979

MONITORING INFLATION

HEARINGS

BEFORE THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

NINETY-SIXTH CONGRESS

FIRST AND SECOND SESSIONS

PART 2

SEPTEMBER 25, OCTOBER 26, NOVEMBER 27,
AND DECEMBER 21, 1979, AND JANUARY 25, 1980

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CONTENTS

WITNESSES AND STATEMENTS

SUBMISSIONS FOR THE RECORD

TUESDAY, NOVEMBER 27, 1979

FRIDAY, DECEMBER 21, 1979

FRIDAY, JANUARY 25, 1980

MONITORING INFLATION

TUESDAY, SEPTEMBER 25, 1979

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 6226, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Present: Senators Bentsen and Proxmire; and Representative Wylie.

Also present: John M. Albertine, executive director; William R. Buechner, professional staff member; Mark Borchelt, administrative assistant; and Mark R. Policinski, minority professional staff member.

OPENING STATEMENT OF SENATOR BENTSEN, CHAIRMAN

Senator BENTSEN. Well, Commissioner Norwood, we'll get started this morning.

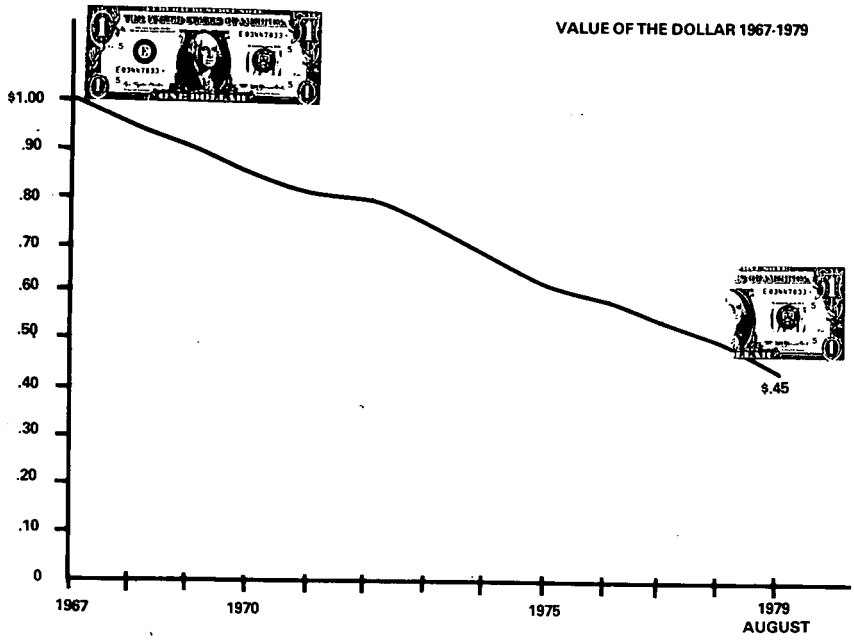
It looks like we've got a downer up here from what I have seen from this chart. I understand the numbers you're going to give us this morning show that inflation is going at an annualized rate of 14 percent and that last month, of course, it was at an annualized rate of 13 percent. That means that the dollar since 1967 has gone down to 45 cents in 1979. The Joint Economic Committee, in a staff study, has also found that if things continue as they are now, in another 10 years the value of the dollar will be down to one-fourth of what it was in 1967, and that's a pretty depressing set of numbers.

For the last 8 months inflation in this country has averaged 12 percent. It's a little bit like having Hurricane David and Hurricane Frederick hit at the same time. The number of jobs decreased in August, while housing prices were going up at an annual rate of 18 percent; transportation costs up 20 percent; and energy costs up 46 percent.

Did you read Art Buchwald's column on housing? If you didn't, that was last Sunday, you ought to read it. The topic of conversation now is how much you sold your house for and what you had to pay for it.

Senator BENTSEN. We are looking for answers for some of these problems, but in order that we might seek those answers we would like you to report to us now on what the numbers tell us, Commissioner Norwood.

[The chart referred to follows:]



STATEMENT OF HON. JANET L. NORWOOD, COMMISSIONER, BUREAU OF LABOR STATISTICS, DEPARTMENT OF LABOR, ACCOMPANIED BY W. JOHN LAYNG, ASSISTANT COMMISSIONER, OFFICE OF PRICES AND LIVING CONDITIONS

Ms. NORWOOD. Thank you, sir.

I am pleased to present to the Joint Economic Committee a few brief comments to supplement our Consumer Price Index press release issued at 9 a.m. this morning.

Prices paid by consumers for goods and services continued to increase at a rapid pace in August. Overall, the CPI rose 1.1 percent—seasonally adjusted—last month, about the same as the rates of increase in each of the months since the beginning of this year.

In August, prices of homeownership and energy items continued to rise sharply and accounted for about 70 percent of the 1.1 percent rise in the CPI. Prices also increased sharply in several other areas of consumption. For example, public transportation, partly as the result of large increases in jet and diesel fuel, rose 2 percent in August. Prices for such other items as automobile maintenance and repair, tobacco products, and education also rose.

Despite the large price increases in these items, the data for August showed improvement in some other areas. The most important of these is food. Overall, prices of food and beverages were unchanged in August. Following sharp increases in the early months of this year, the grocery store food index has actually declined in each of the last 3 months. This recent moderation in food prices has, however, been almost entirely due to price reductions for meats. As the index for beef and veal fell 5.4 percent and that for pork declined 4.6 percent, most other categories of food included in the CPI continued to rise in

August. This was especially true of the indexes for cereal and bakery products, dairy products, fruits and vegetables, and nonalcoholic beverages, each of which rose by about 1 to 2 percent. In addition to the moderation in the overall food index, automobile prices in the CPI moderated in August as automobile manufacturers instituted a system of rebates to consumers. The increases of 0.4 percent was the smallest increase in the automobile index so far this year.

The 1.7-percent increase in homeownership costs in the August CPI continues the pattern of large monthly increases in this component that have been taking place most of this year. The increase in residential mortgage interest rates as well as the rise in the prices of the houses purchased continue, of course, to be the major causes for these large rates of price change.

PRICES IN 1979

The August rise of 1.1 percent brought the increase in the CPI for the 8 months so far this year to an annual rate of 13.1. This is the largest number for many years. It can, in fact, be compared to the 12.4 percent annual rate registered during the first 8 months of 1974, a period in which the rate of inflation was the largest that it had been in more than 20 years.

Although, of course, a large number of items are priced each month for the CPI, and changes in the prices of each of them can affect the overall index, the data do show that the largest increases and effects on the index have been as we would expect in the food, housing, and transportation components. This can be seen quite readily from the table attached to my testimony.

The price of energy has been receiving increasing attention, and I think it is important to understand that the traditional CPI classification structure includes particular kinds of energy consumption under different components. Residential electricity, natural gas, and home heating oil prices, for example, are included in the housing component of the index, whereas expenditures on gasohol purchases are included in the CPI weight for private transportation.

In view of the special interest in energy issues today, I thought it might be useful for me to bring together as a single group all of the energy items directly purchased by consumers that are priced for the CPI. As you can see from table 2, energy items in the total CPI market basket account for 8.5 percent of the total index weight.

During the first 8 months of this year—December 1978 to August 1979—the CPI as a whole rose 8.6 percent. But various energy items increased much more: Natural gas, 14 percent; electricity, 11.6 percent; gasoline, 38.5 percent; and fuel oil, 48.5 percent. The combined effect of natural gas, electricity, gasoline, and fuel oil, which is what we include in the CPI as energy, has been an increase of 29.8 percent for the first 8 months of 1979. Although these energy items constituted only 8.5 percent of the CPI market basket—December 1978—they have accounted for about 28 percent of the total increase in the CPI since December. The greatest impact, as I'm sure you have suspected, has come from increasing gasoline prices. Gasoline prices alone have pushed the CPI up 1.6 percent—or almost one-fifth of the total change—in the last 8 months.

This information, of course, is based only on the direct effect of the prices of energy items in the CPI; that is, an increase in the price of gasoline is used directly only in the calculation of the gasoline component of the CPI. We have no effective way to measure the secondary or indirect effect of that change in price for a gallon of gasoline—on, for example, increases in taxicab fares or of increases to retailers in shipping charges from carriers using gasoline.

Even with this caveat, however, we can get some idea of the direct impact of energy on the CPI by calculating the index without fuel oil, natural gas, electricity, and gasoline. Had these items not been included in the CPI, the December to August increase in the CPI would be 7 percent instead of the actual 8.6-percent increase. On an annualized basis, the CPI rose 13.1 percent; energy items rose 47.9 percent, while items other than energy rose 10.7 percent.

This is not to suggest that rising prices of energy are not essential elements of family consumption. They are. But in looking at the causes of inflation and at policies for dealing with the issues presented, I think it is useful to see the effect that the prices of energy have on the CPI.

I would also like to call your attention to another BLS release issued this morning announcing a set of new data on average retail prices of gasoline, fuel oil, natural gas, and electricity. These data will be available each month for the Nation as a whole as well as for selected geographic areas.

Assistant Commissioner Layng and I will now be glad to answer any questions.

[The tables attached to Ms. Norwood's statement, together with the press release referred to, follows:]

TABLE 1.—CONSUMER PRICE INDEX

Category	Relative importance, December 1978	December 1978 to August 1979	
		Percent change [1]	Effect on all items
All items	100.00	8.6	8.6
Food and beverages	19.24	6.2	1.2
Housing	44.26	9.5	4.2
Apparel and upkeep	5.49	3.1	.2
Transportation	17.81	12.9	2.3
Medical care	4.96	5.7	.3
Entertainment	3.96	5.0	.2
Other goods and services	4.29	5.0	.2

[1] Seasonally adjusted.

TABLE 2.—CONSUMER PRICE INDEX

Category	Relative importance, December 1978	December 1978 to August 1979	
		Percent change [1]	Effect on all items
All items	100.00	8.6	8.6
Energy	8.50	29.8	2.4
Fuel oil	(.74)	(48.5)	(.4)
Natural gas	(1.31)	(14.0)	(.2)
Electricity	(2.05)	(11.6)	(.2)
Gasoline	(4.18)	(38.5)	(1.6)
All items less energy	91.50	7.0	6.2

[1] Seasonally adjusted.

News
United States Department of Labor
Bureau of Labor Statistics Washington, D.C. 20212

Patrick Jackman (202) 523-7827
523-8416
Kathryn Hoyle (202) 523-1913
523-1208

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THE CONSUMER PRICE INDEX--AUGUST 1979

The Consumer Price Index for All Urban Consumers (CPI-U) increased 1.0 percent before seasonal adjustment in August to 221.1 (1967=100), the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) also increased 1.0 percent before seasonal adjustment in August to 221.5 (1967=100). The CPI-U was 11.8 percent higher and the CPI-W was 12.0 percent higher than in August 1978.

CPI for All Urban Consumers (CPI-U)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for All Urban Consumers rose 1.1 percent in August, the eighth consecutive monthly increase of about 1.0 percent. For the third consecutive month, about two-thirds of the increase was due to higher energy and homeownership prices. On the other hand, food and beverage prices were, on average, unchanged in August, continuing the slowdown evident since June. Among other major categories of consumer spending, both the index for apparel and upkeep, which had declined over the previous 3-month period, and the index for other goods and services rose noticeably in August. The indexes for

Table A. Percent changes in CPI for All Urban Consumers (CPI-U)

Expenditure category	Seasonally adjusted: Changes from preceding month, 1979 Feb.	Mar.	Apr.	May	June	July	Aug.	Seasonally adjusted: Compound annual rate 3-mos. ended Aug. '79	Unadjusted: 12-mos. ended Aug. '79
All items	1.2	1.0	1.1	1.1	1.0	1.0	1.1	12.7	11.8
Food and beverages	1.6	1.0	.9	.7	.2	.1	0	1.4	9.6
Housing	1.3	1.0	1.1	1.2	1.3	1.2	1.4	17.0	12.8
Apparel and upkeep	.3	1.5	.5	0	-.1	-.1	.7	1.9	4.2
Transportation	1.1	1.2	2.0	1.8	1.7	1.8	1.5	22.1	16.7
Medical care	.6	.6	.6	.6	.7	.7	.8	8.9	9.2
Entertainment	.4	.9	.8	.5	.1	.7	.7	6.3	7.2
Other goods and services	.7	.6	.5	.5	.5	.5	1.0	7.8	7.1

(Data for CPI-U are shown in tables 1 through 3.)

medical care and entertainment registered price changes in August similar to the previous month.

The index for grocery store foods declined 0.3 percent in August, following declines of 0.1 percent in both June and July. The decrease, as in the previous 2 months, was due primarily to a sharp decline in the index for meats, poultry, fish, and eggs. Beef prices declined for the third consecutive month and pork and poultry prices for the fifth consecutive month, following substantial increases during the fourth quarter of 1978 and earlier this year. Egg prices declined 10.2 percent, following seasonal adjustment. These declines were partially offset by increases in prices for most other grocery store foods. Prices for cereal and bakery products and dairy products registered their largest increases of the year in August. Prices for fruits and vegetables also rose substantially, but by less than in July. Restaurant meals rose 0.7 percent in August, about the same as in July, but considerably less than the average monthly rate of increase in the first half of the year.The 0.3 percent increase in the index for alcoholic beverages was the smallest increase this year.

The housing index rose 1.4 percent in August, the seventh consecutive month of large increases. Rising homeownership costs and household fuel prices continued to account for most of the increase. In August, house prices rose 1.5 percent. Home financing costs rose 3.0 percent, reflecting increases in both mortgage interest rates and house prices. Fuel oil prices rose 7.1 percent and have increased 56.4 percent in the 12 months ended in August. The index for gas and electricity also rose substantially in August, but by less than in each of the preceding 3 months.

The index for apparel and upkeep rose 0.7 percent in August, compared with a decline of 0.2 percent in the 3-month period ended in July. Increased prices for women's and girls' apparel, reflecting the introduction of fall and winter wear, were primarily responsible for the rise. Charges for apparel services rose 1.0 percent in August, compared with 0.4 percent in July.

The transportation component advanced sharply for the tenth consecutive month in August. Gasoline prices rose 4.0 percent and accounted for over two-thirds of the transportation increase. In the 12 months ended in August, gasoline prices increased 46.1 percent. New car prices rose 0.4 percent on a seasonally adjusted basis in August, compared with 0.8 percent in July. The rise in new car prices was moderated somewhat by manufacturers' rebates offered on some models. Used car prices declined for the sixth consecutive month. Charges for automobile insurance rose 1.4 percent in August. The index for public transportation rose 2.0 percent in August, following a 1.5 percent advance in July. Airline fares, intercity train and bus fares, and taxi fares all showed substantial increases for the second consecutive month.

The medical care index rose 0.8 percent in August, about the same as in July. Charges for physicians' services and hospital rooms rose 0.8 and 1.2 percent, respectively, following increases of 1.2 and 1.0 percent in July. The index for medical care commodities continued to increase at about the same rate as during June and July.

The index for entertainment rose 0.7 percent in August, the same as in July. The index for other goods and services rose 1.0 percent in August, following increases of 0.5 percent in each of the preceding 4 months. Higher prices for tobacco products, tuition and other school fees, and bank services were primarily responsible for the rise.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers rose 1.0 percent in August, the eighth consecutive monthly increase of 1.0 percent or more. For the third consecutive month, about two-thirds of the increase was due to higher energy and homeownership prices. On the other hand, food and beverage prices were, on average, unchanged in August, continuing the slowdown in evidence since May. The index for entertainment rose 0.3 percent in August compared with 0.7 percent in July. Among other major categories of consumer spending, the index for other goods and services rose sub-

stantially in August. Apparel prices also rose more in August than in July while the increase in the medical care index was the same as in July.

The index for grocery store food declined 0.3 percent in August, following no change in July and a 0.1 percent decline in June. The decrease was primarily due to a 3.7 percent decline in the index for meats, poultry, fish, and eggs. Beef, pork, and poultry prices all declined by more than 4.0 percent, and egg prices declined 10.5 percent, following seasonal adjustment. These declines were partially offset by increases in prices for most other grocery store foods. Prices for cereal and bakery products and dairy products registered their largest increases of the year in August. Prices for fruits and vegetables also rose substantially in August, but by less than in July. Both the indexes for food away from home and alcoholic beverages showed smaller increases in August than in the preceding month.

The housing index rose 1.4 percent in August, the seventh consecutive month of large increases. Rising homeownership costs and household fuel prices continued to account for most of the increase. In August, house prices rose 1.6 percent and home financing costs rose 3.1 percent. Fuel oil prices, up 7.1 percent, rose sharply in August for the seventh consecutive month. The index for gas and electricity also rose substantially in August but by less than in each of the preceding 3 months.

The index for apparel and upkeep rose 0.5 percent in August compared with an increase of 0.2 percent in July and declines in May and June. Increased prices for women's and girls' apparel, reflecting the introduction of fall and winter wear, were primarily responsible for the increase.

The transportation component advanced sharply for the tenth consecutive month. Gasoline prices rose 4.1 percent in August and accounted for over two-thirds of the transportation increase. Gasoline prices in the past 12 months have increased 46.9 percent. New car prices,

rose 0.3 percent on a seasonally adjusted basis in August, compared with 1.0 percent in July. The rise in new car prices was moderated somewhat by manufacturers' rebates on some models. Used car prices declined in August for the sixth consecutive month. The index for public transportation rose 1.6 percent in August, following a 1.2 percent increase in July, as airline fares, intercity train and bus fares, and taxi fares all showed substantial increases.

The medical care index rose 0.8 percent in August, the same as in July. Charges for physicians' services and hospital rooms rose 0.8 and 1.1 percent, respectively, following increases of 1.3 percent in July.

The index for entertainment rose 0.3 percent in August compared with 0.7 percent in July. The index for other goods and services rose 1.2 percent in August, compared with increases of 0.5 percent or less in each of the 5 preceding months.

Table B. Percent changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure category	Seasonally adjusted							Unadjusted
	Changes from preceding month 1979							Compound annual rate 3-mos. ended Aug. '79	12-mos. ended Aug. '79
	Feb.	Mar.	Apr.	May	June	July	Aug.		
All Items	1.2	1.1	1.1	1.0	1.0	1.0	1.0	12.7	12.0
Food and beverages	1.7	1.2	.8	.4	.3	.2	0	1.9	9.7
Housing	1.3	1.0	1.1	1.3	1.3	1.2	1.4	17.0	13.0
Apparel and upkeep	.2	1.3	.4	-.1	-.2	.2	.5	2.2	4.1
Transportation	1.1	1.2	2.0	1.8	1.8	1.7	1.5	22.0	17.0
Medical care	.7	.6	.7	.6	.9	.8	.8	10.6	9.6
Entertainment	.2	.9	.5	.8	.1	.7	.3	4.6	7.0
Other goods and services	.8	.5	.5	.5	.4	.4	1.2	8.1	7.0

(Data for CPI-W are shown in tables 4 through 6.)

Technical Notes

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. Effective with the January 1978 index, the Bureau of Labor Statistics began publishing CPI's for two population groups: (1) a new CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total noninstitutional civilian population; and (2) a revised CPI for Urban Wage Earners and Clerical Workers (CPI-W) which represents about half the population covered by the CPI-U. The CPI-U includes, in addition to wage earners and clerical workers, groups which historically have been excluded from CPI coverage, such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Prices are collected in 85 urban areas across the country from over 18,000 tenants, 18,000 housing units for property taxes, and about 24,000 establishments—grocery and department stores, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of food, fuels, and a few other items are obtained every month in all 85 locations. Prices of most other commodities and services are collected every month in the five largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits of the Bureau's trained representatives. Mail questionnaires are used to obtain public utility rates, some fuel prices, and certain other items.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Separate indexes are also published for 28 local areas. Area indexes do not measure differences in the level of prices among cities; they only measure the average change in prices for each area since the base period.

The index measures price changes from a designated reference date—1967—which equals 100.0. An increase of 22 percent, for example, is shown as 122.0. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

For further details see the following: *The Consumer Price Index: Concepts and Content Over the Years*, Report 517, revised edition (Bureau of Labor Statistics, May 1978); *The Revision of the Consumer Price Index*, by W. John Layng, reprinted from the *Statistical Reporter*, February 1978, No. 78-5 (U.S. Dept. of Commerce), and *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978.

