Mr. ROBERTSON. It is true that the rate of growth of commercial bank time deposits has increased remarkably in the past decade. The rate of growth of time deposits of commercial banks was 4 percent from 1948 to 1957. From 1957 to 1963, before the recent substantial increases in permissible rates, it was 12 percent. In other words, just a half of 1 percent increase in the permissible rate that banks could pay on time deposits made them much more competitive, but the change only pushed the commercial banks strongly into the competition, and it did not bring about retrogression of the savings and loans and the mutual savings banks.

I am concerned to see these institutions thriving and viable. But freeing up the discount window, and so making credit available to commercial banks on their own initiative, would be as helpful to the construction industry and to the nonbank intermediaries as it would be to any other type of business firm. This credit could just as well flow into particular geographic areas, or at strategic points in time to the housing industry, as it could to, say, the automobile industry. In fact, nonbank intermediaries would themselves be much more flexible with respect to their financial management if they could confidentially rely on commercial banks for accommodation when they need it, though I would advocate other structural changes that would be more effective in the long term.

I do think, Senator Proxmire, that this committee should not forget that any device for injecting liquidity when it is needed will help the whole of the economy and will not be selective with respect to manufacturing industry or to retailing firms.

Chairman PROXMIRE. Well, I think that you may be right in the future or I may be right, I do not know. I just say on the basis of the experience we have had in 1966 and since then, it would seem that because S. & L.'s provide the funds directly to housing and almost exclusively to housing, because the banks have other customers that in the past have taken precedence, it would seem if we provide greater credit for the banks and no access to the S. & L.'s except at a higher rate and except on very rare occasions you are going to have a situation that may well worsen that situation.

I would like to ask you gentlemen to comment on two other matters that we have not touched on and that we should. Mr. Gies mentioned it briefly in his statement. I think they are both important.

One is the announcement effect of this new system. Obviously, if you have the discount rate varying often, you are going to get a disappearance of the announcement impact which might be a good thing, might be a bad thing.

I recall the effect it had on the administration and apparently on the whole country as well as the financial community in December of 1965, when the Federal Reserve Board announced an increase in the discount rate.

Now, with this method they could follow a policy, as I understand it, of having their traditional change in discount rate follow Treasury bill rate with, say, a 50-basis-point difference, then when they wanted an announcement impact they could vary that and make it 100 points or some lesser amount, but in any rate they could do it in a way that would make it clear that this was for the purpose of monetary policy rather than for the purpose of just simply following the market.