

authority and only favors the 2-year extension. The reason as I understand, from page 2, is that the extension was requested only because the interest rate ceiling power authority was only intended initially to take care of a special set of circumstances. How strongly is the Treasury actually opposed to permanent authority?

Mr. DEMING. The Treasury isn't really strongly opposed to making it a permanent piece of legislation. We have no adverse feeling at all with respect to the permanency of certain parts of it. It was designed to meet what was then regarded as an emergency situation; then renewed for a year. We have requested renewal of it for 2 years.

The question as to whether you should have permanent legislation for ceilings on rates paid for savings and time deposits is still, I think, an open question. Some people believe that you shouldn't have them at all. Governor Robertson makes the point, a very valid point, that you can have it on a standby basis and consequently not have a ceiling operative at all. In the light of his position here, I don't think the Treasury has a strong position in opposition to permanent legislation. As a practical matter we thought it would be simpler to achieve a 2-year extension and look at it as the 2 years went by.

Senator BROOKE. Governor Robertson said in the statement it is difficult to envision circumstances under which Congress would find it difficult to allow this statute to terminate. He wants the standby authority for it. You can't envision it; can you?

Mr. DEMING. Senator, only in a sort of broad and conceptual sense. I may be too idealistic. I would hope that you could come one day to a period of time when you didn't need controls of this sort and that you could rely on the forces of competition to adjust more smoothly than they seemed to adjust in 1966. That is the only reason for saying that you might look at this at the end of another 2 years. The Treasury doesn't have a strong position on this at all.

Senator BROOKE. Mr. Horne, in response to Senator Proxmire's request for legislation to cover these financial institutions that are taking advantage of the loophole, did you intend to leave the impression that you could take care of these financial institutions which are not insured by the Federal Government by such legislation?

Mr. HORNE. We believe—and this is something that we have to check into, Senator, that it can be taken care of. If it isn't taken care of, there is a gap, as the chairman pointed out, both as regards mutual savings banks and also as regards savings and loan associations. If they aren't insured by the FDIC or by us, or if they don't belong to us as members, then they are free to do, under existing law, what they want to as regards the setting up of dividend ceilings. There have been quite a few that have withdrawn from the Federal home loan bank system in order to avoid our having authority to impose dividend ceilings. And there are others that are threatening to do so if certain things aren't done so far as their getting the kind of dividend ceiling that they want. Of course, when we start setting dividend ceilings we have to take into consideration the national picture and we can't pick and choose on an association or mutual savings bank on a case-by-case basis. We have to give consideration to the geography involved, whether nationwide or at least regional-wide or statewide. So unquestionably there is a gap that exists here that hasn't up until this moment caused great trouble but can cause great trouble in the days ahead if the gap isn't closed.