A Note About Calculating Index Changes

Movements of the indexes from one month to another are usually expressed as percent changes rather than changes in index points because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example in the accompanying box illustrates the computation of index point and percent changes.

Percent changes for 3-month and 6-month periods are expressed as annual rates and are computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

Index Point Change

CPI	189.8
Less previous index	189.2
Equals index point change:	0.6

Percent Change

Index point difference	0.6
Divided by the previous index	189.2
Equals:	0.003
Results multiplied by one hundred	0.003x100
Equals percent change:	0.3

A Note on Seasonally Adjusted and Unadjusted Data

Because price data are used for different purposes by different groups, the Bureau of Labor Statistics publishes seasonally adjusted as well as unadjusted changes each month.

For analyzing general price trends in the economy, seasonally adjusted changes are usually preferred since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude every year—such as price movements resulting from changing climatic conditions, production cycles, model changeovers, holidays, and sales.

The unadjusted data are of primary interest to consumers concerned about the prices they acutally pay. Unadjusted data are also used extensively for escalation purposes. Many collective bargaining contract agreements and pension plans, for example, tie compensation changes to the Consumer Price Index unadjusted for seasonal variation.

Seasonal factors used in computing the seasonally adjusted indexes are derived by the X-11 Variant of the Census Method II Seasonal Adjustment Program. The updated seasonal data at the end of 1977 replaced data from 1967 through 1977. Subsequent annual updates will replace 5 years of seasonal data, e.g., data from 1974 through 1978 will be replaced at the end of 1978. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components.

24 Hour CPI Mailgram Service

Consumer Price Index data now are available by mailgram within 24 hours of the CPI release. The new service is being offered by the Bureau of Labor Statistics through the National Technical Information Service of the U.S. Department of Commerce.

The CPI MAILGRAM service provides unadjusted and seasonally adjusted data both for the All Urban Consumers (CPI-U) and for the Urban Wage Earners and Clerical Workers (CPI-W) indexes as shown on the CPI-U sample page below. The unadjusted data include the current month's index and the percent changes from 12 months ago and one month ago. The seasonally adjusted data are the percent changes from one month ago.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U): U.S. CITY AVERAGE (1967=100)

GROUP	UNADJ INDEX MAY 1979	UNADJUSTED % CHG FROM 12 MO AGO	UNADJUSTED % CHG FROM 1 MO AGO	S ADJ % CHG FROM 1 MO AGO
ALL ITEMS	214.1	10.8	1.2	1.1
ALL ITEMS(1957-59=100)	249.0	-	-	-
FOOD AND BEVERAGES	225.2	11.2	.8	.7
FOOD	234.3	11.4	.9	.7
FOOD AT HOME	233.4	11.3	.7	.5
CEREALS AND BAKERY PRODUCTS	216.2	9.5	.8	1.0
MEATS, POULTRY, FISH, AND EGGS	242.2	19.4	.9	.1
DAIRY PRODUCTS	233.3	11.1	.7	.8
FRUITS AND VEGETABLES	226.8	3.4	.1	-.2
FOOD AWAY FROM HOME	241.1	11.7	1.1	1.1
HOUSING	222.4	11.3	1.2	1.2
RENT, RESIDENTIAL	173.8	6.8	1.0	1.0
HOMEOWNERSHIP	254.9	15.6	1.3	1.3
FUEL AND OTHER UTILITIES	270.2	7.7	2.1	2.2
FUEL OIL, COAL, AND BOTTLED GAS	364.3	23.2	4.1	4.5
GAS (PIPED) AND ELECTRICITY	251.6	8.2	2.6	2.6
HOUSEHOLD FURNISHINGS AND OPERATION	189.2	7.5	.3	.4
APPAREL AND UPKEEP	166.1	3.9	.4	.0
TRANSPORTATION	207.7	13.4	2.4	1.8
NEW CARS	165.8	5.7	.9	1.1
USED CARS	223.4	11.3	2.7	-.5
GASOLINE	247.7	29.1	5.5	5.0
PUBLIC TRANSPORTATION	193.3	3.1	.4	.7
MEDICAL CARE	236.3	8.9	.5	.6
MEDICAL CARE SERVICES	254.4	9.4	.5	.6
ENTERTAINMENT	187.8	6.6	.7	.5
OTHER GOODS AND SERVICES	193.9	7.5	.4	.5
PERSONAL CARE 1/	193.9	7.5	.6	.6
COMMODITIES	225.8	10.9	1.2	.9
COMMODITIES LESS FOOD AND BEVERAGES	192.9	10.9	1.5	1.0
NONDURABLES LESS FOOD AND BEVERAGES	195.7	12.0	2.0	1.9
DURABLES	189.2	11.2	1.1	.5
SERVICES	229.5	11.3	1.1	1.3
ALL ITEMS LESS FOOD	205.9	10.5	1.3	1.2
ENERGY 1/	260.3	19.5	4.2	4.2
ALL ITEMS LESS FOOD AND ENERGY	204.1	9.5	.9	.9

1/ NOT SEASONALLY ADJUSTED.

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CPI-U

TABLE 1. Consumer Price Index for all urban consumers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes July 1979	Aug. 1979	Unadjusted percent change to Aug. 1979 from- Aug. 1978	July 1979	Seasonally adjusted percent change from- May to June	June to July	July to Aug.
Expenditure category								
All items	100.000	218.9	221.1	11.8	1.0	1.0	1.0	1.1
All items(1957-59=100)	-	254.6	257.1	-	-	-	-	-
Food and beverages	19.242	230.7	230.2	9.6	- .2	.2	.1	.0
Food	18.161	236.9	236.3	9.7	-.3	.2	.1	.0
Food at home	12.616	235.5	233.9	9.0	-.7	-.1	-.1	-.3
Cereals and bakery products	1.583	220.1	223.7	10.1	1.6	.8	1.3	2.3
Meats, poultry, fish, and eggs	4.763	239.0	230.2	9.4	-3.7	-1.8	-2.7	-3.6
Dairy products	1.193	206.3	208.6	12.1	1.1	.9	.9	1.3
Fruits and vegetables	1.597	238.1	237.8	7.4	-.1	1.5	2.3	1.5
Sugar and sweets	.480	279.4	281.0	7.3	.6	.5	1.2	.6
Fats and oils	.367	227.4	228.9	6.7	.7	.6	.7	1.0
Nonalcoholic beverages 1/	1.418	354.6	361.8	6.2	2.0	.3	1.2	2.0
Other prepared foods	1.045	209.1	210.5	9.6	.7	1.0	1.1	.5
Food away from home	5.545	244.9	246.5	11.2	.7	.8	.6	.7
Alcoholic beverages	1.080	172.7	173.3	7.6	.3	.4	.5	.3
Housing	44.258	228.4	231.5	12.8	1.4	1.3	1.2	1.4
Shelter	29.827	240.1	243.9	14.3	1.6	1.2	1.3	1.5
Rent, residential	5.535	175.9	177.5	7.5	.9	.5	.8	.9
Other rental costs	.735	236.0	238.2	12.0	.9	.6	1.2	.7
Homeownership	23.557	263.0	267.6	16.0	1.7	1.4	1.4	1.7
Home purchase	10.166	224.0	226.9	14.7	1.3	1.5	1.2	1.5
Financing, taxes, and insurance	9.686	308.6	316.4	19.8	2.5	1.5	1.8	2.1
Maintenance and repairs	3.705	257.9	259.7	10.0	.7	.9	.8	.7
Maintenance and repair services	2.846	280.0	281.8	10.4	.6	1.1	.8	.6
Maintenance and repair commodities	.859	206.1	208.1	8.8	1.0	.2	.8	1.1
Fuel and other utilities	6.326	243.5	247.2	13.3	1.5	3.0	1.9	1.8
Fuels	4.231	293.8	299.7	19.7	2.0	4.3	2.6	2.6
Fuel oil, coal, and bottled gas	.879	412.9	438.6	49.1	6.2	7.9	5.7	6.7
Gas (piped) and electricity	3.352	268.5	266.5	12.5	-.8	3.3	1.7	1.4
Other utilities and public services	2.095	159.4	159.8	.4	.3	.1	.3	-.1
Household furnishings and operation	8.105	190.4	191.2	6.9	.4	.3	.4	.5
Housefurnishings	4.457	162.9	163.2	5.5	.2	.2	.2	.3
Housekeeping supplies	1.582	222.3	223.4	7.5	.5	.5	.3	.5
Housekeeping services	2.106	249.7	251.6	9.3	.8	.5	.8	1.0
Apparel and upkeep	5.486	164.3	166.3	4.2	1.2	-.1	-.1	.7
Apparel commodities	4.819	158.6	160.6	3.3	1.3	-.2	-.1	.6
Men's and boys' apparel	1.532	159.2	159.6	1.9	.3	.7	.5	-.2
Women's and girls' apparel	1.891	147.8	151.3	1.5	2.4	-1.8	-1.3	1.6
Infants' and toddlers' apparel	.118	219.0	221.2	.9	1.0	.4	-.9	.4
Footwear	.698	176.6	177.5	8.6	.5	1.5	.6	.1
Other apparel commodities	.580	167.9	169.8	6.8	1.1	.1	.5	.9
Apparel services 1/	.666	205.7	207.7	11.1	1.0	.8	.4	1.0
Transportation	17.806	216.6	219.6	16.7	1.4	1.7	1.8	1.5
Private transportation	16.782	217.4	220.4	17.4	1.4	1.9	1.7	1.5
New cars	3.934	166.7	166.6	8.3	-.1	.5	.8	.4
Used cars	3.148	209.2	207.0	5.2	-1.1	-.2	-.9	-.6
Gasoline	4.183	280.0	292.0	46.1	4.3	5.6	5.0	4.0
Maintenance and repair	1.515	244.0	245.7	10.4	.7	.9	.9	.7
Other private transportation	4.001	198.5	200.5	8.8	1.0	.6	.8	1.1
Other private trans. commodities	.714	173.3	175.1	8.6	1.0	.5	.7	1.1
Other private trans. services	3.288	207.1	209.1	8.8	1.0	.6	.7	1.1
Public transportation	1.024	197.1	200.8	7.0	1.9	.1	1.5	2.0
Medical care	4.959	239.9	241.8	9.2	.8	.7	.7	.8
Medical care commodities	.845	154.1	155.0	7.3	.6	.6	.6	.7
Medical care services	4.115	258.5	260.6	9.6	.8	.7	.7	.8
Professional services 1/	1.982	227.6	228.9	8.7	.6	.6	.8	.6
Other medical care services	2.133	295.8	299.0	10.5	1.1	.8	.6	1.0
Entertainment	3.963	189.1	190.2	7.2	.6	.1	.7	.7
Entertainment commodities	2.330	189.7	191.0	7.1	.7	.1	.9	.9
Entertainment services	1.633	188.6	189.4	7.4	.4	.2	.3	.5
Other goods and services	4.287	195.2	197.0	7.1	.9	.5	.5	1.0
Tobacco products	1.152	186.8	189.9	5.1	1.7	.2	.2	1.5
Personal care 1/	1.707	196.4	197.5	7.9	.6	.6	.7	.6
Toilet goods and personal care appliances 1/	.762	188.6	189.7	6.8	.6	.3	.4	.6
Personal care services 1/	.945	203.9	205.0	8.8	.5	.8	.9	.5
Personal and educational expenses	1.427	209.3	210.8	7.7	.7	.4	.4	1.0
School books and supplies	.183	191.6	192.6	6.4	.5	.5	.6	1.1
Personal and educational services	1.245	213.8	215.4	7.9	.7	.4	.4	1.0
Commodity and service group								
All items	100.000	218.9	221.1	11.8	1.0	1.0	1.0	1.1
Commodities	59.213	210.5	212.2	12.1	.8	1.0	.9	.9
Food and beverages	19.242	230.7	230.2	9.6	-.2	.2	.1	.0
Commodities less food and beverages	39.972	198.4	200.9	13.3	1.3	1.3	1.2	1.4
Nondurables less food and beverages	16.671	204.2	208.8	17.8	2.3	2.2	2.1	2.1
Apparel commodities	4.819	158.6	160.6	3.3	1.3	-.2	-.1	.6
Nondurables less food, beverages, and apparel 1/	11.852	231.2	237.3	23.7	2.6	3.5	2.8	2.6
Durables	23.301	192.6	193.6	10.1	.5	.8	.7	.7
Services	40.787	234.7	237.6	11.3	1.2	1.0	1.1	1.2
Rent, residential	5.535	175.9	177.5	7.5	.9	.5	.8	.9
Household services less rent	20.820	268.6	272.8	14.0	1.6	1.5	1.4	1.6
Transportation services	5.628	212.6	214.9	8.9	1.1	.6	.9	1.3
Medical care services	8.115	258.5	260.6	9.6	.8	.7	.7	.8
Other services	4.489	199.3	200.5	8.4	.6	.5	.5	.7
Special indexes:								
All items less food	81.839	214.2	216.9	12.2	1.3	1.1	1.2	1.3
All items less shelter	70.173	212.7	214.2	10.7	.7	.9	.8	.8
All items less mortgage interest costs 1/	92.728	213.0	214.7	10.6	.8	1.1	.9	.8
All items less medical care	95.041	217.6	219.7	11.9	1.0	1.0	1.0	1.1
Commodities less food	41.052	197.0	199.5	13.2	1.3	1.3	1.2	1.3
Nondurables less food	17.751	201.1	205.4	17.1	2.1	2.1	2.1	1.9
Nondurables less food and apparel 1/	12.932	222.8	228.3	22.3	2.5	3.2	2.7	2.5
Nondurables 1/	35.912	218.3	220.4	13.4	1.0	1.4	1.2	1.0
Services less rent	35.252	245.6	248.8	12.0	1.3	1.1	1.2	1.3
Services less medical care 1/	36.672	230.6	233.6	11.6	1.3	1.2	1.1	1.3
Energy 1/	8.502	287.1	296.3	32.5	3.2	5.6	4.2	3.2
All items less energy 1/	91.498	213.8	215.4	9.8	.7	.7	.8	.7
All items less food and energy 1/	73.337	207.3	209.4	9.9	1.0	.8	.7	1.0
Commodities less food and energy	35.902	185.6	186.8	8.5	.6	.5	.7	.6
Energy commodities 1/	5.150	300.8	314.5	46.0	4.6	6.9	5.6	4.6
Services less energy	37.435	232.4	235.4	11.2	1.3	.8	1.0	1.2
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.457	$.452	-10.7	-1.1	-1.1	-1.1	-1.1
1957-59=$1.00 1/	-	.393	.389	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-U

