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Target for Rate of Unemployment

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Letters to the Editor of The Times

Why Negroes Riot

To the Editor:

The initial reactions of men in high political office to the recent Los Angeles riots suggest to me either one of two things: political expediency or a dangerous lack of understanding of the social revolution now taking place.

The Times of Aug. 15 reported that a statement by President Johnson "did not speculate on the causes of the disturbances" and that Gov. Edmund G. Brown of California said "he did not have the 'slightest idea' what caused the rioting."

That there need be speculation, that one could have not the slightest idea of what is happening in Negro ghettos throughout this nation in the year 1965 might well be reason for laughter and ridicule, were it not for the harsh and damning realities of our society.

Have our elected officials not read the growing mountain of literature on race relations in the United States? Are we passing civil rights and voting rights acts just to gain the political support of an abstraction that is hurled into the urban ghetto and labeled "the American Negro"?

To those of us who lack ideas on why the ghetto explodes I recommend, as a primer, the essays of James Baldwin.

JOSEPH A. BARBATO

August 18, 1965

Target for Rate of Unemployment

To the Editor:

Joseph A. Loftus in the July 30 Times states as a well-known truth something which is just not true. He writes: "In 1953, under stimulus of Korean War demands, the jobless rate fell to 2.6 per cent for five months. Economic conditions then generated tremendous upward pressure on prices and wage rates."

It is a myth that the rate of increase in prices is closely but inversely related to the unemployment rate; this myth has misled the President's Council of Economic Advisers as well as distinguished reporters.

The record is that since World War II the United States has had three bursts of inflation: immediately at the end of the war, at the onset of the Korean War, and in 1957-58. The Korean War inflation took place in 1950-51 and 1951-52.

By 1953 this inflationary surge was spent; the 1953 price level (Consumer Price Index) was only 0.7 per cent greater than that of 1952.

The recent history of the Index indicates that the rate of increase in the price level may be independent of the unemployment rate. In 1959 the C.P.I. increased by 0.7 per cent, in 1960 by 1.5 per cent. In the past four years it has increased by from 1.1 per cent to 1.3 per cent a year.

The expected rate of increase of the 1965 C.P.I. is 1.1 per cent. If there is any rule about the United States price level that can be asserted on the basis of the postwar experience it is that, unless unusual circumstances intervene, the C.P.I. will rise by a bit more than 1 per cent a year.

My reading of the structure of labor demand and supply is that there is no serious barrier to the achievement of a 3 per cent unemployment rate by aggregate demand measures, especially if the fiscal stimulus is in part tailored to have its initial impact upon the population groups with high unemployment rates.

Growth of Income

A 3 per cent unemployment rate is a feasible target. To achieve this unemployment rate within three years all that is required is to sustain the rate of growth of income achieved in the first part of 1965.

If money gross national product increases by 8 per cent a year and if some 1 per cent of this rise is absorbed by a rise in prices, then demand will grow by some 2 per cent to 2.5 per cent more than capacity. This should lead to a reduction of the unemployment rate by about 0.7 per cent a year.

Three years of such progress would transform the 5.2 per cent unemployment rate of 1964 into a 3 per cent unemployment rate for 1967-68.

Even though domestic inflation is not a barrier to the achievement of a 3 per cent unemployment rate, there is a serious barrier to the rapid expansion of the American economy in the international monetary system. A sustained rise of G.N.P. at a rate of 8 per cent per annum will soon lead to a worsening of the already serious balance of payments problem. The only way to overcome this barrier is to get rid of the gold standard as we now know it; once again the American poor are bearing a "cross of gold."

HYMAN P. MINSKY
Professor of Economics
Washington University
St. Louis

Berkeley, Calif., Aug. 2, 1965

Soviet Consumption

To the Editor:

The Times (Aug. 1) contains a news item entitled "Inflation Curbs Urged in Soviet." The headline gives a distinctly erroneous impression of the content of the article.

"Inflation curbs" as used consistently in your paper and in general usage connotes deflationary measures, such as decreasing wages, devaluation, a hardening of the currency and a general tightening of the consumer's belt. The content of the article makes it clear that just the opposite is to take place in the Soviet Union. The consumer in the Soviet Union is to have a large increase in goods and services.

Since The New York Times is the major outlet of American intellectual opinion to the society at large, perhaps the intellectual community, hopefully with Times encouragement, could form a truth squad which regularly would correct the occasionally misleading articles that appear in the The Times.

WILLIAM BUNGE
Assistant Professor of
Geography, Wayne State
University, Detroit
Aug. 5, 1965

Tribute to J. Lunning

To the Editor:

May I avail myself of space in your columns to express my official and personal appreciation of the service rendered to the Borough of Manhattan by Just Lunning, who died Aug. 11.

Mr. Lunning was engaged in a broad spectrum of business, cultural and academic activities which made heavy demands on his time and energy. Nevertheless, he also was an active member for five years of Community Planning Board No. 5, which serves the area bounded by 14th and 59th Streets, Park and Madison Avenues, and was its chairman since Jan. 1, 1964.

He earned a distinguished position among those citizens who bring zeal and vision and public spirit to the task of achieving civic betterment through the operations of community planning boards. His untimely death bereaves also all who were associated with him in those activities and is a loss to Manhattan.

CONSTANCE BAKER MOTLEY
President
Borough of Manhattan
New York, Aug. 13, 1965

Harshness to Peace Pickets

To the Editor:

If the Administration's policy in Vietnam is right, just and necessary, as we are led to believe, why is it required to deal so harshly with a few pickets against this policy?

The expression "might makes right" is a common one. In the case of the pickets a more relevant version might be "right makes might," and I suspect that it is fear of the truths represented by these pickets that leads to the harsh actions against them.

EDWARD J. FARKAS
Convent Station, N. J.
Aug. 11, 1965

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