apartment house do not have to keep their apartment at exactly the same temperature. They are to have individual thermostats.

Second, you promise some indirect relief, at least, for nonbanking institutions in times of stringency.

Third, you would, I believe, very largely do away with the unfortunate announcement effect of Federal Reserve discount changes by linking the discount rate fairly closely to market instruments, by which I take it you mean the Treasury bill rate and associated rates?

Mr. MITCHELL. That is right.

Representative REUSS. All of which seem to me steps forward, and that is why I am very happy about your report. In your statement here this morning, you refer, Mr. Mitchell, to the fact that a small but growing group of banks "has also been led to withdraw from membership in the Federal Reserve System, chiefly in order to avoid reserve requirements, and thus enable them to invest a greater portion of their resources in earning assets."

You don't quite say so, but there seems to be implicit in your statement there the idea that this relatively greater kindness to member banks via the selective nature of the discount window would induce more banks to stay in the System. Am I drawing an unjustified inference?

Mr. MITCHELL. No; I don't think you are, although the committee in its report didn't say that this was a significant consideration. I don't think that we in the Federal Reserve System are unaware or unperturbed by the fact that we have been losing quite a few members.

Now, in 1957 we had 48.8 percent of the banks, and now we have 44.9.

While we haven't shrunk that much in total assets—we have declined from 85.2 to 83.3 percent—a significant number of banks have left the System, and there are some very large banks outside of the Federal Reserve System that I really think ought to be in it.

Representative REUSS. I raise this question because I would hope that you wouldn't want to rely on these discount window changes as a method of keeping banks in the system. My own belief is that the Federal Reserve ought to be able to regulate reserve requirements, whether or not a bank is a member of the System. If you could do that, you then wouldn't have to worry about whether something you are going to do is going to offend some banks.

Mr. MITCHELL. Well, that is right, but that is another one of our proposals that I gather is languishing.

Representative REUSS. I wish it wouldn't languish. I think it is a good proposal. I would like to get that out of mothballs.

In your statement this morning, with respect to the Federal Reserve acting as a lender of last resort for the entire financial system, you say that "the Federal Reserve is prepared to supply liquid funds to other types of financial institutions when such assistance is not available elsewhere and is necessary to avoid major economic disruption."

That is the savings and loan question which you have been discussing with the chairman and Mr. Brock?

Mr. MITCHELL. That is right.

Representative REUSS. Is this something new or are you merely codifying what the Fed has been groping toward in recent years?