TABLE 2. Consumer Price Index for all urban consumers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
	May 1979	June 1979	July 1979	Aug. 1979	Nov. 1978	3 months ending in Feb. 1979	May 1979	Aug. 1979	6 months ending in Feb. 1979	Aug. 1979
Expenditure category										
All items	-	-	-	-	9.4	11.3	13.6	12.7	10.4	13.1
Food and beverages	228.2	228.7	229.0	229.0	8.9	17.1	11.0	1.4	12.9	6.1
Food	234.3	234.7	235.0	235.0	8.9	17.3	11.3	1.2	13.0	6.1
Food at home	233.5	233.2	233.0	232.9	8.9	19.5	10.6	-2.0	14.1	4.1
Cereals and bakery products	215.8	217.6	220.5	225.5	6.6	8.8	8.6	19.2	6.7	13.8
Meats, poultry, fish, and eggs	244.9	240.5	233.9	225.5	18.7	37.9	22.0	-28.1	27.9	-6.3
Dairy products	204.2	206.1	208.0	210.7	9.9	15.1	10.0	13.4	12.5	11.7
Fruits and vegetables	221.1	224.4	229.6	233.1	3.0	14.9	-8.9	23.5	8.8	6.1
Sugar and sweets	275.2	276.6	280.0	281.6	6.2	1.1	12.4	9.6	3.6	11.0
Fats and oils	226.4	226.3	227.9	230.1	-.4	8.4	12.4	6.7	3.9	9.5
Nonalcoholic beverages 1/	349.3	350.4	354.6	361.8	.2	8.3	1.7	15.1	4.2	8.2
Other prepared foods	206.6	208.6	210.8	211.8	4.2	12.2	12.1	10.5	8.1	11.3
Food away from home	240.9	242.9	244.4	246.0	8.6	14.1	13.1	8.7	11.3	10.9
Alcoholic beverages	171.3	171.9	172.7	173.3	7.7	10.4	8.1	4.8	9.0	6.4
Housing	222.7	225.7	228.4	231.6	10.7	10.0	13.8	17.0	10.4	15.4
Shelter	234.1	237.0	240.0	243.6	13.8	11.6	15.1	17.2	12.7	16.2
Rent, residential	173.8	174.7	176.1	177.7	8.2	5.3	7.2	9.3	6.8	8.2
Other rental costs	230.5	231.8	234.6	236.3	9.6	19.2	8.8	10.5	14.3	9.6
Homeownership	255.7	259.3	262.9	267.3	15.0	12.8	17.3	19.4	13.9	18.4
Home purchase	217.4	220.7	223.3	226.7	15.8	12.0	12.5	18.2	13.9	15.3
Financing, taxes, and insurance	299.6	304.0	309.5	316.1	15.7	14.3	25.8	23.9	15.0	24.8
Maintenance and repairs	252.7	255.1	257.2	259.4	11.3	9.2	9.0	10.5	10.3	9.8
Maintenance and repair services	274.0	277.1	279.4	281.2	10.3	10.0	10.4	10.9	10.1	10.7
Maintenance and repair commodities	203.0	203.4	205.1	207.3	15.3	6.9	4.7	8.7	11.0	6.7
Fuel and other utilities	232.1	235.1	243.7	248.1	.0	6.9	18.2	30.6	3.4	24.2
Fuels	274.2	286.1	293.6	301.3	-.2	11.4	27.2	45.6	5.5	36.2
Fuel oil, coal, and bottled gas	384.7	393.6	416.2	443.9	12.5	18.8	68.1	119.5	15.6	92.1
Gas (piped) and electricity	251.1	259.4	263.7	267.3	-3.0	9.1	17.8	28.4	2.9	23.0
Other utilities and public services	159.3	159.5	159.9	159.8	.3	-.5	.8	1.3	-.1	1.0
Household furnishings and operation	189.1	189.7	190.5	191.5	8.5	7.4	6.4	5.2	8.0	5.8
Housefurnishings	162.4	162.7	163.2	163.7	7.4	6.8	4.8	3.2	7.1	4.0
Housekeeping supplies	220.5	221.7	222.3	223.6	8.3	8.8	7.2	5.7	8.5	6.5
Housekeeping services	246.0	247.3	249.2	251.6	11.2	8.6	8.2	9.4	9.9	8.8
Apparel and upkeep	166.0	165.8	165.6	166.8	4.8	2.0	8.4	1.9	3.4	5.1
Apparel commodities	160.7	160.3	160.1	161.1	4.2	.5	7.6	1.0	2.3	4.2
Men's and boys' apparel	159.1	160.2	161.0	160.6	2.0	-1.5	3.3	3.8	.3	3.6
Women's and girls' apparel	154.0	151.3	149.4	151.8	1.9	-1.1	11.4	-5.6	.4	2.6
Infants' and toddlers' apparel	221.0	221.8	219.7	220.5	1.1	-6.9	10.8	-.9	-3.0	4.8
Footwear	175.7	176.7	177.8	177.9	11.2	3.6	10.8	9.0	7.3	9.9
Other apparel commodities	167.1	167.3	168.1	169.6	10.5	4.3	4.4	6.1	8.4	5.3
Apparel services 1/	203.1	204.8	205.7	207.7	9.8	13.1	12.3	9.4	11.4	10.8
Transportation	207.5	211.1	214.8	218.1	9.5	13.8	21.8	22.1	11.7	21.9
Private transportation	207.9	211.8	215.4	218.7	10.2	14.1	22.8	22.9	12.1	22.6
New cars	166.1	167.6	168.4	169.1	2.1	10.6	13.3	7.4	6.2	10.3
Used cars	202.0	201.6	199.8	198.7	15.4	19.9	-5.2	-6.4	17.7	-5.8
Gasoline	248.9	262.9	276.1	287.1	16.2	25.0	77.6	77.0	20.5	77.3
Maintenance and repair	239.9	242.0	244.2	245.9	11.0	8.3	12.0	10.4	9.7	11.2
Other private transportation	194.1	197.3	199.1	201.8	7.5	5.8	10.6	11.5	6.7	11.0
Other private trans. commodities	171.9	172.8	174.0	176.0	1.0	12.9	11.2	9.9	6.8	10.5
Other private trans. services	208.9	206.2	207.7	210.6	9.0	4.1	10.8	11.6	6.5	11.2
Public transportation	194.5	194.6	197.5	201.4	1.5	4.3	7.8	15.0	2.9	11.3
Medical care	236.4	238.0	239.7	241.5	11.5	9.3	7.2	8.9	10.4	8.1
Medical care commodities	152.1	153.0	153.9	155.0	7.7	7.8	5.4	7.8	7.8	6.6
Medical care services	254.5	256.3	258.2	260.2	12.2	10.0	7.4	9.3	11.1	8.3
Professional services 1/	224.3	225.7	227.6	228.9	9.8	10.0	6.7	8.5	9.9	7.6
Other medical care services	291.3	293.1	295.2	298.1	14.5	9.5	8.2	9.8	12.0	9.0
Entertainment	187.4	187.8	188.9	190.3	5.8	7.8	9.0	6.3	6.8	7.7
Entertainment commodities	187.4	187.6	189.3	191.0	4.8	9.4	6.2	7.9	7.1	7.1
Entertainment services	187.8	188.1	188.6	189.6	7.2	5.9	12.9	3.9	6.6	8.3
Other goods and services	194.5	195.3	196.2	198.1	7.1	6.7	6.4	7.8	6.9	7.1
Tobacco products	186.7	187.1	187.4	190.3	-.7	8.5	5.3	7.9	3.8	6.6
Personal care 1/	193.9	195.0	196.4	197.5	8.3	7.9	7.6	7.8	8.1	7.6
Toilet goods and personal care appliances 1/	187.3	187.9	188.6	189.7	7.9	7.0	6.9	5.2	7.4	6.1
Personal care services 1/	200.4	202.0	203.9	205.0	8.8	8.4	8.4	9.5	8.6	8.9
Personal and educational expenses	210.3	211.1	212.0	214.1	12.4	5.0	6.5	7.4	8.6	7.0
School books and supplies	193.0	193.9	195.1	197.3	-3.2	13.0	7.1	9.2	4.6	8.2
Personal and educational services	214.7	215.5	216.4	218.5	14.8	3.7	6.2	7.3	9.1	6.7
Commodity and service group										
All items	-	-	-	-	9.4	11.3	13.6	12.7	10.4	13.1
Commodities	205.7	207.7	209.5	211.4	9.4	13.3	13.9	11.6	11.3	12.7
Food and beverages	228.2	228.7	229.0	229.0	8.9	17.1	11.0	1.4	12.9	6.1
Commodities less food and beverages	192.6	195.2	197.6	200.3	9.9	11.5	15.2	17.0	10.7	16.1
Nondurables less food and beverages	195.9	200.3	204.6	208.8	6.7	10.8	26.0	29.1	8.8	27.5
Apparel commodities	160.7	160.3	160.1	161.1	4.2	.5	7.6	1.0	2.3	4.2
Nondurables less food, beverages, and apparel 1/	217.2	224.8	231.2	237.3	7.7	14.0	33.9	42.5	10.8	38.1
Durables	188.6	190.1	191.5	192.8	11.4	11.6	7.8	9.2	11.5	8.5
Services	232.1	232.5	235.0	237.8	9.5	8.3	13.2	14.1	8.9	13.6
Rent, residential	173.8	174.7	176.1	177.7	8.2	5.3	7.2	9.3	6.8	8.2
Household services less rent	261.2	265.1	268.8	272.6	9.3	10.9	17.3	18.6	10.1	18.0
Transportation services	209.9	211.1	213.1	215.9	8.1	5.5	10.6	11.9	6.8	11.2
Medical care services	258.5	256.3	258.2	260.2	12.2	10.0	7.4	9.3	11.1	8.3
Other services	198.0	198.9	199.9	201.3	9.8	6.9	9.9	6.8	8.3	8.3
Special indexes:										
All items less food	209.1	211.5	213.0	214.7	9.4	10.3	14.1	15.4	9.9	14.7
All items less shelter	208.4	210.2	211.9	213.7	7.7	11.2	13.1	10.5	9.4	11.8
All items less mortgage interest costs 1/	208.7	211.0	213.0	214.7	7.8	9.2	13.3	12.0	8.5	12.6
All items less medical care	212.8	214.9	217.0	219.3	9.3	11.7	13.9	12.8	10.5	13.3
Commodities less food	191.4	193.9	196.3	198.9	9.7	11.6	15.1	16.6	10.6	15.8
Nondurables less food	193.4	197.8	201.5	205.4	6.8	10.7	25.0	27.2	8.7	26.1
Nondurables less food and apparel 1/	210.2	217.0	222.8	228.3	7.5	13.7	31.7	39.2	10.6	35.4
Nondurables 1/	212.8	215.7	218.3	220.4	6.5	13.8	18.4	15.1	10.1	16.7
Services less rent	240.4	243.1	245.9	249.0	9.5	8.7	14.1	15.1	9.1	14.6
Services less medical care 1/	225.3	228.0	230.6	233.6	10.1	8.7	12.0	13.6	9.4	13.8
Energy 1/	260.8	275.4	287.1	296.3	4.0	17.1	51.7	66.6	10.8	59.0
All items less energy 1/	210.7	212.2	213.8	215.4	9.1	9.9	11.2	9.2	9.5	10.2
All items less food and energy 1/	204.1	205.8	207.3	209.4	10.5	7.4	11.1	10.8	8.9	10.9
Commodities less food and energy	183.2	184.2	185.4	186.6	8.4	9.9	7.8	7.6	9.1	7.7
Energy commodities 1/	266.4	284.9	300.8	314.5	9.2	21.3	76.6	94.2	15.1	85.2
Services less energy	228.5	230.4	232.7	235.5	10.6	8.1	12.8	12.8	9.4	12.8

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-U

TABLE 3. Consumer Price Index for all urban consumers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes May 1979	Indexes June 1979	Indexes July 1979	Indexes Aug. 1979	Percent change to Aug. 1979 from- Aug. 1978	Percent change to Aug. 1979 from- June 1979	Percent change to Aug. 1979 from- July 1979	Percent change to July 1979 from- July 1978	Percent change to July 1979 from- May 1979	Percent change to July 1979 from- June 1979
U.S. city average			218.1	216.6	218.9	221.1	11.8	2.1	1.0	11.3	2.2	1.1
Chicago, Ill.-Northwestern Ind.	M		210.1	213.5	217.4	218.6	18.2	2.4	.6	13.5	3.5	1.8
Detroit, Mich.	M		213.9	215.4	219.5	222.2	13.5	3.2	1.2	12.8	2.6	1.9
L.A.-Long Beach, Anaheim, Calif.	M		211.0	212.9	214.7	217.5	11.6	2.2	1.3	10.5	1.8	.8
N.Y., N.J.-Northeastern N.J.	M		210.5	212.5	214.0	215.4	9.0	1.4	.7	8.7	1.7	.7
Philadelphia, Pa.-N.J.	M		210.6	213.8	216.1	217.7	10.8	1.8	.7	10.1	2.6	1.1
Anchorage, Alaska	1	10/67	203.5	-	207.4	-	-	-	-	10.0	1.9	-
Baltimore, Md.	1		215.3	-	221.0	-	-	-	-	9.5	2.6	-
Boston, Mass.	1		209.5	-	214.2	-	-	-	-	10.9	2.2	-
Cincinnati, Ohio-Ky.-Ind.	1		221.5	-	226.8	-	-	-	-	12.3	1.5	-
Denver-Boulder, Colo.	1		231.1	-	236.5	-	-	-	-	16.8	2.3	-
Miami, Fla.	1	11/77	112.5	-	115.7	-	-	-	-	10.2	2.8	-
Milwaukee, Wis.	1		217.1	-	222.7	-	-	-	-	14.9	2.6	-
Northeast Pennsylvania	1		207.3	-	211.7	-	-	-	-	9.2	2.1	-
Portland, Oreg.-Wash.	1		220.7	-	227.4	-	-	-	-	14.2	3.0	-
St. Louis, Mo.-Ill.	1		211.1	-	216.9	-	-	-	-	12.4	2.7	-
San Diego, Calif.	1		228.3	-	236.1	-	-	-	-	16.9	3.4	-
Seattle-Everett, Wash.	1		212.3	-	217.5	-	-	-	-	11.7	2.4	-
Washington, D.C.-Md.-Va.	1		216.0	-	220.4	-	-	-	-	11.4	2.0	-
Atlanta, Ga.	2		-	212.6	-	216.9	11.2	2.0	-	-	-	-
Buffalo, N.Y.	2		-	209.3	-	214.6	10.3	2.5	-	-	-	-
Cleveland, Ohio	2		-	219.9	-	221.4	13.7	.7	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	217.5	-	222.9	13.0	2.5	-	-	-	-
Honolulu, Hawaii	2		-	204.4	-	207.2	11.6	1.4	-	-	-	-
Houston, Tex.	2		-	235.5	-	240.6	13.8	2.2	-	-	-	-
Kansas City, Mo.-Kans.	2		-	219.5	-	224.6	15.6	2.3	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	222.3	-	227.0	11.9	2.1	-	-	-	-
Pittsburgh, Pa.	2		-	214.5	-	219.1	9.6	2.1	-	-	-	-
San Francisco-Oakland, Calif.	2		-	212.5	-	218.3	6.6	2.7	-	-	-	-
Region 3/												
Northeast	2	12/77	-	114.2	-	116.2	10.2	1.8	-	-	-	-
North Central	2	12/77	-	117.7	-	120.3	13.1	2.2	-	-	-	-
South	2	12/77	-	117.1	-	119.4	11.7	2.0	-	-	-	-
West	2	12/77	-	116.7	-	119.4	12.1	2.3	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	118.9	-	117.2	11.2	2.0	-	-	-	-
A-2	2	12/77	-	116.9	-	119.1	11.5	1.9	-	-	-	-
B	2	12/77	-	117.5	-	119.8	12.5	2.0	-	-	-	-
C	2	12/77	-	117.2	-	119.6	12.0	2.0	-	-	-	-
D	2	12/77	-	115.8	-	118.7	11.9	2.5	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	113.2	-	115.0	9.6	1.6	-	-	-	-
North Central/A	2	12/77	-	118.2	-	121.0	13.6	2.4	-	-	-	-
South/A	2	12/77	-	116.9	-	118.7	11.6	1.5	-	-	-	-
West/A	2	12/77	-	116.0	-	118.7	10.9	2.3	-	-	-	-
Northeast/B	2	12/77	-	115.3	-	117.3	11.1	1.7	-	-	-	-
North Central/B	2	12/77	-	118.0	-	120.5	13.1	2.1	-	-	-	-
South/B	2	12/77	-	117.5	-	120.1	12.0	2.2	-	-	-	-
West/B	2	12/77	-	118.7	-	120.9	13.7	1.9	-	-	-	-
Northeast/C	2	12/77	-	117.2	-	120.2	11.9	2.6	-	-	-	-
North Central/C	2	12/77	-	116.8	-	119.0	12.2	1.9	-	-	-	-
South/C	2	12/77	-	117.5	-	119.9	11.8	2.0	-	-	-	-
West/C	2	12/77	-	116.9	-	119.5	12.6	2.2	-	-	-	-
Northeast/D	2	12/77	-	115.5	-	116.9	10.5	1.2	-	-	-	-
North Central/D	2	12/77	-	116.6	-	119.5	12.2	2.5	-	-	-	-
South/D	2	12/77	-	115.6	-	118.5	11.5	2.5	-	-	-	-
West/D	2	12/77	-	115.1	-	118.8	13.5	3.2	-	-	-	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.J.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 1,000,000.
A-2	1,250,000 to 1,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

