purpose of the Employment Act to which the Council owes its existence. It reflects a policy of attempting to buy price stability with the hardships of the unemployed and the risk of renewed disruption of the peace of our cities. For it is almost universally agreed that unemployment was a major cause of the urban riots that have marred every recent summer. As the Council well knows, the 1967 overall unemployment rate of 3.8 percent involved a 7.4-percent rate for nonwhites and a 26.5-percent rate for nonwhite teenagers. In the 20 largest Standard Metropolitan Statistical Areas (SMSAs) unemployment of nonwhite teenagers averaged 32.7 percent in 1967. It is perhaps not without significance that Detroit and Newark, the two cities that suffered the most devastating disturbances last summer, ranked third and fourth highest (with 10.9 and 9.8 percent, respectively) among the 13 SMSAs for which the Labor Department has published 1967 nonwhite unemployment rates.

The Council acknowledges that the tax surcharge would have the effect of eliminating job opportunities that would otherwise be available. In describing what would happen in the absence of the surcharge, the Council says that:

> * * * it might be possible to mobilize some additional manpower from among the remaining unemployed [and that] some poorly qualified workers would be hired.

The "remaining unemployed" and the "poorly qualified workers" are, of course, those for whom jobs most urgently need to be found both on humane grounds and in order to reduce the social tensions that pose a continuing threat to urban peace. They are the "hard core" unemployed for whom it is proposed to create 100,000 jobs by July 1969 through subsidies to employers at the rate of $3,500 per job. The Council has conceded that during 1968 "as a whole" the surcharge would cost the economy 150,000 jobs. (The number would be larger toward the end of the year and still larger later on because of the multiplier effect.) This is half again as many jobs as the subsidies are intended to create by mid-1969. As will be shown below, there is reason to believe that the surcharge will cause a loss of potential jobs in 1968 significantly greater than the 150,000 projected by the Council.

The loss of those jobs and continuance of last year's unemployment rate would be bad enough. But analysis of the Council's view of the economic outlook (as well as projections made by other economists and reviewed below) suggests a strong possibility that the tax surcharge which the Council urges could result not only in a loss of potential job opportunities but in significantly increased unemployment—and with only negligible gains in price stability.

LAST YEAR'S FORECAST

To begin with, the forecast the Council made in its 1967 report does not inspire much confidence in its predictions for 1968. It will be recalled that last year, also, the Council called for a tax surcharge to avoid "overheating" of the economy. It predicted that, if its surcharge proposal were adopted, real gross national product would be 4-percent higher in 1967 than in 1966. Presumably it anticipated a greater increase in the absence of the surcharge. The surcharge was not adopted,