the crash of 1929, and chapter six on the subsequent Great Depression and the legislative response.

My key thesis is that it was government that was the main influence on the innovations of the 1920s and 1930s in these important markets, and I go as far as to claim that government intervention was responsible for the essential changes that assured the dominance of futures markets and Chicago as their hub. The lasting institutions creating in the 1920s and 1930s, for better of for worse, continue to immensely influence the financial markets of today.

The finding are based on a broad and deep reading of archives of the Chicago Board of Trade, its regulator the Grain Futures Administration, and the other key government agencies engaging with the grain trade, the USDA, the Federal Farm Board and the Federal Trade Commission.