CPI-W

TABLE A. Consumer Price Index for urban wage earners and clerical workers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes July 1979	Unadjusted indexes Aug. 1979	Unadjusted percent change to Aug. 1979 from- Aug. 1978	Unadjusted percent change to Aug. 1979 from- July 1979	Seasonally adjusted percent change from- May to June	Seasonally adjusted percent change from- June to July	Seasonally adjusted percent change from- July to Aug.
Expenditure category								
All items	100.000	219.4	221.5	12.0	1.0	1.0	1.0	1.0
All items(1957-59=100)	-	255.2	257.6	-	-	-	-	-
Food and beverages	20.946	230.9	230.4	9.7	-.2	.3	.2	.0
Food	19.777	237.1	236.5	9.8	-.3	.3	.2	.0
Food at home	13.899	235.0	233.5	9.0	-.6	-.1	.0	-.3
Cereals and bakery products	1.715	221.1	224.1	9.9	1.4	.8	1.6	2.0
Meats, poultry, fish, and eggs	4.862	238.3	229.6	9.1	-3.7	-1.7	-2.6	-3.7
Dairy products	1.856	206.7	208.9	12.1	1.1	.9	.9	1.3
Fruits and vegetables	1.818	236.6	237.0	7.8	.2	1.5	2.6	2.0
Sugar and sweets	.472	278.3	279.9	7.0	.6	.5	1.1	.6
Fats and oils	.398	227.6	228.9	6.7	.6	.3	.8	1.0
Nonalcoholic beverages 1/	1.615	353.6	360.0	5.9	1.8	.0	1.5	1.8
Other prepared foods	1.168	208.8	210.4	9.7	.8	1.0	1.0	.6
Food away from home	5.877	246.5	248.3	11.9	.7	1.2	.7	.6
Alcoholic beverages	1.169	173.3	173.6	7.6	.2	.3	.5	.3
Housing	40.957	228.4	231.5	13.0	1.4	1.3	1.2	1.4
Shelter	26.969	240.7	244.5	14.8	1.6	1.2	1.3	1.5
Rent, residential	5.238	175.8	177.3	7.4	.9	.6	.7	.9
Other rental costs .t	.504	235.2	237.6	11.9	1.0	.7	1.1	.8
Homeownership	21.227	264.2	268.9	16.7	1.8	1.4	1.4	1.7
Home purchase	8.921	224.0	227.0	14.8	1.3	1.6	1.1	1.6
Financing, taxes, and insurance'	8.987	310.6	318.7	20.6	2.6	1.5	1.8	2.2
Maintenance and repairs	3.320	259.1	260.8	11.3	.7	1.0	.8	.8
Maintenance and repair services	2.351	282.8	284.2	12.0	.5	1.4	.7	.5
Maintenance and repair commodities	.969	206.5	209.0	9.8	1.2	.1	1.0	1.5
Fuel and other utilities	6.221	284.1	287.7	13.5	1.5	3.1	2.0	1.8
Fuels	4.215	293.9	299.8	19.8	2.0	4.3	2.7	2.6
Fuel oil, coal, and bottled gas	.875	413.5	439.0	49.2	6.2	7.9	5.8	6.6
Gas (piped) and electricity	3.340	264.6	266.5	12.5	.7	3.3	1.7	1.3
Other utilities and public services	2.006	159.4	159.8	.4	.3	.1	.3	-.1
Household furnishings and operation	7.767	189.0	189.8	6.7	.4	.3	.3	.6
Housefurnishings	4.571	162.5	163.0	5.8	.3	.2	.1	.5
Housekeeping supplies	1.601	220.7	221.6	7.3	.4	.2	.4	.5
Housekeeping services	1.596	248.6	250.4	9.0	.7	.7	.6	.9
Apparel and upkeep	5.524	164.5	166.2	4.1	1.0	-.2	.2	.5
Apparel commodities	4.886	159.1	160.7	3.1	1.0	-.3	.2	.4
Men's and boys' apparel	1.531	160.6	161.1	2.6	.3	.6	1.1	-.3
Women's and girls' apparel	1.927	147.5	150.5	.9	2.0	-1.7	-.7	1.3
Infants' and toddlers' apparel	.131	221.9	224.2	3.0	1.0	.8	-.9	.4
Footwear	.735	176.6	176.9	8.5	.2	1.0	.9	-.2
Other apparel commodities	.562	168.4	170.2	5.6	1.1	.2	.5	.8
Apparel services 1/	.637	204.9	206.7	11.2	.9	.5	.6	.9
Transportation	20.045	217.8	220.7	17.0	1.3	1.8	1.7	1.5
Private transportation	19.121	218.3	221.2	17.5	1.3	1.9	1.7	1.5
New cars	4.154	166.6	166.3	8.3	-.2	.6	1.0	.8
Used cars	4.019	209.2	207.0	5.2	-1.1	-.2	-.9	-.6
Gasoline	4.769	281.0	293.3	86.9	4.4	5.8	4.9	4.1
Maintenance and repair	1.665	284.2	286.0	10.4	.7	.8	.9	.7
Other private transportation	4.514	199.1	201.0	8.9	1.0	.6	.9	1.3
Other private trans. commodities	.804	174.4	176.1	8.3	1.0	.3	.9	1.1
Other private trans. services	3.710	207.6	209.6	9.0	1.0	.6	.8	1.4
Public transportation	.924	197.6	200.6	6.8	1.5	.1	1.2	1.6
Medical care	4.489	240.5	242.6	9.6	.9	.9	.8	.8
Medical care commodities	.771	155.3	156.2	7.7	.6	.9	.6	.7
Medical care services	3.717	258.8	261.2	10.0	.9	.9	.9	.9
Professional services 1/	1.900	229.3	231.1	9.7	.8	.9	.9	.8
Other medical care services	1.817	294.9	298.1	10.4	1.1	1.0	.8	1.0
Entertainment	3.794	188.6	188.9	7.0	.2	.1	.7	.3
Entertainment commodities	2.396	188.2	188.4	6.4	.1	.1	.7	.3
Entertainment services	1.398	190.1	190.7	8.0	.3	.2	.7	.4
Other goods and services	4.245	195.1	197.2	7.0	1.1	.4	.4	1.2
Tobacco products	1.392	186.9	190.1	5.3	1.7	.2	-.1	1.8
Personal care 1/	1.762	196.0	197.6	7.9	.8	.5	.7	.8
Toilet goods and personal care appliances 1/	.838	188.1	190.2	7.0	1.1	.1	.2	1.1
Personal care services 1/	.924	204.0	205.0	8.6	.5	.8	1.3	.5
Personal and educational expenses	1.091	209.8	211.2	7.8	.7	.4	.4	.9
School books and supplies	.163	194.2	195.2	7.4	.5	.6	.6	.9
Personal and educational services	.929	214.0	215.5	7.8	.7	.3	.5	.9
Commodity and service group								
All items	100.000	219.4	221.5	12.0	1.0	1.0	1.0	1.0
Commodities	62.074	211.0	212.6	12.2	.8	1.0	.9	.9
Food and beverages	20.946	230.9	230.4	9.7	-.2	.3	.2	.0
Commodities less food and beverages	41.128	198.8	201.3	13.5	1.3	1.3	1.3	1.3
Nondurables less food and beverages	17.651	205.5	210.5	18.6	2.4	2.4	2.2	2.2
Apparel commodities	4.886	159.1	160.7	3.1	1.0	-.3	.2	.4
Nondurables less food, beverages, and apparel 1/	12.765	232.4	238.9	24.6	2.8	3.6	2.9	2.8
Durables	23.477	192.2	192.9	9.7	.4	.8	.5	.6
Services	37.926	235.1	237.9	11.6	1.2	1.1	1.1	1.2
Rent, residential	5.238	175.8	177.3	7.4	.9	.6	.7	.9
Household services less rent	18.784	269.8	274.1	14.6	1.6	1.6	1.4	1.4
Transportation services	6.299	213.3	215.3	9.0	.9	.6	.9	1.2
Medical care services	3.717	258.8	261.2	10.0	.9	.9	.9	.9
Other services	3.888	200.1	201.2	8.7	.5	.4	.8	.6
Special indexes:								
All items less food	80.223	214.6	217.3	12.5	1.3	1.2	1.2	1.3
All items less shelter	73.031	213.5	214.9	11.0	.7	.9	.9	.8
All items less mortgage interest costs 1/	93.132	213.7	215.3	10.9	.7	1.1	1.0	.7
All items less medical care	95.511	218.0	220.1	12.1	1.0	1.0	1.0	1.0
Commodities less food	42.297	197.4	199.9	13.4	1.3	1.3	1.2	1.3
Nondurables less food	18.820	202.5	207.0	17.9	2.2	2.2	2.3	2.0
Nondurables less food and apparel 1/	13.934	223.9	229.7	23.2	2.6	3.3	2.7	2.6
Nondurables 1/	38.597	219.2	221.3	13.7	1.0	1.5	1.3	1.0
Services less rent	32.689	246.1	249.2	12.3	1.3	1.2	1.2	1.3
Services less medical care 1/	34.209	231.0	233.9	11.9	1.3	1.2	1.2	1.3
Energy 1/	9.085	289.2	298.8	33.8	3.3	5.8	4.3	3.3
All items less energy 1/	90.915	213.9	215.3	9.8	.7	.7	.8	.7
All items less food and energy 1/	71.138	207.2	209.0	9.8	.9	.7	.8	.9
Commodities less food and energy	36.552	185.4	186.4	8.2	.5	.4	.7	.5
Energy commodities 1/	5.745	301.9	315.8	46.5	4.6	7.1	5.5	4.6
Services less energy	34.586	232.7	235.7	11.5	1.3	.8	1.1	1.2
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.456	$.451	-10.9	-1.1	-1.3	-1.1	-1.1
1957-59=$1.00 1/	-	.392	.388	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 5. Consumer Price Index for urban wage earners and clerical workers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in			6 months ending in		
	May 1979	June 1979	July 1979	Aug. 1979	Nov. 1978	Feb. 1979	May 1979	Aug. 1979	Feb. 1979	Aug. 1979
Expenditure category										
All items	-	-	-	-	9.4	12.2	13.5	12.7	10.8	13.1
Food and beverages	228.1	228.8	229.3	229.2	8.7	17.9	10.3	1.9	13.2	6.0
Food	234.2	234.8	235.3	235.2	8.7	18.5	10.4	1.7	13.5	6.0
Food at home	232.9	232.6	232.6	231.8	8.7	20.1	9.5	-1.9	14.3	3.6
Cereals and bakery products	216.2	218.0	221.5	225.9	5.2	8.1	8.0	19.2	6.6	13.4
Meats, poultry, fish, and eggs	243.9	239.7	233.4	228.7	18.2	38.7	19.9	-28.0	28.0	-7.1
Dairy products	208.7	206.5	208.4	211.2	9.9	15.6	10.0	13.3	12.7	11.6
Fruits and vegetables	219.0	222.2	227.9	232.4	1.3	17.1	-10.2	26.8	8.9	6.7
Sugar and sweets	274.5	275.8	278.9	280.7	6.2	1.5	11.2	9.3	3.8	10.3
Fats and oils	226.0	226.6	228.3	230.5	-.2	9.4	10.0	8.2	4.5	9.1
Nonalcoholic beverages 1/	348.4	348.5	353.6	360.0	-.2	8.7	1.6	18.0	4.2	7.6
Other prepared foods	206.5	208.5	210.5	211.7	4.9	12.2	11.6	10.5	8.5	11.0
Food away from home	241.8	244.6	246.3	247.8	8.4	15.9	13.0	10.3	12.1	11.7
Alcoholic beverages	171.6	172.2	173.1	173.6	7.6	9.3	8.9	4.7	8.5	6.8
Housing	222.7	225.7	228.4	231.6	10.5	10.5	14.5	17.0	10.5	15.7
Shelter	238.7	237.6	240.6	244.3	14.0	12.4	15.7	17.4	13.2	16.5
Rent, residential	173.7	174.7	176.0	177.5	8.0	5.3	7.2	9.0	6.6	8.1
Other rental costs	229.8	231.3	233.8	235.7	10.5	19.2	7.7	10.7	14.8	9.2
Homeownership	256.8	260.5	264.1	268.6	15.6	13.7	18.2	19.7	14.7	18.9
Home purchase	217.4	220.8	223.3	226.8	15.8	12.2	12.7	18.4	14.0	15.5
Financing, taxes, and insurance	301.6	306.0	311.5	318.4	17.2	14.9	26.5	24.2	16.1	25.3
Maintenance and repairs	253.6	256.2	258.3	260.3	10.7	12.4	11.3	11.0	11.5	11.1
Maintenance and repair services	276.3	280.2	282.2	283.6	8.8	13.8	14.5	11.0	11.3	12.7
Maintenance and repair commodities	203.2	203.5	205.5	208.6	15.3	9.2	3.6	11.1	12.2	7.3
Fuel and other utilities	232.4	239.5	249.2	248.6	.2	7.3	18.2	30.9	3.7	24.4
Fuels	274.2	286.1	293.8	301.4	.5	11.3	27.0	46.0	5.7	36.2
Fuel oil, coal, and bottled gas	365.2	394.0	416.8	444.3	12.8	18.8	68.4	119.1	15.7	92.1
Gas (piped) and electricity	250.9	259.3	263.8	267.3	-2.5	8.9	17.5	28.8	3.1	23.0
Other utilities and public services	159.4	159.5	159.9	159.8	.0	.0	.8	1.0	.0	.9
Household furnishings and operation	188.0	188.5	189.0	190.1	8.3	7.0	6.9	4.5	7.7	5.7
Housefurnishings	162.2	162.5	162.7	163.5	6.9	6.5	6.4	3.2	6.7	4.8
Housekeeping supplies	219.4	219.9	220.7	221.8	9.2	9.2	6.2	4.4	9.2	5.3
Housekeeping services	284.7	286.5	288.1	290.4	11.2	7.1	8.1	9.6	9.2	8.9
Apparel and upkeep	165.7	166.1	165.8	166.6	4.5	3.0	6.8	2.2	3.8	4.5
Apparel commodities	160.6	160.1	160.5	161.2	3.6	1.8	5.9	1.5	2.7	3.7
Men's and boys' apparel	159.8	160.7	162.4	161.9	2.6	-.3	2.8	5.4	1.1	4.1
Women's and girls' apparel	152.8	150.2	149.1	151.0	.8	.5	7.4	-4.4	.7	1.2
Infants' and toddlers' apparel	222.9	224.6	222.6	223.5	.4	-.2	10.9	1.1	.1	5.9
Footwear	174.5	176.2	177.7	177.3	10.4	2.7	15.0	6.6	6.5	10.7
Other apparel commodities	167.5	167.8	168.6	170.0	7.9	9.9	-1.2	6.1	8.9	2.4
Apparel services 1/	202.6	203.6	204.9	206.7	11.9	12.5	12.3	8.3	12.2	10.3
Transportation	208.3	212.0	215.7	218.9	10.2	15.0	21.5	22.0	12.6	21.7
Private transportation	208.4	212.1	216.0	219.3	10.7	15.0	22.2	22.6	12.8	22.4
New cars	165.6	166.6	168.3	168.8	1.3	10.9	12.8	8.0	6.3	10.3
Used cars	202.0	201.6	199.8	198.7	15.4	19.9	-5.2	-6.4	17.7	-5.8
Gasoline	249.7	264.1	277.1	288.4	17.1	25.4	78.6	78.0	21.2	78.3
Maintenance and repair	240.3	242.3	244.4	246.2	10.8	8.8	11.6	10.2	9.8	10.9
Other private transportation	196.9	198.0	199.7	202.3	8.2	5.8	10.4	11.4	7.0	10.9
Other private trans. commodities	173.1	173.6	175.1	177.0	5.5	11.1	7.7	9.3	8.2	8.5
Other private trans. services	205.2	206.5	208.2	211.1	8.7	4.5	11.0	12.0	6.6	11.5
Public transportation	195.4	195.6	198.0	201.2	2.6	4.1	8.2	12.4	3.3	10.3
Medical care	236.3	238.4	240.3	242.3	11.1	8.9	7.8	10.6	10.0	9.2
Medical care commodities	152.8	154.2	155.1	156.2	8.2	7.8	5.7	9.2	8.0	7.4
Medical care services	254.2	256.4	258.6	260.8	11.8	9.3	8.3	10.8	10.6	9.5
Professional services 1/	225.3	227.3	229.3	231.1	9.8	10.0	8.2	10.7	9.9	9.4
Other medical care services	289.3	292.1	294.3	297.2	13.9	8.0	8.3	11.4	10.9	9.8
Entertainment	186.8	186.9	188.3	188.9	6.0	7.8	9.3	4.6	6.9	6.9
Entertainment commodities	186.4	186.5	187.8	188.4	4.8	8.5	7.6	4.4	6.5	6.0
Entertainment services	188.5	189.1	190.1	190.9	7.7	7.1	12.3	5.2	7.4	8.7
Other goods and services	194.3	195.0	195.8	198.1	5.5	8.1	6.2	8.1	6.8	7.1
Tobacco products	186.9	187.2	187.1	190.5	-.9	9.6	4.9	7.9	4.2	6.4
Personal care 1/	193.7	194.6	196.0	197.6	7.2	9.1	7.1	8.3	8.1	7.7
Toilet goods and personal care appliances 1/	187.7	187.8	188.1	190.2	6.7	9.4	6.7	5.4	8.0	6.0
Personal care services 1/	199.8	201.4	204.0	205.0	7.6	8.8	7.3	10.8	8.2	9.1
Personal and educational expenses	210.7	211.6	212.5	214.5	11.7	5.4	6.7	7.4	8.5	7.1
School books and supplies	195.6	196.8	198.0	199.8	7.5	13.5	7.7	8.9	6.6	8.3
Personal and educational services	214.9	215.6	216.6	218.6	13.9	3.9	6.6	7.1	8.8	6.8
Commodity and service group										
All items	-	-	-	-	9.4	12.2	13.5	12.7	10.8	13.1
Commodities	205.9	207.9	209.8	211.7	9.4	14.2	13.7	11.8	11.8	12.7
Food and beverages	228.1	228.8	229.3	229.2	8.7	17.9	10.3	1.9	13.2	6.0
Commodities less food and beverages	192.8	195.4	197.9	200.5	9.9	12.3	15.4	17.0	11.1	16.2
Nondurables less food and beverages	196.8	201.6	206.0	210.5	6.5	11.8	27.0	30.9	9.1	28.9
Apparel commodities	160.6	160.1	160.5	161.2	3.6	1.8	5.9	1.5	2.7	3.7
Nondurables less food, beverages, and apparel 1/	218.1	225.9	232.4	238.9	7.7	14.7	35.4	44.0	11.1	39.6
Durables	188.3	189.9	190.9	192.1	10.9	11.4	8.0	8.3	11.1	8.2
Services	230.2	232.7	235.3	238.2	9.5	8.5	13.6	14.6	9.0	14.1
Rent, residential	173.7	174.7	176.0	177.5	8.0	5.3	7.2	9.0	6.6	8.1
Household services less rent	262.2	266.3	270.0	273.9	9.9	11.2	18.5	19.1	10.6	18.8
Transportation services	210.5	211.8	213.8	216.4	8.5	5.9	10.5	11.7	7.2	11.1
Medical care services	254.2	256.4	258.6	260.8	11.8	9.3	8.3	10.8	10.6	9.5
Other services	198.3	199.1	200.7	201.9	9.8	7.6	9.8	7.5	8.7	8.6
Special indexes:										
All items less food	209.2	211.7	214.2	216.9	9.7	10.8	14.6	15.6	10.2	15.1
All items less shelter	208.8	210.7	212.6	214.3	7.7	12.1	13.0	11.0	9.9	12.0
All items less mortgage interest costs 1/	209.1	211.5	213.7	215.3	7.4	10.1	13.7	12.4	8.7	13.0
All items less medical care	213.0	215.2	217.3	219.5	9.3	12.5	13.9	12.8	10.9	13.3
Commodities less food	191.6	194.1	196.5	199.1	9.7	12.3	15.3	16.6	11.0	15.9
Nondurables less food	194.2	198.4	202.9	207.0	6.8	11.7	25.7	29.1	9.2	27.4
Nondurables less food and apparel 1/	211.0	218.0	223.9	229.7	7.9	14.2	32.9	40.4	11.0	36.6
Nondurables 1/	213.2	216.3	219.2	221.3	6.3	14.7	18.1	16.1	10.4	17.1
Services less rent	240.7	243.5	246.4	249.5	9.7	9.1	14.7	15.4	9.4	15.1
Services less medical care 1/	225.6	228.2	231.0	233.9	10.1	9.3	12.6	15.5	9.7	14.1
Energy 1/	262.2	277.3	289.2	298.8	4.7	17.5	58.2	68.7	10.9	61.3
All items less energy 1/	210.8	212.3	213.9	215.3	8.9	10.6	11.2	8.8	9.7	10.0
All items less food and energy 1/	204.0	205.5	207.2	209.0	10.3	7.4	11.6	10.2	8.8	10.9
Commodities less food and energy	183.1	183.9	185.2	186.2	7.9	9.9	8.0	6.9	8.9	7.5
Energy commodities 1/	267.3	286.2	301.9	315.8	9.6	21.5	77.7	94.8	15.4	86.1
Services less energy	228.7	230.6	233.1	235.8	10.6	8.6	13.4	13.0	9.6	13.2

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-W

TABLE 6. Consumer Price Index for urban wage earners and clerical workers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes May 1979	Indexes June 1979	Indexes July 1979	Indexes Aug. 1979	Percent change to Aug. 1979 from- Aug. 1978	June 1979	July 1979	Percent change to July 1979 from- July 1978	May 1979	June 1979
U.S. city average			218.3	216.9	219.4	221.5	12.0	2.1	1.0	11.5	2.4	1.2
Chicago, Ill.-Northwestern Ind.	M		209.6	213.2	216.8	218.2	14.3	2.3	.6	13.3	3.4	1.7
Detroit, Mich.	M		214.1	215.5	219.8	222.6	13.5	3.3	1.3	12.9	2.7	2.0
L.A.-Long Beach, Anaheim, Calif.	M		212.4	214.5	216.8	219.6	12.8	2.4	1.3	11.7	2.1	1.1
N.Y., N.Y.-Northeastern N.J.	M		210.3	212.2	214.1	215.3	9.5	1.5	.6	9.2	1.8	.9
Philadelphia, Pa.-N.J.	M		211.4	214.5	216.9	218.1	10.5	1.7	.6	10.7	2.6	1.1
Anchorage, Alaska	1	10/67	202.5	-	206.4	-	-	-	-	9.4	1.9	-
Baltimore, Md.	1		216.0	-	221.8	-	-	-	-	9.7	2.5	-
Boston, Mass.	1		208.7	-	213.7	-	-	-	-	10.8	2.4	-
Cincinnati, Ohio-Ky.-Ind.	1		223.1	-	226.5	-	-	-	-	12.7	1.5	-
Denver-Boulder, Colo.	1		233.2	-	239.3	-	-	-	-	17.9	2.6	-
Miami, Fla.	1	11/77	113.8	-	116.9	-	-	-	-	10.7	2.7	-
Milwaukee, Wis.	1		219.5	-	225.0	-	-	-	-	15.6	2.5	-
Northeast Pennsylvania	1		209.6	-	213.8	-	-	-	-	9.9	1.8	-
Portland, Oreg.-Wash.	1		221.9	-	227.9	-	-	-	-	13.9	2.7	-
St. Louis, Mo.-Ill.	1		210.3	-	217.4	-	-	-	-	13.9	3.4	-
San Diego, Calif.	1		226.1	-	233.1	-	-	-	-	15.6	3.1	-
Seattle-Everett, Wash.	1		210.9	-	215.9	-	-	-	-	11.3	2.4	-
Washington, D.C.-Md.-Va.	1		217.8	-	221.9	-	-	-	-	10.6	1.9	-
Atlanta, Ga.	2		-	218.5	-	219.0	12.2	2.1	-	-	-	-
Buffalo, N.Y.	2		-	209.7	-	215.3	10.6	2.7	-	-	-	-
Cleveland, Ohio	2		-	221.2	-	222.6	13.6	.6	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	218.0	-	223.0	13.0	2.3	-	-	-	-
Honolulu, Hawaii	2		-	203.6	-	207.2	11.4	1.8	-	-	-	-
Houston, Tex.	2		-	234.5	-	239.0	13.3	1.9	-	-	-	-
Kansas City, Mo.-Kans.	2		-	218.4	-	223.1	14.8	2.2	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	223.4	-	228.5	12.3	2.3	-	-	-	-
Pittsburgh, Pa.	2		-	215.0	-	220.0	10.5	2.3	-	-	-	-
San Francisco-Oakland, Calif.	2		-	213.7	-	218.6	7.2	2.3	-	-	-	-
Region 3/												
Northeast	2	12/77	-	114.3	-	116.4	10.5	1.8	-	-	-	-
North Central	2	12/77	-	197.9	-	120.6	13.2	2.3	-	-	-	-
South	2	12/77	-	117.3	-	119.6	11.9	2.0	-	-	-	-
West	2	12/77	-	117.1	-	119.8	12.5	2.3	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	115.1	-	117.5	11.7	2.1	-	-	-	-
A-2	2	12/77	-	117.1	-	119.4	11.8	2.0	-	-	-	-
B	2	12/77	-	117.7	-	120.1	12.6	2.0	-	-	-	-
C	2	12/77	-	117.2	-	119.8	12.3	2.2	-	-	-	-
D	2	12/77	-	116.3	-	119.1	11.9	2.8	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	113.2	-	115.1	9.9	1.7	-	-	-	-
North Central/A	2	12/77	-	118.3	-	121.2	13.9	2.5	-	-	-	-
South/A	2	12/77	-	117.5	-	119.3	11.6	1.5	-	-	-	-
West/A	2	12/77	-	116.3	-	119.0	11.5	2.3	-	-	-	-
Northeast/B	2	12/77	-	115.5	-	117.2	10.9	1.5	-	-	-	-
North Central/B	2	12/77	-	118.8	-	121.5	13.2	2.3	-	-	-	-
South/B	2	12/77	-	117.6	-	120.1	12.2	2.1	-	-	-	-
West/B	2	12/77	-	119.0	-	121.2	13.9	1.8	-	-	-	-
Northeast/C	2	12/77	-	117.6	-	120.7	12.2	2.6	-	-	-	-
North Central/C	2	12/77	-	116.5	-	118.7	11.9	1.9	-	-	-	-
South/C	2	12/77	-	117.6	-	120.1	12.3	2.1	-	-	-	-
West/C	2	12/77	-	117.6	-	119.9	12.6	2.0	-	-	-	-
Northeast/D	2	12/77	-	115.9	-	117.6	10.9	1.5	-	-	-	-
North Central/D	2	12/77	-	117.2	-	120.1	12.3	2.5	-	-	-	-
South/D	2	12/77	-	115.7	-	118.4	11.2	2.3	-	-	-	-
West/D	2	12/77	-	115.4	-	119.5	13.7	3.6	-	-	-	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

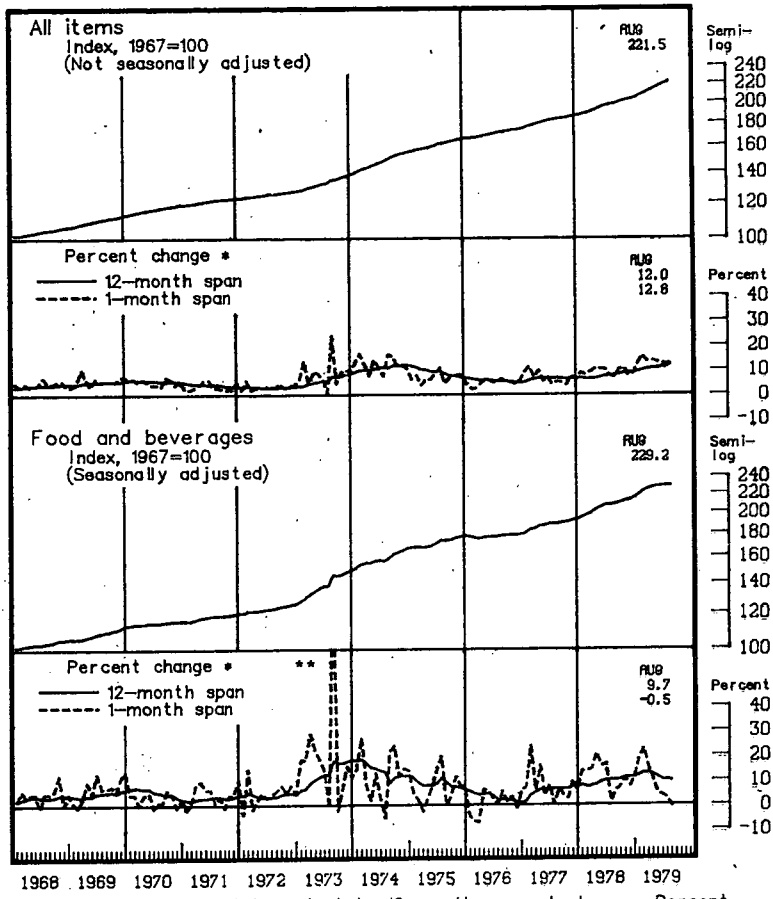
3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 4,000,000.
A-2	1,250,000 to 4,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

