private builders will do on their own is too high. It is disappointing also that in the first year of the program it is proposed to assist with only 300,000 units—just half the annual rate required to meet the 10-year goal.

The proposals to subsidize all but 1 percent of the interest charged on homes bought by needy families and on homes to be rented by families with incomes between $4,000 and $8,000 per year are sound and commendable in themselves. However, if at the same time these mortgages are transferred from FNMA to a private corporation, as is proposed, the Government might be exposed to excessive interest costs.

The President's proposal to "authorize Federal insurance of bond obligations issued by private mortgage companies or trusts holding sizeable pools of FHA and VA insured mortgages" seems to us to be a useful means to make more funds available for housing. But it need not be coupled with the removal of the ceilings on interest rates permitted to be charged on such mortgages in order to attract investment in such obligations by pension funds and other institutions desirous of avoiding "the bookkeeping and paper work associated with hundreds of individual mortgages."

MODERNIZE AND DEMOCRATIZE THE FRB

The refusal of the Chairman of the Federal Reserve Board to acknowledge the clearly expressed will of Congress with regard to provision of mortgage funds is just one example of the need to modernize and democratize the Board so that it will be more responsive to the needs of the people as expressed through their democratically elected representatives. Not only is the Board unresponsive to modern needs, but its power to seriously undermine the economic policies of the national administration has no place in a democratic society of the 20th century. Repeatedly the Board has insisted on following policies which pulled in the opposite direction from those of the administration in office at the time. In an economy as complex and as delicately balanced as ours, this is irresponsible and intolerable folly. We would urge that two basic changes be made. The Chairman should hold office only at the will of the President of the United States. And memberships in the governing bodies of the system, which are now dominated by bankers, big businessmen, and monetary experts, should be opened up to people from other sectors of the American economy, including the labor movement.

OUTLOOK FOR 1968

The Council's main policy proposal for 1968 is enactment of a 10-percent surcharge on personal and corporate income taxes. This recommendation is the combined result of a value judgment and an economic forecast, both of which are highly questionable.

The value judgment is that there is no urgency about reducing the unemployment rate below last year's level—that reduction of unemployment deserves only a low ranking on the scale of national priorities—that 3.8 percent unemployment is more tolerable than any additional price level increase that might be associated with a lower unemployment rate. That view, we submit, is in conflict with the basic