persistent outflow of capital for investment in other developed countries which has contributed substantially toward our balance-of-payments difficulties. Clearly there has been a misallocation of resources resulting from the basic maldistribution of income as between those who primarily spend and those who primarily save, invest, and speculate.

SHORTAGE OF HOUSING

Another serious distortion to which monetary policy, in particular, has contributed is the chronic shortage of housing—certainly one of our top-priority needs—and the failure of the economy to remedy it. In his first "state of the Union" message, on January 30, 1961, President Kennedy said:

> Twelve long years after Congress declared our goal to be "a decent home and a suitable environment for every American family," we still have 25 million Americans living in substandard homes.

And, in his budget message this year, President Johnson said:

> Most Americans lead a comfortable life, in comfortable homes and comfortable surroundings. But millions of families are still crowded into housing unfit to live in, located in squalid surroundings, and burdened with wornout facilities and inadequate services. Without some assistance and the development of new techniques, our private economy cannot now provide good housing at costs these families can afford.

It is true that some progress has been made, but not nearly enough. The report of the Council, after summarizing the developments of the past 17 years, states:

> Despite these developments, the number of occupied dilapidated units apparently declined by less than 100,000 a year in the 1950's, and by only about 60,000 a year in the 1960's. Moreover, virtually all of this decline occurred outside metropolitan areas. Detailed data for the 1960's are not available for most areas, but surveys of New York City and some areas in Los Angeles indicate an actual increase in the number of occupied dilapidated units in those cities. The results suggest that, in large cities, much of the improvement in housing quality from new building in excess of the rate of household formation is offset by the deterioration of existing housing.

In other words, construction of new housing, especially in our large cities, has not been sufficient to offset the combined effects of population growth and deterioration of existing housing.

Nor is the situation improving. The trend line (computed by the method of least squares) for private nonfarm housing starts actually declined between 1960 and 1967 at a rate averaging approximately one-half of 1 percent per year. The number of private nonfarm housing starts in 1966 was the lowest in 20 years, and the 1967 rate was lower than that of all but 3 of the last 20 years.

The problem is not merely one of dilapidated and substandard housing, but of insufficient housing, resulting in overcrowding. The 1960 *Census of Housing* showed that 11.5 percent of occupied housing units were overcrowded to the extent of having more than one person per room. But we are not even approaching a remedy for this problem. According to the data in the Council's 1968 report, the country's total stock of housing increased between 1960 and 1966 by an amount barely sufficient to keep pace with population growth. Our total housing stock increased by 9.5 percent, but our population grew by 9 percent.

The housing problem is not a problem of the poor alone, as President Johnson recognized in his budget message when he called for a new