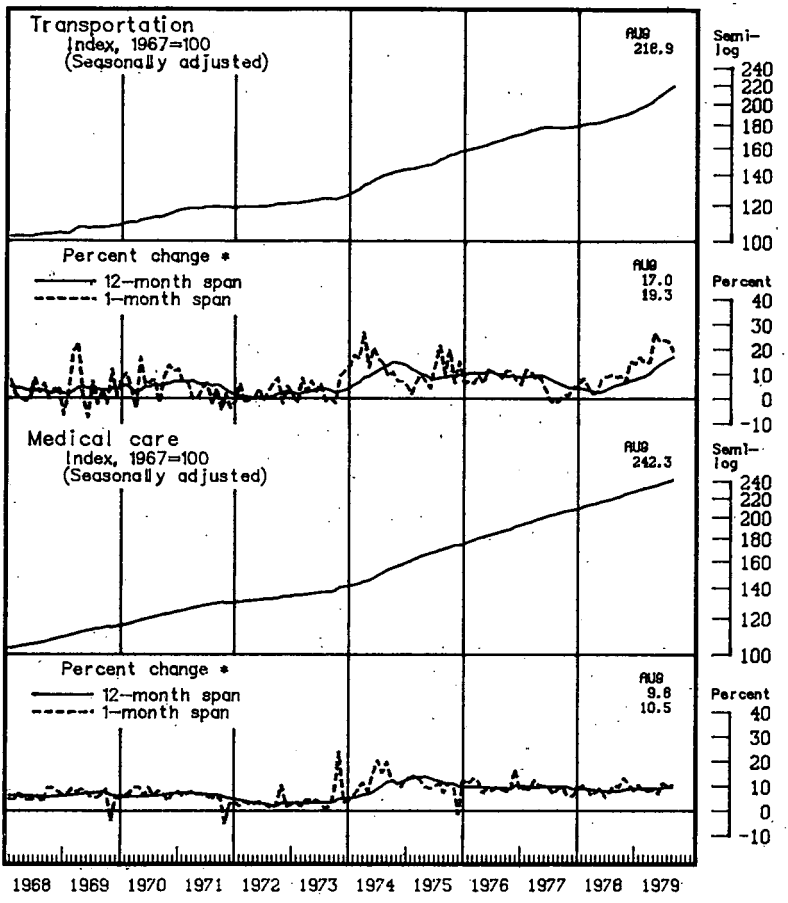
CHART 1: CPI for Urban Wage Earners and Clerical Workers
All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

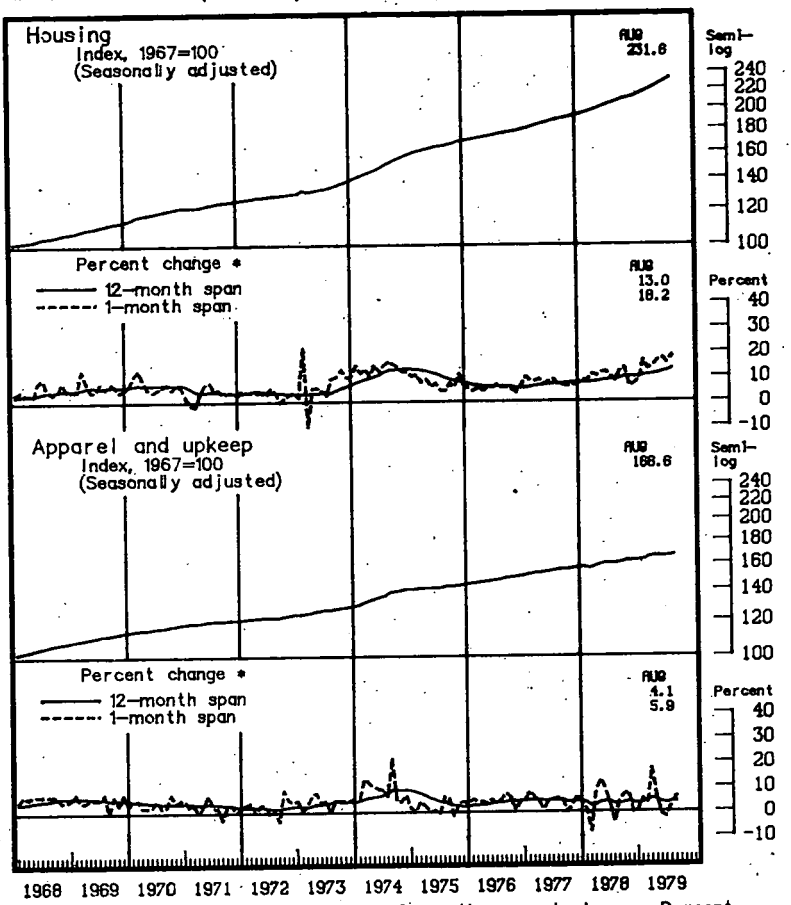
**August 1972 = 92 percent

CHART 2: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



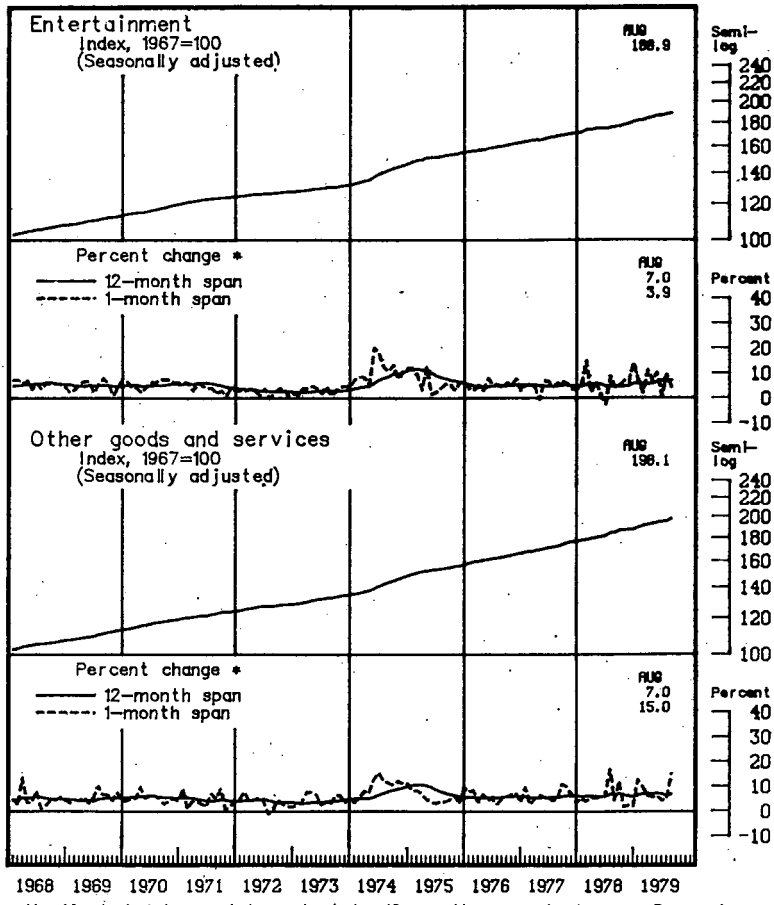
* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 3: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 4: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

Senator BENTSEN. Thank you, Commissioner Norwood.

I think that new breakout of data will be very helpful to us in our evaluation.

Can you identify any specific service or commodity that costs less than it did 1 year ago?

Ms. NORWOOD. We can certainly go through the records and see. I cannot offhand identify any. Apparel prices have in general been less than many others.

Senator BENTSEN. I would be glad to hear about something.

Ms. NORWOOD. Pork prices are less than they were 1 year ago.

Senator BENTSEN. All right.

Ms. NORWOOD. Poultry. There may be some others, too. We can submit a small list. I'm sure it will be small.

Senator BENTSEN. Well, standard economic theory, of course, teaches that a recession is supposed to cut the inflation rate. The figures indicate we have been in a recession now for a while. Do you see any impact of that recession on inflation?

Ms. NORWOOD. I think, Senator, that we really, in looking at the period of price change that we are in now, how to divide this into several parts. There are certainly some elements of the rate of inflation that are affected by policies that may be taken for cyclical purposes and interest rates are certainly one thing that are included in the CPI. There are also a whole set of elements in the CPI that might be considered exogenous to any steps that are taken in the economy. They therefore might not be expected to reflect the deflationary effects of some of the events that occur normally in a cyclical downturn. Energy, for example, is affected by outside forces. Then I think there is a third element that is exceedingly important and one which I know you and many others have been trying to address, and that is the whole question of inflationary expectations.

So I think it gets to be rather a complex set of issues when one looks at how prices would be affected by any particular turning down or up in the economy.

Senator BENTSEN. One of the things that has been referred to as a dissimilarity between the 1973–75 period and this recession is that business merchants have better control of inventories. Then in July, as I recall, inventories went up 1.9 percent, which is certainly a matter of concern, and began to give a little more resemblance to what happened in 1974–75. Do you have any current numbers on what happened to inventories in August?

Ms. NORWOOD. No; I don't have any August data, Senator Bentsen. There was certainly in the second quarter of 1979 some increase in inventories and, as you know, there have been some economists who have argued that there are difficulties in the measurement of inventories. I may be able to find here——

Senator BENTSEN. That was a big problem in 1974–75. The inventory buildup slipped up on business and they didn't find out about it until after the fact, and supposedly they have made some advances in trying to understand inventory buildup.

Ms. NORWOOD. The inventory situation now is not in the serious condition that it was in 1973–75, as I understand it.

Senator BENTSEN. Well, in 1973–75 businesses didn't think they were in serious shape either. It wasn't until afterward that they found out that their numbers were wrong.

Now, do we have any harder numbers than we did then?

Ms. NORWOOD. I can supply those numbers for the record. Those are published as you know by I believe the Census Bureau. They are not our numbers. I try to keep up with them, but I don't seem to have the list with me.

Senator BENTSEN. But they are not your numbers.

Ms. NORWOOD. They are not.

Senator BENTSEN. Well, the prime rate has gone over 13 and 2 years ago it was closer to 7 percent. The interest rate is a major factor in business costs. Is there any way you can estimate how much of our current inflation is affected by high interest rates that are built in? Let me give you an example, Commissioner. Let's suppose you are a subdivider and you're borrowing some money to put in a subdivision of new houses. You want to go get your permit commitment, get interim money and your paying 13¼ plus probably 2 points in a floating prime. Then you ask for your permit and they tell you the estimate will be 9 points on the front plus whatever rate they arrive at, whether it's 11 percent or whatever it may be. That 9 percent goes automatically into the cost of those houses. That's just one example. Plus the monthly payments that go up because of the high interest rates.

Do you have any measurement of how much of this inflation results from the high interest rates that we have? We have seen the prime rate virtually double in 2 years.

Ms. NORWOOD. No; I do not. What I can tell you is that in calculating and compiling the Consumer Price Index we do have a component which includes mortgage interest rates. That component is basically mortgage costs which takes into account the increase in the rate for mortgages plus, of course, the increase in cost of houses, since the size of the mortgages become larger and therefore the mortgage interest costs become higher.

A 10-percent increase in the mortgage interest rate would be reflected roughly in about 0.8-percent increase in all items CPI.

Senator BENTSEN. Let me have that again.

Ms. NORWOOD. A 10-percent increase in the mortgage interest rate currently would result in approximately 0.8-percent increase in the all items CPI. That's just the direct effect of the mortgage interest rate on mortgage interest costs of consumers buying houses. It does not in any way get at some of the other things that you were referring to. We know of no way of doing that.

Senator BENTSEN. I see. Now, the inflation rate, from January through July, was about 1 percent a month.

Ms. NORWOOD. Yes, sir.

Senator BENTSEN. Does today's data give you any feel that we have changed that trend?

Ms. NORWOOD. I think that clearly the big change this month was in food.

Mr. LAYNG. The only real change I think in the inflation picture from the beginning of the year to the current situation is in food and beverages where we had a moderation in the last 3 months. Actually,

in housing I think we have had an acceleration and in energy we have had a continuation of a very high rate of inflation. But the story this year is really going to be energy, housing, and food in the early part of the year.

Ms. NORWOOD. With the moderation for the end of the period in food.

Senator BENTSEN. I recall when Barry Bosworth was testifying before us he said in those industries that had guidelines the prices were going up less than in those industries not under the guidelines. As I recall, he said they were trying to track those two groups to verify whether that's correct or not. The way you're flipping through your charts, I hope that means that you have some numbers.

Ms. NORWOOD. Well, we just thought you might ask us that, Senator. We do calculate a special index and it shows a 0.7-percent rise this month, seasonally adjusted. The 3-month seasonally adjusted annual rate is 7 percent.

Senator BENTSEN. Is that for industries under the guidelines? Is that what you're saying?

Ms. NORWOOD. Well, it is an index that is as close as we are able to make it to those things which would be affected by the actions that the Council on Wage and Price Stability takes. There is no way for us to develop a specific index because of the way in which the guidelines are developed, but it tries to take out such things as food and energy and home purchase and mortgage interest costs which are not affected by the guidelines, and then it takes the remainder as an index, and that index is going up at roughly a 7-percent annual rate over the last 3 to 6 months.

Senator BENTSEN. As compared to—if you take those sectors out——

Ms. NORWOOD. Well, there are two ways of looking at it. One is it's 7 percent as compared to the 12 or 13 that we had in August. Another way of looking at it——

Senator BENTSEN. If you take the 7 percent sectors out, then the others must be going up even more.

Ms. NORWOOD. Another way of looking at it is to look back, and since the beginning of the year, there was some acceleration in the spring and the summer. It's a little bit less than it was. If you go back to January, this index was 5.5. I'm giving you 3-month annual rates now. In April it was up to 7.4 percent. It is now in August down to 7.0.

Senator BENTSEN. Well, do I understand that it finally gets to the point that Barry Bosworth stated to us, that those sectors are affected by the guidelines are substantially better performers than where industry is not affected by the guidelines; is that correct?

Ms. NORWOOD. I think that is correct.

Senator BENTSEN. That is correct?

Ms. NORWOOD. I think that is correct, yes.

Senator BENTSEN. Of course, we're talking about things outside the guidelines like energy and we're talking about housing.

Mr. LAYNG. The statement you made concerning the remainder—that it has accelerated a great deal more than other things in this index—is correct.

Senator BENTSEN. That's the point I was trying to make.

Ms. NORWOOD. Yes; you're quite right, sir.

Senator BENTSEN. I know that in June, gasoline prices rose 5.6 percent. In July, they rose 5 percent, and in August they rose 4 percent. Does that mean a leveling off of gasoline prices?

Ms. NORWOOD. I hope so.

Senator BENTSEN. I note again the price of gasoline and home heating oil has gone up at an annualized rate of about 75 percent in the last 6 months and business firms have been paying more for petroleum-based materials and energy. These costs get passed on to consumers in higher prices.

Now of our current rate of inflation of about 13 percent, how much of that can be attributed to the rise in petroleum prices? If you work around that number, can you figure out how much that actually affects the CPI increase?

Ms. NORWOOD. Some of that is, of course, the indirect effect that, as I indicated earlier, there's really no way for us to get at. But I think, Senator Bentsen, that if you look at table 2 that's attached to my statement and if we look just at 1979, I think there are really some rather interesting things that show up, particularly if you look at the last column, which is entitled "Effect on all items."

What that really says is that on the 8.6, 2.4 points came from energy, and that 1.6 of the 8.6 is gasoline alone.

Senator BENTSEN. Well, let's take another component then. New car prices are about to be announced. Now, if they increase the new car prices, say, 6 percent, can you give me a feel of how that would affect the overall CPI?

Ms. NORWOOD. We can calculate that.

Mr. LAYNG. A few tenths probably. A 6-percent increase in new car prices, which carries a weight in the index of about 4 percent, would add up to a couple tenths.

Senator BENTSEN. I wish we could get a better feel for how much these interest rates are affecting inflation. Is there any way to find that?

Mr. LAYNG. You can do it in a normative way. You could work it through an analytical process and get a static or normative estimate. The unfortunate thing with those estimates is that they don't take into account the demand and supply situations as they change. I think it's one of the most perplexing analytical questions we have facing us. There are a great many different estimates with respect to the impact of these different things, for example, energy, which are so pervasive in the economic system.

Senator BENTSEN. It's very frustrating. I'm going right down to the Senate Finance Committee and we're talking about windfall profits down there and trying to figure that out, but that's not enough. We know there's an input coming back and an evaluation of that is just extremely difficult. So we get estimates all over the lot and most of those estimates are relatively sincere.

Ms. NORWOOD. Yes, indeed.

Senator BENTSEN. Well, Commissioner, let's hope next month is a better month. We look forward to seeing you.

Ms. NORWOOD. Thank you, sir.

[Whereupon, at 10:35 a.m., the committee adjourned, subject to the call of the Chair.]

MONITORING INFLATION

FRIDAY, OCTOBER 26, 1979

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 5302, Dirksen Senate Office Building, Hon. William Proxmire (member of the committee) presiding.

Present: Senators Proxmire and McGovern; and Representative Wylie.

Also present: John M. Albertine, executive director; Kent H. Hughes and Paul B. Manchester, professional staff members; Mark Borchelt, administrative assistant; Charles H. Bradford, minority counsel; and Mark R. Policinski, minority professional staff member.

OPENING STATEMENT OF SENATOR PROXMIRE, PRESIDING

Senator PROXMIRE. This morning we've received the latest release on the performance of the economy with respect to prices and real earnings. Inflation last month continued as it has for the past year—relentlessly. Every month we've had another increase at an annual rate of between 13 and 14 percent. The Consumer Price Index increased at a rate of 14 percent, last month. For 9 consecutive months the CPI has gone up at a rate of about 1 percent a month, an annual rate of more than 13 percent.

The outlook on inflation remains very bleak. Food prices have been escalating rapidly. After 3 months of relatively slow increases, fuel oil prices rose at an annual rate of 92 percent. Gasoline prices rose at an annual rate of 51 percent. Fruit and vegetable prices rose at an annual rate of 38 percent. Home financing costs were up at an annual rate of 34 percent. Housing prices were up at an annual rate of 14 percent. Used car prices declined for the seventh consecutive month. The only other bright spot in the dismal September report is entertainment prices. So, you are getting beaten to death on the essentials. At least you can go to the movies and enjoy yourself, but other items increased at a pace which no consumer will find entertaining.

Before proceeding, and without objection, I would like to place in the record at this point the press release entitled "The Consumer Price Index—September 1979."

[The press release follows:]

News
United States Department of Labor
Bureau of Labor Statistics
Washington, D.C. 20212

Patrick Jackman (202) 523-7827
523-8416
Kathryn Hoyle (202) 523-1913
523-1208

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Friday, October 26, 1979

THE CONSUMER PRICE INDEX--SEPTEMBER 1979

The Consumer Price Index for All Urban Consumers (CPI-U) increased 1.0 percent before seasonal adjustment in September to 223.4 (1967=100), the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) also increased 1.0 percent before seasonal adjustment in September to 223.7 (1967=100). The CPI-U was 12.1 percent higher and the CPI-W was 12.4 percent higher than in September 1978.

