

held savings. By promoting such institutions, the bill can be expected to increase the total volume of financial saving. Such a result would have great benefits not only for the housing market but, more broadly, for the economic health and stability of the Nation as a whole, since private saving is the lifeblood of noninflationary economic growth, productivity increase and real capital formation. While always important, encouraging an increased flow of private saving assumes an even more critical role under conditions of full-employment such as we have now are likely to have in the foreseeable future.

And perhaps never before in our history as a Nation has it been more important to channel an increased volume of savings into housing. As noted by the President on pages 21 and 22 of his report, and by the Council on pages 92 to 95 of its Report, the demands for residential mortgage credit in the years ahead will be truly staggering. The rate of household formation, by far the single most important determinant of housing and mortgage demand, is projected to rise steadily through the last years of this decade and all of the 1970's. Based on the two alternative projections published last year by the Census Bureau, for example, the annual rate of household formation during the last half of the 1970's will range between three-tenths to almost one-half higher than the average annual rate of the 1960-67 period.

And government demands for private mortgage credit will also be rising sharply as Federal, State, and local programs expand and multiply in the drive to rebuild our cities and realize the national goal of providing "a decent home for every American." As President Johnson states on page 22 of his 1968 Economic Report, providing for 20 million new privately financed homes over the next decade " . . . will balloon the need for mortgage money." And the 10-year goal of providing 6 million new federally assisted housing units for low- and moderate-income families, first outlined by the President in his 1968 state of the Union Message, will require an additional large infusion of private capital if heavy and perhaps unacceptable strains on the Federal budget are to be avoided.

But even as the demand for mortgage funds mounts in the years ahead, basic population trends during much of this period will be relatively unfavorable for savings growth at mortgage-oriented savings institutions, with the number of low-saving young adults growing rapidly and the high-saving 30 to 59 age group growing much more slowly.

Against this projected background of sharply rising mortgage demands and shifting population composition, moreover, it is reasonable to expect continuation of a generally high level of economic activity and of intense commercial bank competition for savings as a major source of lendable funds. While it is true that commercial banks have increased their interest in mortgages somewhat, it is also true, as noted previously, that the diversion of savings from savings institutions to commercial banks represents a substantial net diversion of funds from the residential mortgage market. And this will be particularly true during periods of relatively high economic activity and strong business loan demands, for commercial banks remain essentially oriented to supplying short- and intermediate-term business credit.

Thus, demographic, political, and competitive considerations all