

a reflection of rounding errors in the employment and labor force figures.)

The unemployment rate would be 3.6 or 3.7 percent, respectively, according to the first two (no surcharge) projections described. It would be 4.7 percent according to the projection which assumes the surcharge is placed in effect. The 4.7 percent unemployment rate is an average for the year. Thus, assuming the surcharge-based projection turns out to be reasonably within range of actual developments in 1968, the unemployment rate could well be above 5 percent by the end of the year. All the progress of the past 3 years in reducing unemployment would be reversed.

The impact of this unemployment would, of course, be borne disproportionately by the most disadvantaged groups in our society. The consequences for peace in our cities can readily be imagined.

We in the UAW do not believe that full employment is incompatible with reasonable price stability. We believe it is the responsibility of economists to develop and to propose means to promote such compatibility, and of the political authorities to work for the implementation of those means. We have outlined in this statement and in others submitted previously some of the measures that could promote price stability under full employment. We have made clear our conviction, however, that if there must be a trade off between full employment and price stability, priority must be given to full employment. The balance-of-payments deficit does not, in our view, provide sufficient reason to surrender that conviction.

But how much gain in price stability would be bought in 1968 at the cost of an 800,000 to 900,000 increase in unemployment? According to the Michigan projections, enactment of the surcharge would lower the 1968 rate of rise in the GNP implicit price deflator by only 0.3 percentage point. The rate of rise in the implicit deflator for consumer expenditures would be reduced by only 0.4 percentage point.

We ask: *Would such a negligible gain in price stability be worth the sacrifice of 800,000 jobs and \$15 to \$16 billion in GNP?* To ask that question is to answer it.

WHARTON SCHOOL PROJECTIONS

As noted, the Wharton School projections do not agree in all details with the Michigan projections. But, in view of the elaborate and careful analyses of past experience upon which both the Michigan and Wharton School models are based, it would be perilous to ignore dangerous tendencies signaled by both.

The Wharton projections show less—though still very substantial—losses in GNP and jobs resulting from the surcharge than do the Michigan projections; but they also show even less gain in price stability.

As of the fourth quarter of 1968, the Wharton projections show that the GNP annual rate (in then current dollars) would be \$9 billion less with than without the surcharge. The unemployment rate would be 4.5 percent with the surcharge instead of 4.1 percent without it—a difference of more than 300,000 jobs. The GNP implicit price deflator (1958 equals 100) would be 122.5 with the surcharge and 122.6 without it—an improvement of only 0.1 percentage points.