CPI for All Urban Consumers (CPI-U)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for All Urban Consumers rose 1.1 percent in September, the ninth consecutive monthly increase of about 1.0 percent. Food and beverage prices advanced sharply in September following 3 months of very little change. The housing and transportation components of the index continued to increase substantially as mortgage interest rates and prices of houses and energy items advanced. Prices for apparel and other goods and services also rose notably in September. The index for medical care rose about the same as in August. The 0.3 percent increase in the entertainment index for September, however, was substantially smaller than in each of the 2 preceding months.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U)

Expenditure category	Seasonally adjusted: Changes from preceding month, 1979							Seasonally adjusted: Compound annual rate 3-mos. ended	Unadjusted: 12-mos. ended
	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. '79	Sept. '79
All items	1.0	1.1	1.1	1.0	1.0	1.1	1.1	13.2	12.1
Food and beverages	1.0	.9	.7	.2	.1	0	.9	4.3	9.8
Housing	1.0	1.1	1.2	1.3	1.2	1.4	1.2	16.1	13.1
Apparel and upkeep	1.5	.5	0	-.1	-.1	.7	1.3	7.7	4.9
Transportation	1.2	2.0	1.8	1.7	1.8	1.5	1.2	19.5	17.3
Medical care	.6	.6	.6	.7	.7	.8	.9	9.9	9.5
Entertainment	.9	.8	.5	.1	.7	.7	.3	7.2	7.2
Other goods and services	.6	.5	.5	.5	.5	1.0	1.6	12.6	7.4

(Data for CPI-U are shown in tables 1 through 3.)

During the 3 months ended in September, the CPI-U increased at a seasonally adjusted annual rate of 13.2 percent, about the same as in the first and second quarters of the year.

The September rise of 0.9 percent in the food and beverage component was the largest increase since April. Prices of grocery store foods increased 1.1 percent. Fruit and vegetable prices rose 2.7 percent after seasonal adjustment and accounted for about one-third of the increase. The index for meats, poultry, fish, and eggs, which had declined substantially in each of the preceding 3 months, rose 0.7 percent in September. A turnaround in beef and egg prices more than offset the continued decline in prices for pork and poultry. Indexes for cereal and bakery products and dairy products showed smaller increases in September. Prices of the other two components of the food and beverage index--restaurant meals and alcoholic beverages--each rose 0.6 percent in September. The increase in restaurant meals was about the same as in July and August, but considerably less than the average monthly rate of increase during the first half of the year.

The housing index rose 1.2 percent in September, the eighth consecutive month of large increases. Rising household fuel prices and homeownership costs continued to account for most of the increase. Fuel oil prices rose 5.6 percent. The index for gas and electricity also rose substantially in September, but by less than in each of the preceding 4 months. In September, house prices rose 1.1 percent. Home financing costs rose 2.5 percent, reflecting increases in both mortgage interest rates and house prices. Charges for home maintenance and repairs rose 1.0 percent.

The transportation component advanced sharply for the eleventh consecutive month in September. Gasoline prices rose 3.5 percent and accounted for over four-fifths of the transportation increase. New car prices rose 0.4 percent on a seasonally adjusted basis in September, the same as in August. The rise in new car prices was moderated somewhat by manufacturers' rebates offered on some models. Used car prices declined for the seventh consecutive month. The index for public transportation rose 1.6 percent in September, following

increases of 1.5 percent in July and 2.0 percent in August. Airline fares, intercity bus fares, and taxi fares all showed substantial increases for the third consecutive month.

The index for apparel and upkeep rose 1.3 percent in September compared with 0.7 percent in August and a decline of 0.2 percent in the 3-month period ended in July. Prices of most apparel commodities increased substantially in September, reflecting the continued introduction of fall and winter wear. Charges for apparel services rose 1.2 percent in September compared with 1.0 percent in August.

The medical care index rose 0.9 percent in September, about the same as in August. Charges for physicians' services and hospital rooms rose 0.7 and 0.6 percent, respectively, following increases of 0.8 and 1.2 percent in August. The index for medical care commodities in September continued to increase at about the same rate as during the preceding 3 months.

The index for entertainment rose 0.3 percent in September, compared with increases of 0.7 percent in both July and August. The index for other goods and services rose 1.6 percent in September, following an increase of 1.0 percent in August. Higher prices for tuition and other educational expenses accounted for over two-thirds of the increase.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers rose 1.1 percent in September, the ninth consecutive monthly increase of 1.0 percent or more. Food and beverage prices advanced sharply in September following 3 months of very little change. The housing and transportation components of the index continued to increase substantially as mortgage interest rates and prices of houses and energy items advanced. Most other major categories of consumer spending registered larger price increases in September than in August.

The September rise of 0.9 percent in the food and beverage index was the largest increase since March. Prices of grocery store foods increased 1.1 percent. The index for meats, poultry, fish, and eggs rose 1.0 percent in September. A turnaround in beef and egg

prices more than offset the continued decline in prices for pork and poultry. Fruit and vegetable prices rose 2.1 percent after seasonal adjustment, about the same as in August. Indexes for cereal and bakery products and dairy products showed smaller increases than in September. Restaurant meals rose 0.5 percent in September, somewhat less than in recent months.

The housing index rose 1.2 percent in September, the eighth consecutive month of large increases. Rising household fuel prices and homeownership costs continued to account for most of the increase. In September, house prices rose 1.2 percent and home financing costs rose 2.5 percent. Fuel oil prices rose 5.7 percent, while the index for gas and electricity rose 1.3 percent in September, the same as in August.

The transportation component advanced sharply for the eleventh consecutive month. Gasoline prices rose 3.5 percent in September and accounted for over four-fifths of the transportation increase. New car prices rose 0.5 percent on a seasonally adjusted basis in September, compared with 0.3 percent in August. Used car prices declined in September for the seventh consecutive month. The index for public transportation rose 1.1 percent in September, following increases of 1.2 percent in July and 1.6 percent in August, as airline fares, intercity bus fares, and taxi fares all showed substantial increases.

The index for apparel and upkeep rose 1.0 percent in September compared with 0.5 percent in August and a decline of 0.1 percent in the 3-month period ended in July. Prices of most apparel commodities increased substantially in September, reflecting the continued introduction of fall and winter wear.

The medical care index rose 1.0 percent in September, compared with 0.8 percent in August. Charges for physicians' services and hospital rooms rose 1.1 and 0.6 percent, respectively, following increases of 0.8 and 1.1 percent in August.

The index for entertainment rose 0.7 percent in September compared with 0.3 percent in August. The index for other goods and services rose 1.2 percent in September, the same as in August. Higher prices for tuition and other educational expenses accounted for about two-thirds of the increase.

Table B. Percent changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure category	Seasonally adjusted							Unadjusted
	Changes from preceding month 1979							Compound annual rate 3-mos. ended Sept.'79	12-mos. ended Sept.'79
	Mar.	Apr.	May	June	July	Aug.	Sept.		
All Items	1.1	1.1	1.0	1.0	1.0	1.0	1.1	13.2	12.4
Food and beverages	1.2	.8	.4	.3	.2	0	.9	4.3	10.0
Housing	1.0	1.1	1.3	1.3	1.2	1.4	1.2	16.3	13.3
Apparel and upkeep	1.3	.4	-.1	-.2	.2	.5	1.0	7.2	4.6
Transportation	1.2	2.0	1.8	1.8	1.7	1.5	1.2	19.4	17.5
Medical care	.6	.7	.6	.9	.8	.8	1.0	11.2	9.8
Entertainment	.9	.5	.8	.1	.7	.3	.7	7.3	7.2
Other goods and services	.5	.5	.5	.4	.4	1.2	1.2	11.5	7.2

(Data for CPI-W are shown in tables 4 through 6.)

Technical Notes

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. Effective with the January 1978 index, the Bureau of Labor Statistics began publishing CPI's for two population groups: (1) a new CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total noninstitutional civilian population; and (2) a revised CPI for Urban Wage Earners and Clerical Workers (CPI-W) which represents about half the population covered by the CPI-U. The CPI-U includes, in addition to wage earners and clerical workers, groups which historically have been excluded from CPI coverage, such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Prices are collected in 85 urban areas across the country from over 18,000 tenants, 18,000 housing units for property taxes, and about 24,000 establishments—grocery and department stores, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of food, fuels, and a few other items are obtained every month in all 85 locations. Prices of most other commodities and services are collected every month in the five largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits of the Bureau's trained representatives. Mail questionnaires are used to obtain public utility rates, some fuel prices, and certain other items.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Separate indexes are also published for 28 local areas. Area indexes do not measure differences in the level of prices among cities; they only measure the average change in prices for each area since the base period.

The index measures price changes from a designated reference date—1967—which equals 100.0. An increase of 22 percent, for example, is shown as 122.0. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

For further details see the following: *The Consumer Price Index: Concepts and Content Over the Years*, Report 517, revised edition (Bureau of Labor Statistics, May 1978); *The Revision of the Consumer Price Index*, by W. John Layng, reprinted from the *Statistical Reporter*, February 1978, No. 78-5 (U.S. Dept. of Commerce), and *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978.

A Note About Calculating Index Changes

Movements of the indexes from one month to another are usually expressed as percent changes rather than changes in index points because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example in the accompanying box illustrates the computation of index point and percent changes.

Percent changes for 3-month and 6-month periods are expressed as annual rates and are computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

Index Point Change

CPI	189.8
Less previous index	189.2
Equals index point change:	0.6

Percent Change

Index point difference	0.6
Divided by the previous index	189.2
Equals:	0.003
Results multiplied by one hundred	0.003x100
Equals percent change:	0.3

A Note on Seasonally Adjusted and Unadjusted Data

Because price data are used for different purposes by different groups, the Bureau of Labor Statistics publishes seasonally adjusted as well as unadjusted changes each month.

For analyzing general price trends in the economy, seasonally adjusted changes are usually preferred since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude every year—such as price movements resulting from changing climatic conditions, production cycles, model changeovers, holidays, and sales.

The unadjusted data are of primary interest to consumers concerned about the prices they acutally pay. Unadjusted data are also used extensively for escalation purposes. Many collective bargaining contract agreements and pension plans, for example, tie compensation changes to the Consumer Price Index unadjusted for seasonal variation.

Seasonal factors used in computing the seasonally adjusted indexes are derived by the X-11 Variant of the Census Method II Seasonal Adjustment Program. The updated seasonal data at the end of 1977 replaced data from 1967 through 1977. Subsequent annual updates will replace 5 years of seasonal data, e.g., data from 1974 through 1978 will be replaced at the end of 1978. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components.

24 Hour CPI Mailgram Service

Consumer Price Index data now are available by mailgram within 24 hours of the CPI release. The new service is being offered by the Bureau of Labor Statistics through the National Technical Information Service of the U.S. Department of Commerce.

The CPI MAILGRAM service provides unadjusted and seasonally adjusted data both for the All Urban Consumers (CPI-U) and for the Urban Wage Earners and Clerical Workers (CPI-W) Indexes as shown on the CPI-U sample page below. The unadjusted data include the current month's index and the percent changes from 12 months ago and one month ago. The seasonally adjusted data are the percent changes from one month ago.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U)! U.S. CITY AVERAGE (1967=100)

GROUP	UNADJ INDEX MAY 1979	UNADJUSTED PER CNG FROM 12 MO AGO	UNADJUSTED PER CNG FROM 1 MO AGO	S ADJ PER CNG FROM 1 MO AGO
ALL ITEMS	214.1	10.8	1.2	1.1
ALL ITEMS(1957-59=100)	649.0	-	-	-
FOOD AND BEVERAGES	228.8	11.2	.8	.7
FOOD	230.3	11.4	.9	.7
FOOD AT HOME	233.4	11.3	.7	.5
CEREALS AND BAKERY PRODUCTS	219.2	9.3	.6	1.0
MEATS, POULTRY, FISH, AND EGGS	242.2	10.6	.9	.1
DAIRY PRODUCTS	203.8	11.1	.7	.8
FRUITS AND VEGETABLES	226.8	5.6	.1	-.2
FOOD AWAY FROM HOME	241.1	11.7	1.1	1.1
HOUSING	202.6	11.5	1.2	1.2
RENT, RESIDENTIAL	173.8	6.8	1.2	1.3
HOMEOWNERSHIP	224.9	15.6	1.3	1.3
FUEL AND OTHER UTILITIES	320.2	7.7	2.1	2.3
FUEL OIL, COAL, AND BOTTLED GAS	344.3	23.2	4.1	4.3
GAS (PIPED) AND ELECTRICITY	251.6	8.2	2.6	2.6
HOUSEHOLD FURNISHINGS AND OPERATION	189.2	7.3	.3	.4
APPAREL AND UPKEEP	168.1	5.9	.4	.3
TRANSPORTATION	207.7	13.6	2.4	1.8
NEW CARS	169.8	8.7	.9	1.1
USED CARS	223.4	11.3	-.7	-.5
GASOLINE	247.7	24.1	5.3	5.3
PUBLIC TRANSPORTATION	193.3	3.1	.4	.9
MEDICAL CARE	236.3	8.9	.5	.6
MEDICAL CARE SERVICES	256.4	9.4	.5	.6
ENTERTAINMENT	197.8	6.6	.7	.5
OTHER GOODS AND SERVICES	193.9	7.5	.4	.5
PERSONAL CARE 1/	191.6	7.5	.6	.6
COMMODITIES	205.6	10.9	1.2	1.0
COMMODITIES LESS FOOD AND BEVERAGES	192.9	10.9	1.5	1.0
NONDURABLES LESS FOOD AND BEVERAGES	193.7	12.3	2.0	1.4
DURABLES	189.2	10.0	1.1	.9
SERVICES	229.5	10.3	1.1	1.2
ALL ITEMS LESS FOOD	203.9	10.5	1.3	1.2
ENERGY 1/	260.8	19.8	4.5	4.2
ALL ITEMS LESS FOOD AND ENERGY	196.1	9.3	.9	.9

