investment powers. As the Council indicates in its report, increased investment flexibility would permit thrift institutions to compete more effectively for savings during periods of rapidly rising interest rates, such as 1966, and result in a more stable flow of mortgage funds over all stages of the business cycle.

The need for strengthened thrift institutions and structural improvements in mortgage markets becomes even more urgent in the light of other trends noted by the Council in its report. As the Council indicates, a sharply rising rate of household formation in the years ahead will result in substantial increases in the rate of new home construction and in demands for mortgage funds. Additional heavy demands for private mortgage financing will be generated by expanding Federal programs in the housing area. Recent evidence of improved savings and mortgage flows at thrift institutions should not be allowed to obscure the very real danger of long-run inadequacy in the supply of mortgage funds in the years ahead. Should the economy continue to operate not too far below its potential, as seems likely, yields on capital market investments will probably remain attractive to many savers. Moreover, competition from commercial banks can be expected to intensify, as they increasingly exploit the advantages of "one-stop" banking and begin to institute the electronic money transfer services of the "checkless society." In this environment, thrift institutions may be increasingly hard pressed to meet sharply rising mortgage demands, unless they are able to compete more effectively for individuals' savings.

The need to strengthen mutual savings banks is particularly apparent in view of their leading role in financing Federal housing programs and the steadily widening Federal Government role in meeting national housing needs and stimulating urban revitalization. Despite their narrow geographic confinement to only 18 States, mutual savings banks rank either first or second, nationwide, among private institutional holders of FHA-insured mortgages under each of the following major programs: (1) regular owner-occupied housing; (2) rental housing; (3) urban home redevelopment and relocation; (4) cooperative housing; and (5) servicemen's housing. In addition, savings banks have been major participants in financing other important housing programs in recent years.

As the problems of our urban centers multiply, the leading role of mutual savings banks in these areas assumes increased importance and emphasizes the broad public-interest benefits of nationwide extension of the mutual savings bank system.

In launching its expanded urban effort, it will be crucial for the Federal Government to keep its role in balanced perspective, relative to that of the private sector. In this regard, it is gratifying to see the Council's emphasis upon the need to enlist private enterprise in this effort. It is equally essential, I believe, for private enterprise to recognize that the Federal Government does have a key function to perform in the building and rebuilding of our urban environment.

What we must establish, in essence, is a creative partnership between the private and public sectors, parallel to the "creative federalism" envisioned with respect to Federal and State and local governments. Such a partnership will seek the realization of broadly accepted public goals through maximum use of private means.