

And I would like to make one more point: I have made this point privately before the savings and loan interests of the country, and I would like to make it before this committee. There is no question in my mind that in the long run there is going to be great difficulty in relying upon Government control of interest rates through Regulation Q to try to keep the housing credit flow up. This can be done in the short run, but in the long run it gets into all sorts of difficulty—it is a jerry-built proposition.

That is not saying that any recommendation with respect to the interest rate control bill is necessarily forthcoming or that it will take a particular form. But from the long-run standpoint of housing for the American people, there are many of us who are convinced—and I so told the U.S. Savings and Loan League—that the thrift industry has to be made more competitive vis-a-vis the commercial banking industry. The thrift industry has to be put in a viable position in terms of a more balanced portfolio so that when interest rates go up their interest income would also go up, and they could pay the rates to savers which are necessary to hold the savings funds and avoid this “disintermediation” which hit so hard in 1966. I called upon the savings and loan leadership to appoint a blue ribbon task force to work with us in the administration—and I have discussed this with Dr. McCracken—and to work with all other groups in an effort to make the thrift industry truly viable and more competitive vis-a-vis commercial banks. This is bound in the long run to help realize those housing goals which you referred to earlier.

Senator SPARKMAN. Thank you very much. My time is up.

Thank you, Mr. Chairman.

Chairman PATMAN. Senator Jordan?

Senator JORDAN. Thank you very much, Mr. Chairman.

One question I wanted to ask the Secretary, but he is not here, so I am going to ask it of either of you gentlemen.

I am curious to know why two sentences were stricken from page 4 of Mr. Kennedy's prepared statement, one of which says:

“In the financial area it will not be necessary to ask Congress for immediate action on the debt limit.”

And you answered that, I think, in response to a question of Senator Sparkman.

Mr. WALKER. The answer is that Mr. Volcker in his statement was going to refer to some of those points that the Secretary initially had in his statement. But Mr. Volcker did not get to present his statement.

Mr. VOLCKER. I do not want to imply that the debt-ceiling decision has been made at this point. This is something we are looking at very intently at the moment, as we must, in view of the problems that lie ahead in terms of Senator Miller's concerns as well as the immediate problem.

Senator JORDAN. And the other sentence stricken from the Secretary's statement was “We also will be asking for congressional reconsideration of the 4½-percent interest rate ceiling on long-term Treasury issues * * *.”

Do you want to address yourself to that?

Mr. VOLCKER. That sentence virtually duplicates a sentence which is in my prepared statement and is not stricken. I am sure you are well aware that with the current 4¼-percent ceiling for Treasury bonds, as a practical matter, it is impossible for the Treasury to issue any