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TABLE 1. Consumer Price Index for all urban consumers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes Aug. 1979	Sept. 1979	Unadjusted percent change to Sept. 1979 from- Sept. 1978	Aug. 1979	Seasonally adjusted percent change from- June to July	July to Aug.	Aug. to Sept.
Expenditure category								
All items	100.000	221.1	223.4	12.1	1.0	1.0	1.1	1.1
All items(1957-59=100)	-	257.1	259.8	-	-	-	-	-
Food and beverages	19.242	230.2	231.0	9.8	.3	.1	.0	.9
Food	18.161	236.3	237.1	10.0	.3	.1	.0	.9
Food at home	12.616	233.9	234.7	9.6	.3	.1	.3	1.1
Cereals and bakery products	1.543	223.7	225.6	10.7	.8	1.3	2.3	.5
Meats, poultry, fish, and eggs	4.363	230.2	231.0	10.1	.3	-2.7	-3.6	.7
Dairy products	1.683	208.6	211.3	11.9	1.3	.9	1.3	.5
Fruits and vegetables	1.757	237.8	231.8	7.2	-2.5	2.3	1.5	2.7
Sugar and sweets	.440	281.0	282.0	7.7	.4	1.2	.6	1.0
Fats and oils	.367	228.9	231.5	7.5	1.1	.7	1.0	.3
Nonalcoholic beverages 1/	.418	361.8	367.7	8.2	1.6	1.2	2.0	1.6
Other prepared foods	1.045	210.5	212.6	10.4	1.0	1.1	.5	1.0
Food away from home	5.545	246.5	247.6	10.9	.4	.6	.7	.6
Alcoholic beverages	1.080	173.3	174.2	7.5	.5	.5	.3	.6
Housing	48.258	231.5	234.6	13.1	1.3	1.2	1.4	1.2
Shelter	29.827	243.9	247.4	14.4	1.4	1.3	1.5	1.3
Rent, residential	5.535	177.5	179.0	7.6	.8	.8	.9	.8
Other rental costs	.735	238.2	239.3	12.9	.5	1.2	.7	.8
Homeownership	23.557	267.6	271.9	16.1	1.6	1.4	1.7	1.4
Home purchase	10.166	226.9	229.8	14.2	1.3	1.2	1.5	1.3
Financing, taxes, and insurance	9.686	316.4	323.0	20.1	2.1	1.8	2.1	1.8
Maintenance and repairs	3.705	259.7	262.5	10.5	1.1	.8	.7	1.0
Maintenance and repair services	2.846	281.8	284.4	10.7	.9	.8	.6	.6
Maintenance and repair commodities	.859	208.1	211.5	10.0	1.6	.8	1.1	2.1
Fuel and other utilities	6.326	247.2	251.2	18.8	1.6	1.9	1.8	1.7
Fuels	5.437	299.7	306.6	21.9	2.3	2.6	2.6	2.4
Fuel oil, coal, and bottled gas	.879	438.6	461.6	56.1	5.2	5.7	6.7	5.6
Gas (piped) and electricity	3.352	266.5	270.1	13.5	1.4	1.7	1.4	1.3
Other utilities and public services	2.096	159.8	159.8	.4	.0	.3	-.1	-.1
Household furnishings and operation	8.105	191.2	192.2	6.5	.5	.4	.5	.4
Housefurnishings	4.457	163.2	164.1	4.9	.6	.2	.3	.1
Housekeeping supplies	1.542	223.4	224.1	7.3	.3	.3	.6	.4
Housekeeping services	2.106	251.6	253.4	9.4	.7	.8	1.0	.8
Apparel and upkeep	5.486	166.3	169.8	4.9	2.1	-.1	.7	1.3
Apparel commodities	4.819	160.6	164.2	4.0	2.2	-.1	.6	1.2
Men's and boys' apparel	1.532	159.6	162.7	2.5	1.9	.5	.2	.9
Women's and girls' apparel	1.891	151.3	155.9	2.4	3.0	-1.3	1.6	1.5
Infants' and toddlers' apparel	.118	221.2	223.4	1.4	1.0	-.9	.4	.7
Footwear	.698	177.5	180.1	8.7	1.5	.6	.1	1.0
Other apparel commodities	.580	169.8	172.6	8.1	1.6	.5	.9	1.8
Apparel services 1/	.666	207.7	210.2	11.6	1.2	.4	1.0	1.2
Transportation	17.806	219.6	221.4	12.3	.8	1.8	1.5	1.2
Private transportation	16.782	220.4	222.0	12.9	.7	1.7	1.5	1.2
New cars	3.934	166.6	166.1	8.2	-.3	.8	.4	.4
Used cars	5.148	207.0	202.9	3.6	-2.0	-.9	.6	-.9
Gasoline	4.183	292.0	301.0	49.4	3.1	5.0	4.0	3.5
Maintenance and repair	1.515	245.7	247.1	10.1	.6	.9	.7	.6
Other private transportation	8.001	200.5	201.7	6.9	.6	.8	1.4	.5
Other private trans. commodities	.714	175.1	177.7	10.5	1.5	.7	1.1	.9
Other private trans. services	3.288	209.1	210.1	8.5	.5	.7	1.4	.5
Public transportation	1.024	260.8	265.2	9.0	2.2	1.5	2.0	1.6
Medical care	4.959	241.8	243.7	9.5	.8	.7	.8	.9
Medical care commodities	.845	155.0	155.8	7.4	.5	.6	.7	.6
Medical care services	4.115	260.6	262.8	9.9	.8	.7	.8	1.0
Professional services 1/	1.982	228.9	230.3	8.8	.6	.8	.6	.6
Other medical care services	2.133	299.0	302.0	10.9	1.0	.6	1.0	1.3
Entertainment	3.963	190.2	191.1	7.2	.5	.7	.7	.3
Entertainment commodities	2.330	191.0	192.0	7.3	.5	.9	.9	.4
Entertainment services	1.633	189.4	190.2	6.9	.4	.3	.5	.2
Other goods and services	4.287	197.0	201.7	7.4	2.4	.5	1.0	1.6
Tobacco products	1.152	189.3	190.9	5.6	.5	.2	1.5	.6
Personal care 1/	1.707	197.5	199.0	7.6	.8	.7	.6	.8
Toilet goods and personal care appliances 1/	.762	189.7	191.4	6.6	.9	.4	.6	.9
Personal care services 1/	.945	205.0	206.4	8.5	.7	.9	.5	.7
Personal and educational expenses	1.427	210.8	223.3	8.6	5.9	.4	1.0	3.3
School books and supplies	.183	192.6	201.5	7.6	4.6	.6	1.1	4.2
Personal and educational services	1.245	215.4	228.6	8.7	6.1	.4	1.0	3.2
Commodity and service group								
All items	100.000	221.1	223.4	12.1	1.0	1.0	1.1	1.1
Commodities	59.213	212.2	214.1	12.4	.9	.9	.9	1.1
Food and beverages	19.242	230.2	231.0	9.8	.3	.1	.0	.9
Commodities less food and beverages	39.972	200.9	203.3	13.6	1.2	1.2	1.4	1.2
Nondurables less food and beverages	16.671	208.8	213.2	19.0	2.1	2.1	2.1	1.7
Apparel commodities	4.819	160.6	164.2	4.0	2.2	-.1	.6	1.2
Nondurables less food, beverages, and apparel 1/	11.852	237.3	242.2	25.3	2.1	2.8	2.6	2.1
Durables	23.301	193.6	194.5	9.8	.5	.7	.7	.7
Services	40.787	237.6	240.7	11.6	1.3	1.1	1.2	1.1
Rent, residential	5.535	177.5	179.0	7.6	.8	.8	.9	.8
Household services less rent	20.822	272.8	276.7	18.4	1.4	1.4	1.4	1.3
Transportation services	5.828	214.9	216.6	9.0	.8	.9	1.3	.7
Medical care services	4.115	260.6	262.8	9.9	.8	.7	.8	1.0
Other services	4.489	200.5	204.7	8.4	2.1	.5	.7	1.3
Special indexes:								
All items less food	81.838	216.9	219.6	12.6	1.2	1.2	1.3	1.2
All items less shelter	70.173	214.2	216.1	11.1	.9	.8	.8	1.0
All items less mortgage interest costs 1/	92.728	214.7	216.7	10.8	.9	.9	.8	.9
All items less medical care	95.041	219.7	222.1	12.2	1.1	1.0	1.1	1.1
Commodities less food	41.052	199.5	201.8	13.5	1.2	1.2	1.3	1.2
Nondurables less food	17.510	205.7	209.6	18.4	2.0	2.1	1.9	1.8
Nondurables less food and apparel 1/	12.932	228.3	232.7	23.8	1.9	2.7	2.5	1.9
Nondurables 1/	35.912	220.4	223.1	14.2	1.2	1.2	1.0	1.2
Services less rent	35.252	248.8	252.1	12.2	1.3	1.2	1.3	1.3
Services less medical care 1/	36.672	233.6	236.7	11.8	1.3	1.1	1.3	1.3
Energy 1/	8.502	296.3	304.3	35.2	2.7	4.2	3.2	2.7
All items less energy 1/	91.498	215.4	217.3	10.0	.9	.8	.7	.9
All items less food and energy 1/	73.337	209.4	211.5	9.9	1.0	.7	1.0	1.0
Commodities less food and energy	35.502	186.6	188.2	8.3	.7	.7	.6	.6
Energy commodities 1/	5.150	314.5	325.3	49.8	3.4	5.6	4.6	3.4
Services less energy	37.435	235.4	238.4	11.5	1.3	1.0	1.2	1.1
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	0.452	0.448	-10.8	-.9	+1.1	-1.1	-.9
1957-59=$1.00 1/	-	.389	.385	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 2. Consumer Price Index for all urban consumers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in				6 months ending in	
	June 1979	July 1979	Aug. 1979	Sept. 1979	Dec. 1978	Mar. 1979	June 1979	Sept. 1979	Mar. 1979	Sept. 1979
Expenditure category										
All items	228.7	229.8	229.0	231.1	10.0	17.6	7.5	4.3	13.7	5.9
Food and beverages	234.7	235.0	235.0	239.1	10.2	17.7	7.5	4.2	13.9	5.8
Food	233.2	233.0	232.3	234.8	10.9	19.2	5.7	2.8	15.0	4.2
Food at home	217.6	220.5	225.5	226.7	6.6	8.5	10.2	17.8	7.6	13.9
Cereals and bakery products	240.5	235.9	225.5	227.1	27.7	40.3	2.7	-20.5	33.8	-9.6
Meats, poultry, fish, and eggs	206.1	206.0	210.7	211.7	13.5	12.9	9.0	11.3	13.2	10.6
Dairy products	229.4	229.6	233.1	239.5	-10.2	12.7	.5	29.8	.6	14.2
Fruits and vegetables	276.6	280.0	281.6	284.3	6.5	1.4	12.0	11.6	3.9	11.8
Sugar and sweets	226.3	227.9	230.1	230.8	3.6	8.4	9.9	8.2	6.0	9.1
Fats and oils	350.4	354.6	361.8	367.7	2.3	6.5	3.9	21.3	4.3	12.2
Nonalcoholic beverages 1/	208.6	210.8	211.8	213.9	5.8	10.6	13.9	10.6	8.6	12.2
Other prepared foods	242.9	244.4	246.0	247.4	8.7	15.6	11.8	7.6	12.1	9.7
Food away from home	171.9	172.7	173.3	174.4	7.1	11.4	6.0	5.9	9.2	6.0
Alcoholic beverages	225.7	228.4	231.6	234.3	8.8	12.0	15.5	16.1	10.4	15.8
Housing	237.0	240.0	243.6	246.8	10.4	14.3	15.9	17.6	12.3	16.8
Shelter	196.7	198.1	199.7	199.2	7.7	3.6	8.7	10.7	5.6	9.7
Rent, residential	231.8	234.6	236.3	238.3	14.8	15.1	10.1	11.7	14.9	10.9
Other rental costs	259.3	262.9	267.3	271.0	10.5	16.7	18.0	19.3	13.7	18.6
Homeownership	220.7	223.3	226.7	229.3	14.3	10.8	15.5	16.5	12.5	16.0
Home purchase	309.0	309.5	316.1	321.7	7.0	25.8	23.1	25.4	16.1	24.3
Financing, taxes, and insurance	255.1	257.2	259.1	261.6	12.6	8.3	10.9	10.6	10.4	10.7
Maintenance and repairs	277.1	279.4	281.2	283.0	11.9	9.8	12.4	8.8	10.6	10.6
Maintenance and repair services	293.4	295.1	297.3	299.7	14.7	3.5	5.5	17.3	8.9	11.3
Maintenance and repair commodities	239.1	243.7	246.1	252.2	.7	9.6	27.3	23.8	5.1	25.5
Fuel and other utilities	186.1	293.6	301.3	308.5	.5	16.1	41.1	35.2	8.8	38.1
Fuels	193.6	416.2	433.9	468.6	18.0	36.7	89.4	100.9	24.8	95.1
Fuel oil, coal, and bottled gas	259.4	263.7	267.3	270.9	-2.8	10.7	29.9	18.9	3.7	24.3
Gas (piped) and electricity	159.5	159.9	159.7	159.6	1.3	-2.0	1.8	.3	-.4	1.0
Other utilities and public services	189.7	190.5	191.5	192.2	8.2	6.9	5.4	5.4	7.6	5.4
Household furnishings and operation	162.8	163.2	163.7	163.9	6.0	6.7	4.0	2.7	6.4	3.4
Housefurnishings	221.7	222.3	223.6	224.5	9.1	7.9	7.0	5.1	8.5	6.1
Housekeeping supplies	247.1	249.2	251.6	253.7	13.0	5.8	8.3	10.8	9.4	9.5
Housekeeping services	165.8	165.6	166.8	168.9	2.3	8.7	1.5	7.7	5.4	4.5
Apparel and upkeep	161.3	160.1	161.1	163.1	1.5	7.2	1.0	7.2	4.5	3.5
Apparel commodities	160.3	160.1	161.1	163.1	1.5	7.2	1.0	7.2	4.5	3.5
Men's and boys' apparel	162.2	161.8	160.6	162.1	2.5	-.5	3.3	4.8	1.0	4.1
Women's and girls' apparel	151.3	149.4	151.8	154.3	-3.5	14.1	-7.1	7.6	5.0	.0
Infants' and toddlers' apparel	221.8	219.7	220.5	222.1	-.2	-3.8	9.5	.5	-2.0	4.9
Footwear	176.7	177.8	177.3	179.7	10.6	4.8	12.4	7.0	7.6	9.7
Other apparel commodities	167.3	168.1	169.6	172.6	5.1	13.8	1.0	13.3	9.4	6.9
Apparel services 1/	204.6	205.7	207.7	210.2	9.2	16.5	10.0	11.0	12.8	10.5
Transportation	211.1	214.8	218.1	220.7	11.1	14.6	24.4	19.5	12.8	21.9
Private transportation	211.8	215.4	218.7	221.3	11.8	14.8	25.8	19.2	13.3	22.4
New cars	167.0	168.4	169.1	169.8	1.0	12.8	12.7	8.9	6.7	9.7
Used cars	201.6	198.8	195.7	197.0	21.5	9.1	-4.6	-8.8	15.2	-6.7
Gasoline	262.5	276.1	287.1	297.1	18.2	35.6	90.8	63.1	26.6	76.4
Maintenance and repair	242.0	244.2	245.9	247.3	10.0	9.9	11.3	9.1	9.9	10.2
Other private transportation	197.6	199.1	201.8	202.8	8.6	5.1	10.6	10.9	6.9	10.8
Other private trans. commodities	172.8	171.0	176.0	177.5	8.2	11.7	10.6	11.3	9.9	11.0
Other private trans. services	206.2	207.7	210.6	211.6	8.9	3.5	10.8	10.9	6.1	10.8
Public transportation	194.6	197.5	201.0	208.6	1.0	5.9	7.1	22.2	3.9	14.4
Medical care	238.3	239.7	241.5	243.7	10.8	9.4	7.7	9.9	10.1	8.8
Medical care commodities	153.0	153.9	155.0	156.0	8.2	6.9	6.2	8.1	7.6	7.2
Medical care services	256.3	258.2	260.2	262.8	11.3	10.1	8.0	10.5	10.7	9.3
Professional services 1/	225.7	227.8	228.9	230.3	8.2	11.2	7.4	6.4	9.7	7.9
Other medical care services	293.4	295.2	298.1	302.0	14.4	8.5	8.8	12.3	11.4	10.5
Entertainment	187.6	188.9	190.3	190.9	6.7	8.9	5.5	7.2	7.8	6.4
Entertainment commodities	187.6	189.3	191.0	191.8	6.2	11.0	2.8	9.3	8.6	6.0
Entertainment services	188.1	188.6	189.6	190.0	7.2	6.8	9.5	4.1	7.0	6.7
Other goods and services	195.3	196.2	198.1	201.2	2.4	8.5	5.7	12.6	5.4	9.1
Tobacco products	187.1	187.4	190.3	191.5	-2.4	11.8	3.7	9.7	4.5	6.7
Personal care 1/	195.0	196.4	197.5	199.0	5.3	10.7	6.2	8.5	7.9	7.3
Toilet goods and personal care appliances 1/	187.9	188.6	189.7	191.4	3.2	12.0	3.9	7.7	7.5	5.8
Personal care services 1/	202.0	203.9	205.0	206.6	7.3	9.0	8.5	9.0	8.1	8.8
Personal and educational expenses	211.1	212.0	214.1	221.2	2.8	5.4	6.3	20.6	4.1	13.2
School books and supplies	193.9	195.1	197.3	209.6	-12.5	13.6	7.7	26.4	-.3	16.1
Personal and educational services	213.5	214.4	216.5	225.4	5.3	3.9	6.2	19.7	4.6	12.7
Commodity and service group										
All items	228.7	229.8	229.0	231.1	10.0	17.6	7.5	4.3	13.7	5.9
Commodities	207.7	208.5	211.4	213.0	9.6	14.5	13.3	12.3	12.0	12.8
Food and beverages	234.7	235.0	235.0	239.1	10.2	17.7	7.5	4.2	13.9	5.8
Commodities less food and beverages	195.2	197.6	200.3	202.7	9.8	12.9	16.2	16.3	11.3	16.2
Nondurables less food and beverages	200.3	204.6	208.8	212.4	6.7	15.1	27.2	26.4	11.8	26.8
Apparel commodities	160.3	160.1	161.1	163.1	1.5	7.6	.0	7.2	4.5	3.5
Nondurables less food, beverages, and apparel 1/	224.8	251.2	257.3	262.2	8.3	19.1	41.8	34.7	13.6	38.2
Durables	191.1	191.5	192.0	194.1	11.3	10.0	9.1	8.7	10.7	8.9
Services	232.5	235.0	237.8	240.4	7.2	10.6	13.8	14.3	8.9	14.1
Rent, residential	231.7	234.6	236.3	238.3	14.8	15.1	10.1	11.7	14.9	10.9
Rent, residential	176.7	176.1	177.7	179.2	7.7	3.6	8.7	10.7	5.6	9.7
Household services less rent	265.1	268.8	272.6	276.1	6.1	15.7	18.5	17.7	10.8	18.1
Transportation services	211.1	213.1	215.9	217.4	7.8	5.8	10.1	12.5	6.8	11.3
Medical care services	256.3	258.2	260.2	262.8	11.3	10.1	8.0	10.5	10.7	9.3
Other services	198.9	199.9	201.3	203.9	7.0	6.0	6.2	10.4	7.5	9.3
Special indexes:										
All items less food	211.5	214.0	216.7	219.2	8.5	12.0	14.9	15.4	10.2	15.1
All items less shelter	210.2	211.9	213.7	215.9	8.0	12.2	12.5	11.3	10.1	11.9
All items less mortgage interest costs 1/	211.0	213.0	215.7	216.7	6.7	11.3	14.2	11.3	9.0	12.7
All items less medical care	218.9	217.0	219.3	221.8	8.6	13.3	13.7	13.5	10.9	13.6
Commodities less food	193.9	196.3	198.9	201.3	9.6	12.9	15.8	16.2	11.2	16.0
Nondurables less food	197.4	201.5	205.4	209.0	6.7	16.5	25.8	25.7	11.5	25.7
Nondurables less food and apparel 1/	217.0	222.8	228.2	232.7	8.1	18.5	38.6	32.2	13.2	35.4
Nondurables 1/	215.7	218.3	220.4	223.1	7.1	17.3	18.1	14.9	12.1	16.3
Services less rent	243.1	245.9	249.0	251.8	7.1	11.7	14.5	15.1	9.4	14.8
Services less medical care 1/	229.0	230.6	233.6	236.7	6.4	11.2	13.7	16.2	8.8	14.9
Energy 1/	275.4	287.1	296.3	304.3	5.8	24.6	70.0	49.1	14.8	59.2
All items less energy 1/	218.2	213.8	215.4	217.3	7.7	11.6	10.6	10.0	9.6	10.3
All items less food and energy 1/	205.8	207.3	209.4	211.5	7.7	9.3	11.2	11.5	8.5	11.4
Commodities less food and energy	186.2	185.4	186.6	187.8	8.3	9.8	7.3	8.0	9.1	7.7
Energy commodities 1/	284.4	300.8	319.5	325.3	11.9	32.3	100.2	70.0	21.7	84.5
Services less energy	230.4	232.7	235.5	238.1	8.3	10.5	12.5	14.1	9.4	13.3

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

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TABLE 3. Consumer Price Index for all urban consumers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes June 1979	Indexes July 1979	Indexes Aug. 1979	Indexes Sept. 1979	Percent change to Sept. 1979 from– Sept. 1978	Percent change to Sept. 1979 from– July 1979	Percent change to Sept. 1979 from– Aug. 1979	Percent change to Aug. 1979 from– Aug. 1978	Percent change to Aug. 1979 from– June 1979	Percent change to Aug. 1979 from– July 1979
U.S. city average			216.6	218.9	221.1	223.4	12.1	2.1	1.0	11.8	2.1	1.0
Chicago, Ill.-Northwestern Ind.	M		213.3	217.4	218.6	221.3	14.2	1.8	1.2	14.2	2.4	.6
Detroit, Mich.	M		216.4	219.5	222.2	223.7	13.2	1.9	.7	13.5	3.2	1.2
L.A.-Long Beach, Anaheim, Calif.	M		212.9	214.7	217.5	220.7	11.9	2.8	1.5	11.6	2.2	1.3
N.Y., N.Y.-Northeastern N.J.	M		212.5	214.0	216.4	218.1	9.7	1.9	1.3	9.0	1.8	1.1
Philadelphia, Pa.-N.J.	M		213.8	216.1	217.7	219.5	11.0	1.6	.8	10.8	1.8	.7
Anchorage, Alaska	1	10/67	-	207.4	-	213.2	10.4	2.8	-	-	-	-
Baltimore, Md.	1		-	221.0	-	224.9	10.5	1.8	-	-	-	-
Boston, Mass.	1		-	214.2	-	218.1	11.4	1.8	-	-	-	-
Cincinnati, Ohio-Ky.-Ind.	1		-	224.5	-	229.0	12.4	1.9	-	-	-	-
Denver-Boulder, Colo.	1		-	236.5	-	240.8	15.3	1.8	-	-	-	-
Miami, Fla.	1	11/77	-	115.7	-	117.4	10.1	1.5	-	-	-	-
Milwaukee, Wis.	1		-	222.7	-	226.0	13.9	1.5	-	-	-	-
Northeast Pennsylvania	1		-	211.7	-	215.4	10.5	1.7	-	-	-	-
Portland, Oreg.-Wash.	1		-	227.4	-	232.2	14.3	2.1	-	-	-	-
St. Louis, Mo.-Ill.	1		-	216.9	-	222.2	13.3	2.4	-	-	-	-
San Diego, Calif.	1		-	236.1	-	240.4	16.4	1.8	-	-	-	-
Seattle-Everett, Wash.	1		-	217.5	-	222.6	10.7	2.3	-	-	-	-
Washington, D.C.-Md.-Va.	1		-	220.4	-	222.9	11.0	1.1	-	-	-	-
Atlanta, Ga.	2		212.6	-	216.9	-	-	-	-	11.2	2.0	-
Buffalo, N.Y.	2		209.3	-	214.6	-	-	-	-	10.3	2.5	-
Cleveland, Ohio	2		219.8	-	221.4	-	-	-	-	13.7	.7	-
Dallas-Fort Worth, Tex.	2		217.5	-	222.9	-	-	-	-	13.0	2.5	-
Honolulu, Hawaii	2		204.4	-	207.2	-	-	-	-	11.5	1.4	-
Houston, Tex.	2		235.6	-	240.6	-	-	-	-	13.8	2.2	-
Kansas City, Mo.-Kans.	2		219.5	-	224.6	-	-	-	-	15.6	2.3	-
Minneapolis-St.Paul, Minn.-Wis.	2		222.3	-	227.0	-	-	-	-	11.9	2.1	-
Pittsburgh, Pa.	2		214.5	-	219.1	-	-	-	-	9.6	2.1	-
San Francisco-Oakland, Calif.	2		212.5	-	218.3	-	-	-	-	6.6	2.7	-
Region 3/												
Northeast	2	12/77	114.2	-	116.2	-	-	-	-	10.2	1.8	-
North Central	2	12/77	117.7	-	120.3	-	-	-	-	13.1	2.2	-
South	2	12/77	117.1	-	119.4	-	-	-	-	11.7	2.0	-
West	2	12/77	116.7	-	119.4	-	-	-	-	12.1	2.3	-
Population size class 3/												
A-1	2	12/77	114.9	-	117.2	-	-	-	-	11.2	2.0	-
A-2	2	12/77	116.9	-	119.1	-	-	-	-	11.5	1.9	-
B	2	12/77	117.6	-	119.8	-	-	-	-	12.5	2.0	-
C	2	12/77	117.2	-	119.6	-	-	-	-	12.0	2.0	-
D	2	12/77	116.8	-	118.7	-	-	-	-	11.9	2.5	-
Region/population size class areas classification 3/												
Northeast/A	2	12/77	113.2	-	115.0	-	-	-	-	9.6	1.6	-
North Central/A	2	12/77	118.2	-	121.0	-	-	-	-	13.6	2.4	-
South/A	2	12/77	116.9	-	118.7	-	-	-	-	11.6	1.5	-
West/A	2	12/77	116.0	-	118.7	-	-	-	-	10.9	2.3	-
Northeast/B	2	12/77	115.3	-	117.3	-	-	-	-	11.1	1.7	-
North Central/B	2	12/77	118.0	-	120.5	-	-	-	-	13.1	2.1	-
South/B	2	12/77	117.5	-	120.1	-	-	-	-	12.0	2.2	-
West/B	2	12/77	118.7	-	120.9	-	-	-	-	13.7	1.9	-
Northeast/C	2	12/77	117.2	-	120.2	-	-	-	-	11.9	2.6	-
North Central/C	2	12/77	116.8	-	119.0	-	-	-	-	12.2	1.9	-
South/C	2	12/77	117.5	-	119.9	-	-	-	-	11.8	2.0	-
West/C	2	12/77	116.8	-	119.8	-	-	-	-	12.6	2.2	-
Northeast/D	2	12/77	115.9	-	116.9	-	-	-	-	10.5	1.8	-
North Central/D	2	12/77	116.8	-	119.5	-	-	-	-	12.2	2.5	-
South/D	2	12/77	115.6	-	118.5	-	-	-	-	11.5	2.5	-
West/D	2	12/77	115.1	-	118.8	-	-	-	-	13.9	3.2	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:
A-1 More than 4,000,000.
A-2 1,250,000 to 4,000,000.
B 385,000 to 1,250,000.
C 75,000 to 385,000.
D Less than 75,000.
Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

