banks, and whether this was adequate or not adequate I don't know. Part of the problem with the savings and loan associations at that particular juncture was that some were in very bad shape in terms of the quality of their assets, not in terms of liquidity at all. It was an asset problem. I am not sure, you may be right.

Representative REUSS. Let me sum up this phase of the discussion and ask for Chairman Proxmire's attention.

Chairman Proxmire in the Senate, and I and others in the House in recent months flirted with the idea, as you know, of having the Federal Reserve help out the savings and loans and the home building industry by buying either directly or through the open market securities of Home Loan Bank Board and FNMA and similar agencies.

The Fed rebuffed us quite firmly on this, saying, "No, we don't want any directive to have any particular portfolio mix," and the Fed in fact has not to this date bought any, or perhaps I should say any appreciable amount, of these housing-oriented securities.

Well, we have taken our lumps on that. But I am wondering if you don't in this report of yours, offer a way of help through the central monetary authorities for savings and loans, and the home building industry, that could be very meaningful and in a way agreeable to you, the Fed. In other words, can't you do without disquiet to yourself, through the discount window, what you objected being told to do through the open market mechanism?

Mr. MITCHELL. Well, at this point I don't know whether you are talking about going directly to S. & L.'s or going through a conduit.

Representative REUSS. Either way.

Mr. MITCHELL. Yes.

Representative REUSS. I think that which you do indirectly you might as well do directly, but either way.

Mr. MITCHELL. Yes.

Representative REUSS. If the bank actually turns around and makes the loan it helps the savings and loans in time of need, so that they can adjust their long-term portfolio to a more favorable interest rate, and meanwhile they aren't strangled by the withdrawal of deposits or the failure of new deposits to come in at an appropriate ratio.

Mr. MITCHELL. Well, the committee—I am talking now about the committee that produced the report—I don't think it had any particular misgivings about banks, commercial banks, extending credit that they thought was appropriate to savings and loan associations, and if necessary, if it were a question of liquidity, and there were no question involved about the quality of the assets, for them to make use of the discount window in order to accommodate this, and I don't see any objection to this.

I think, I don't know that we won't have another crunch worse than in 1966, but I think all of us that lived through it hope we can avoid another, and as I say, even then the system's standby emergency procedures weren't actually used. Credit was supplied by the commercial banking system to the extent it was done, and the home loan banks.

Representative REUSS. Well, I may be too optimistic and may be reading too much into this section of your report, but as I see it, Senator Proxmire, I and others may be winning a great victory without firing a shot.

Mr. MITCHELL. Those are the best kind.