

SUPPLY AND DEMAND FOR FUNDS IN THE NATIONAL MARKET (1968 PROJECTED)

	1964	1965	1966	Estimate, 1967	Estimate, 1968
Net demand for funds:					
Real estate mortgages, publicly held.....	25.6	25.2	17.7	19.5	20.0
Corporate bonds.....	6.6	8.1	11.1	16.2	11.0
State and local securities.....	5.6	7.1	5.6	9.4	8.1
Foreign bonds.....	.9	1.2	.9	1.2	.7
Subtotal, long term.....	38.7	41.6	35.3	46.3	39.8
Bank loans (except real estate loans).....	13.6	19.8	13.0	12.7	16.0
Treasury and agency debt publicly held.....	3.2	.5	2.9	6.3	18.0
Total, satisfied demands.....	55.5	61.9	51.2	65.3	73.8
Net supply of funds:					
Mutual savings bank.....	4.1	3.6	2.5	4.9	3.7
Savings and loan associations.....	10.9	9.3	4.2	9.4	7.5
Life insurance companies.....	6.4	6.7	6.7	6.8	6.8
Fire and casualty insurance companies.....	.8	1.0	1.5	1.0	1.2
Private noninsured pension funds.....	2.1	2.1	1.9	1.4	1.4
State and local retirement funds.....	2.7	2.9	3.2	3.8	4.2
Mutual funds (bonds only).....	.4	.4	1.0	-.6	.5
Total, nonbank institutions.....	27.4	26.0	21.0	26.7	25.3
All commercial bank funds.....	21.5	27.9	17.2	35.2	32.5
Corporations.....	-1.2	-1.4	-.4	-.4	-.7
State and local governments.....	-.3	2.0	1.4	2.0	1.5
Foreigners.....	1.0	0	-1.2	2.1	2.5
Subtotal.....	48.4	54.5	38.0	65.6	61.1
Residual: Individual and miscellaneous investors.....	7.1	7.4	13.2	-.3	12.7
Total supply.....	55.5	61.9	51.2	65.3	73.8

Source: Salomon Bros. & Hutzler, American Banker, Feb. 26, 1968.

STATEMENT OF FRANKLIN HARDING, JR., EXECUTIVE VICE PRESIDENT, CALIFORNIA SAVINGS & LOAN LEAGUE

The California Savings and Loan League is appreciative of this opportunity to make a statement before this committee regarding S. 3133 introduced by the Chairman to extend rate control powers of Federal financial regulatory agencies. The League supports the broad purpose of this bill. However, the League urges that the extension be limited to one year, as was the case last year, and that additional amendments be adopted to correct some problems which have developed which, in our opinion, are defeating or threatening to defeat the objectives of control over rates paid on savings and time deposits.

We commend the Chairman for early introduction and consideration of his bill. Last year, the expiration date was almost upon us before any move was made to extend it. Thus, there was little time to consider any other amendments, suggested by what had been happening since the passage of the initial rate control bill in September, 1966. Now there is almost six months before the next expiration date, September 21, 1968, and we would hope that this committee of the Senate and its counterpart in the House will give consideration to additional amendments.

Our first suggested amendments would make permanent those sections of the bill which clearly should be permanent and leave other sections on a temporary basis, subject to review by the Congress on an annual basis. Regulation Q, controlling rates paid by banks, has been in effect for over 30 years. Statutory changes were necessary in 1966 to permit the Federal Reserve and the FDIC to make differentiations between different types of accounts which were necessary and desirable in 1966. In 1966, the Congress also approved more flexibility for the Federal Reserve to fix reserve requirements of member banks' demand and time deposits. Also by statute, the Congress fixed a responsibility on the Fed and the FDIC to confer with the Treasury and FHLBB before exercising their powers to control rates—consultation which did not take place before the Fed changed Regulation Q in December of 1965. Thus, these sections should be made permanent.

The members of the committee should understandably ask the question why we believe that those sections pertaining to banks should be made permanent