large, we can point to more basic factors (for example, differences in State branching laws). While it is perhaps more practical to seek greater competitive equality as part of the goals of a major change in monetary policy than to seek it, say, through arguing for greater uniformity in State branching laws, the end may not justify the means. Is the marginal value of a gain in competitive equality (which indeed may not turn out to be a gain at all in view of the prior three observations), worth the uncertain result in the effectiveness of monetary policy that such a revamping might bring?

II. Competition Between Member Banks and Nonmember Financial Institutions

In recent years, commercial banks have experienced more rapid deposit growth than nonbank financial intermediaries (NBFI). It would seem then that having an additional source of funds on a "no-question-asked" basis at reasonable rates would unduly expand their present competitive advantage. This could act to the further detriment of the homebuilding industry and its principal sources of funds, savings and loan associations, and mutual savings banks.

One must remember, however, that it was not too long ago that these nonbank financial intermediaries were growing considerably faster and over a much longer period than their bank counterparts. There was a myriad of reasons suggested for this such as low taxes paid by NBFI, their typically lower costs of operation, the nonaggressive solicitation of deposits by commercial banks, et cetera. But now times have changed; among other things, savings institutions pay higher taxes, commercial banks are avid seekers of deposits, and interest rates paid by the banks have more nearly kept pace with the general increase in the level of interest rates than have those of nonbanks. The point is that their relative competitive positions will continue to vary with time and circumstances, thereby making it somewhat dubious to assert that another source of funds is surely needed to enhance banks' competitive position.

For one thing, there is question as to whether commercial banks would increase their use of the discount window appreciably. In addition, the operational and structural problems of the homebuilding industry have become widely known. To the extent that steps are taken to remedy their basic problems—for example, improvement in the secondary mortgage market, broader investment powers, greater improvement in the secondary mortgage market, broader investment powers, greater branching privileges, lower borrowing rates at the Federal Home Loan Bank Board—these NBFI might very well hold their own in the competitive struggle, perhaps even in the face of an extensive increase in the use of the discount window by commercial banks. In short, it might be contended that the present competitive gap argues more for ameliorative steps on behalf of the homebuilding industry than for extension of borrowing privileges for the banking industry.

The suggestion that nonmember institutions be allowed access to Federal Reserve loans through member banks during periods of financial emergency should perhaps be regarded merely as a token gesture. For one thing, the "financial emergency" must apply to a large