CPI-W

TABLE A. Consumer Price Index for urban wage earners and clerical workers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes Aug. 1979	Sept. 1979	Unadjusted percent change to Sept. 1979 from- Sept. 1978	Aug. 1979	Seasonally adjusted percent change from- June to July	July to Aug.	Aug. to Sept.
Expenditure category								
All items	100.000	221.5	223.7	12.4	1.0	1.0	1.0	1.1
All items(1957-59=100)	-	257.6	260.1	-	-	-	-	-
Food and beverages	20.946	230.4	231.2	10.0	.3	.2	.0	.9
Food	19.777	236.5	237.3	10.2	.3	.2	.0	.9
Food at home	13.899	231.5	234.2	9.5	.3	.0	-.3	1.1
Cereals and bakery products	1.715	224.1	226.6	10.9	1.1	1.6	2.0	.8
Meats, poultry, fish, and eggs	4.862	229.6	230.5	10.1	.4	-2.6	-3.7	1.0
Dairy products	1.856	208.9	212.0	11.9	1.5	.9	1.3	.6
Fruits and vegetables	1.818	237.0	229.6	7.0	-3.1	2.6	2.0	-2.1
Sugar and sweets	.872	279.9	281.2	7.4	.5	1.1	.6	+.9
Fats and oils	.398	228.9	230.7	6.5	.8	.8	1.0	+.3
Nonalcoholic beverages 1/	1.615	350.0	365.0	7.8	1.4	1.5	1.8	1.4
Other prepared foods	1.168	210.4	212.4	10.3	1.0	1.0	.6	.9
Food away from home	5.877	248.3	249.3	11.7	.4	.7	.6	.5
Alcoholic beverages	1.169	173.6	174.9	7.6	.7	.5	.3	.7
Housing	40.957	231.5	234.5	13.3	1.3	1.2	1.8	1.2
Shelter	26.969	244.5	248.2	14.9	1.5	1.3	1.5	1.4
Rent, residential	5.238	177.3	178.9	7.6	.9	.7	.9	.8
Other rental costs	.504	237.6	238.6	12.6	.4	1.1	1.7	1.5
Homeownership	21.227	268.9	273.3	16.7	1.6	1.4	1.7	1.5
Homeownership	8.921	327.0	330.0	14.4	1.3	1.1	1.6	1.2
Home purchase	8.987	318.7	325.6	20.9	2.2	1.8	2.2	1.8
Financing, taxes, and insurance	3.320	260.8	263.4	11.9	1.0	.8	.8	.8
Maintenance and repairs	2.351	284.2	287.2	12.8	1.1	.7	.5	.8
Maintenance and repair services	.959	209.0	210.8	9.6	.9	1.0	1.5	1.1
Maintenance and repair commodities	6.221	247.7	251.7	15.0	1.6	2.0	1.8	1.7
Fuel and other utilities	8.215	299.8	308.6	22.0	2.3	2.7	2.6	2.4
Fuels	.875	439.0	462.5	56.4	5.4	5.8	6.6	5.7
Fuel oil, coal, and bottled gas	3.390	266.5	269.9	13.5	1.3	1.7	1.3	1.3
Gas (piped) and electricity	2.006	159.8	159.8	.3	.0	.3	-.1	-.1
Other utilities and public services	7.767	189.8	190.6	6.5	.4	.3	.6	.3
Household furnishings and operation	4.571	163.0	163.5	5.4	.3	.1	.5	.0
Housefurnishings	1.602	221.6	222.6	7.0	.5	.4	.5	.5
Housekeeping supplies	1.596	250.4	252.1	8.9	.7	.6	.9	.8
Housekeeping services	5.524	165.2	169.3	4.6	1.9	.2	.5	1.0
Apparel and upkeep	4.886	160.7	163.9	3.7	2.0	.2	.4	1.0
Apparel commodities	1.531	161.1	163.2	2.4	1.3	1.1	-.3	.4
Men's and boys' apparel	1.927	150.5	154.4	1.5	2.6	-.7	1.3	.9
Women's and girls' apparel	.131	224.2	226.0	3.8	.8	-.9	.4	.6
Infants' and toddlers' apparel	.735	176.9	179.4	8.9	1.4	.9	-.2	1.1
Footwear	.562	170.2	174.9	7.9	2.8	.5	.6	2.9
Other apparel commodities	.637	206.7	208.7	11.5	1.0	.6	.9	1.0
Apparel services 1/	20.045	220.7	222.4	17.5	.8	1.7	1.5	1.2
Transportation	19.121	221.2	222.7	15.0	.7	1.7	1.5	1.2
Private transportation	4.154	166.3	165.9	8.4	-.2	1.0	.3	-.5
New cars	9.019	207.0	202.9	3.6	-2.0	-.9	-.6	-.9
Used cars	4.769	293.3	302.3	50.1	3.1	4.9	4.1	3.5
Gasoline	1.665	246.0	247.5	10.1	.6	.9	1.3	.7
Maintenance and repair	4.518	201.0	202.3	8.9	.6	.9	1.1	.6
Other private transportation	.804	176.1	178.7	9.4	1.5	.9	1.1	.8
Other private trans. commodities	3.710	209.6	210.8	8.8	.5	.8	1.4	.6
Other private trans. services	.924	209.6	209.1	8.3	1.7	1.2	1.6	1.1
Public transportation	4.989	242.6	244.7	9.8	.9	.8	.8	1.0
Medical care	.771	156.2	156.7	7.7	.3	.6	.7	.4
Medical care commodities	3.717	261.2	263.8	10.3	1.0	.9	.9	1.2
Medical care services	1.900	231.1	233.1	9.7	.9	.9	.8	.9
Professional services 1/	1.817	298.1	301.3	10.9	1.1	.8	1.0	1.1
Other medical care services	3.794	188.9	190.2	7.2	.7	.7	.5	.7
Entertainment	2.396	188.9	189.9	6.9	.5	.7	.3	.5
Entertainment commodities	1.398	190.7	191.8	7.9	.6	.7	.4	.5
Entertainment services	4.245	197.2	200.6	7.2	1.7	.4	1.2	1.2
Other goods and services	1.392	190.1	190.9	5.6	.4	-.1	1.8	.5
Tobacco products	1.762	197.6	198.4	7.7	.4	.7	.8	.4
Personal care 1/	.838	190.2	191.0	7.2	.4	.2	1.1	.4
Toilet goods and personal care appliances 1/	.924	205.0	205.8	8.2	.4	1.3	.5	.4
Personal care services 1/	1.081	211.2	223.5	15.5	5.8	.4	.9	5.8
Personal and educational expenses	.163	195.2	205.0	6.4	5.0	.6	.9	5.0
School books and supplies	.929	215.5	228.4	8.6	6.0	.5	.9	3.0
Personal and educational services								
Commodity and service group								
All items	100.000	221.5	223.7	12.8	1.0	1.0	1.0	1.1
Commodities	62.054	212.6	214.4	12.6	.8	.9	.9	1.0
Food and beverages	20.946	230.4	231.2	10.0	.3	.2	.0	.9
Commodities less food and beverages	41.128	201.3	203.5	13.9	1.1	1.3	1.3	1.2
Nondurables less food and beverages	17.971	210.5	214.8	19.9	2.0	2.2	2.2	1.6
Apparel commodities	4.886	160.7	163.9	3.7	2.0	.2	.4	1.0
Nondurables less food, beverages, and apparel 1/	12.755	238.9	243.8	26.2	2.1	2.9	2.8	2.1
Durables	23.477	192.9	193.5	9.3	.3	.5	.6	.5
Services	37.926	237.9	241.0	12.0	1.3	1.1	1.2	1.1
Rent, residential	5.238	177.3	178.9	7.6	.9	.7	.9	.8
Household services less rent	18.764	274.1	278.2	15.1	1.5	1.4	1.4	1.4
Transportation services	6.299	215.3	216.8	9.1	.7	.9	1.3	.7
Medical care services	3.717	261.2	263.8	10.3	1.0	.8	.9	1.2
Other services	3.888	201.2	204.9	8.8	1.8	.8	.6	1.1
Special indexes:								
All items less food	80.223	217.3	219.8	12.8	1.2	1.2	1.3	1.2
All items less shelter	73.031	218.9	216.7	11.4	-.8	.9	.8	1.0
All items less mortgage interest costs 1/	93.132	215.3	217.2	11.2	.9	1.0	.7	.9
All items less medical care	95.511	220.1	222.3	12.8	1.0	1.0	1.0	1.1
Commodities less food	42.297	199.9	202.0	13.7	1.1	1.2	1.3	1.2
Nondurables less food	18.820	207.0	211.0	19.1	1.9	2.3	2.0	1.6
Nondurables less food and apparel 1/	13.934	229.7	234.2	24.6	2.0	2.7	2.5	2.0
Nondurables	38.597	221.3	223.9	19.5	1.2	1.3	1.0	1.2
Services less rent	32.689	249.2	252.6	12.7	1.4	1.2	1.3	1.3
Services less medical care 1/	34.209	233.9	236.9	12.1	1.3	1.2	1.3	1.3
Energy 1/	9.085	298.8	307.0	36.5	2.7	4.3	3.3	2.7
All items less energy 1/	90.915	215.3	217.0	9.9	.8	.8	.7	.8
All items less food and energy 1/	71.138	209.0	211.0	8.8	1.0	.6	.9	1.0
Commodities less food and energy	36.552	186.4	187.5	8.0	.6	.7	.8	.5
Energy commodities 1/	5.745	315.8	326.5	50.3	3.4	4.9	4.6	3.4
Services less energy	34.586	235.7	238.7	11.8	1.3	1.1	1.2	1.1
Purchasing power of the consumer dollar:	-	8.451	8.447	-11.0	-.0	-1.1	-1.1	-.9
1967=$1.00 1/	-	.388	.388	-	-	-	-	-
1957-59=$1.00 1/								

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-W

TABLE 5. Consumer Price Index for urban wage earners and clerical workers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
	June 1979	July 1979	Aug. 1979	Sept. 1979	3 months ending in			6 months ending in		
					Dec. 1978	Mar. 1979	June 1979	Sept. 1979	Mar. 1979	Sept. 1979
Expenditure category										
All items	-	-	-	-	8.9	13.9	13.8	13.2	11.4	13.3
Food and beverages	228.8	229.3	229.2	231.2	10.0	19.2	6.4	4.3	14.6	5.3
Food	234.8	235.3	235.2	237.3	10.2	19.6	6.4	4.3	14.8	5.2
Food at home	232.6	232.6	231.8	234.3	10.9	20.3	4.4	3.0	15.5	3.7
Cereals and bakery products	218.0	221.5	225.9	227.7	7.4	7.7	9.7	19.0	7.5	14.3
Meats, poultry, fish, and eggs	239.7	233.4	224.7	226.9	28.0	41.1	1.5	-19.7	34.4	-9.7
Dairy products	206.5	208.8	211.2	217.4	12.6	14.0	9.0	11.9	13.3	10.5
Fruits and vegetables	222.2	227.9	232.4	217.2	-11.2	16.3	-2.5	29.9	1.6	12.5
Sugar and sweets	275.8	278.9	280.7	283.2	5.7	2.6	10.2	11.2	4.1	10.7
Fats and oils	226.6	228.3	230.5	229.8	3.2	8.0	9.3	5.8	5.5	7.5
Nonalcoholic beverages 1/	348.5	353.6	360.0	365.0	2.3	7.6	1.9	20.3	4.9	10.7
Other prepared foods	208.5	210.5	211.7	213.7	5.4	11.4	13.5	10.4	8.6	11.9
Food away from home	244.6	245.3	247.8	249.1	8.9	19.1	11.4	7.6	13.9	9.5
Alcoholic beverages	172.2	173.1	173.5	174.0	6.3	11.1	6.3	6.4	8.7	6.3
Housing	225.7	228.4	231.6	[illegible]	8.8	12.5	16.0	16.3	10.6	16.1
Shelter	237.6	240.6	244.3	[illegible]6	10.6	15.1	16.3	17.9	12.8	17.1
Rent, residential	178.7	176.0	177.5	179.1	7.4	3.6	8.9	10.5	5.5	9.7
Other rental costs	231.3	232.*	235.7	237.6	14.8	15.3	9.1	11.3	15.0	10.2
Homeownership	268.5	264.1	268.6	272.5	11.4	18.0	18.5	19.7	14.7	19.1
Home purchase	220.8	223.3	226.8	229.5	13.8	11.5	15.7	16.7	12.6	16.2
Financing, taxes, and insurance	306.0	311.5	318.4	324.3	8.1	26.2	23.8	26.2	16.8	25.0
Maintenance and repairs	256.2	258.3	260.3	262.5	13.6	12.6	11.0	10.2	13.1	10.6
Maintenance and repair services	280.2	282.2	283.6	285.8	13.6	14.8	14.8	8.2	14.2	11.5
Maintenance and repair commodities	203.5	205.5	208.6	210.8	13.5	7.7	2.4	15.1	10.6	8.6
Fuel and other utilities	239.5	244.2	248.6	252.8	.9	9.4	28.2	24.1	5.1	26.1
Fuels	286.1	293.8	301.4	308.5	.8	15.4	41.8	35.2	7.8	38.4
Fuel oil, coal, and bottled gas	398.0	416.8	444.3	469.5	14.1	37.1	89.1	101.6	25.1	95.3
Gas (piped) and electricity	259.3	263.8	267.3	270.7	-2.3	9.8	30.5	18.8	3.6	24.5
Other utilities and public services	159.5	159.9	159.8	159.9	1.0	-1.7	1.5	.3	.4	.9
Household furnishings and operation	188.5	189.0	190.1	190.7	9.2	6.9	5.0	4.8	8.1	4.9
Housefurnishings	162.5	162.7	163.5	163.6	7.7	7.3	4.3	2.5	7.5	3.4
Housekeeping supplies	219.9	220.7	221.8	223.0	11.2	7.5	3.7	5.8	9.3	4.7
Housekeeping services	246.5	248.1	250.4	252.4	12.3	4.8	9.3	9.9	8.5	9.6
Apparel and upkeep	165.4	165.8	166.6	168.3	2.5	8.4	.5	7.2	5.4	3.8
Apparel commodities	160.4	160.5	161.2	162.8	1.5	7.6	-1.0	6.9	4.5	2.9
Men's and boys' apparel	160.7	162.4	161.9	162.5	1.5	1.3	2.5	4.6	1.4	3.5
Women's and girls' apparel	150.2	149.1	151.0	152.4	-2.6	12.0	-8.3	6.0	4.4	-1.4
Infants' and toddlers' apparel	224.6	222.6	223.5	224.9	-2.7	7.4	10.2	.5	2.2	5.3
Footwear	176.2	177.7	177.3	179.2	10.6	4.6	13.8	7.0	7.6	10.3
Other apparel commodities	167.8	168.6	170.0	174.9	6.6	12.2	-3.7	18.0	9.3	6.6
Apparel services 1/	203.6	204.9	206.7	208.7	10.7	15.6	9.6	10.4	13.1	10.0
Transportation	212.0	215.7	218.8	221.6	11.7	15.3	24.5	19.8	13.5	21.9
Private transportation	212.3	216.0	219.3	221.9	12.2	15.3	25.5	19.4	13.7	22.4
New cars	166.6	168.3	168.8	169.6	.8	13.1	12.4	7.4	6.8	9.9
Used cars	201.6	199.8	198.7	197.0	21.5	9.1	-4.6	-8.8	15.2	-6.7
Gasoline	264.1	277.1	288.4	298.4	19.2	36.3	52.2	63.0	27.4	77.0
Maintenance and repair	242.3	244.4	246.2	248.0	9.6	9.9	11.3	9.7	9.7	10.5
Other private transportation	199.0	199.7	202.3	203.6	8.8	4.9	10.5	11.8	6.9	11.2
Other private trans. commodities	173.6	175.1	177.0	178.5	7.6	7.9	10.6	11.8	7.7	11.2
Other private trans. services	206.5	208.2	211.1	212.3	9.1	4.3	10.5	11.7	6.7	11.1
Public transportation	195.6	198.0	201.2	203.5	3.2	5.2	7.9	17.2	4.2	12.5
Medical care	238.4	240.9	242.3	244.8	10.6	8.9	8.8	11.2	9.7	10.0
Medical care commodities	154.2	155.1	156.2	156.9	9.4	7.4	6.8	7.2	8.4	7.0
Medical care services	260.4	258.6	260.8	263.8	11.0	9.4	9.1	12.1	10.2	10.5
Professional services 1/	227.3	229.3	231.1	233.1	8.3	11.3	8.5	10.6	9.8	9.6
Other medical care services	292.1	298.3	297.2	301.3	13.8	6.9	10.0	13.2	10.3	11.6
Entertainment	186.9	188.3	188.9	190.2	9.1	6.8	5.8	7.3	7.9	6.5
Entertainment commodities	186.1	187.8	188.4	189.9	8.1	8.4	3.7	7.5	8.3	5.6
Entertainment services	188.8	190.1	190.9	191.8	11.3	4.0	10.1	6.5	7.6	8.3
Other goods and services	195.0	195.8	198.1	200.4	2.2	9.7	5.5	11.5	5.9	8.5
Tobacco products	187.2	187.1	190.5	191.5	-2.8	12.3	3.8	9.5	4.5	6.7
Personal care 1/	194.6	196.0	197.6	198.4	5.8	10.5	6.6	8.0	8.1	7.3
Toilet goods and personal care appliances 1/	187.8	188.1	190.2	191.0	5.7	12.0	4.2	7.0	8.8	5.6
Personal care services 1/	201.4	204.0	205.0	205.8	6.0	9.2	8.6	9.0	7.6	8.8
Personal and educational expenses	211.6	212.5	214.5	221.6	2.6	5.8	6.5	20.3	4.2	13.8
School books and supplies	196.8	198.0	199.8	209.4	-13.0	15.2	7.4	28.2	.1	17.4
Personal and educational services	215.6	216.6	218.6	225.2	5.5	3.9	6.4	19.0	4.7	12.5
Commodity and service group										
All items	-	-	-	-	8.9	13.9	13.8	13.2	11.4	13.3
Commodities	207.9	209.8	211.7	213.9	10.0	15.4	12.9	12.1	12.7	12.5
Food and beverages	228.8	229.3	229.2	231.2	10.0	19.2	6.4	4.3	14.6	5.3
Commodities less food and beverages	195.8	197.9	200.5	202.9	10.0	13.8	16.2	16.3	11.9	16.2
Nondurables less food and beverages	201.6	206.0	210.5	213.9	7.1	17.8	28.9	26.7	12.3	27.8
Apparel commodities	160.1	160.5	161.2	162.8	1.5	7.6	-1.0	6.9	4.5	2.9
Nondurables less food, beverages, and apparel 1/	225.9	232.4	238.9	243.8	9.2	19.5	43.2	35.7	14.2	39.4
Durables	189.9	190.9	192.1	193.1	11.3	9.6	9.6	6.9	10.5	8.2
Services	232.7	235.3	238.2	240.8	7.6	10.6	10.4	10.7	9.1	10.5
Rent, residential	178.7	176.0	177.5	179.1	7.4	3.6	8.9	10.5	5.5	9.7
Household services less rent	266.1	270.0	273.9	277.6	6.4	16.2	10.9	10.1	11.2	10.0
Transportation services	211.8	213.8	216.4	217.9	8.3	6.2	10.2	11.1	7.2	11.1
Medical care services	256.4	258.6	260.8	263.8	11.0	9.4	9.1	12.1	10.2	10.5
Other services	199.1	200.7	201.9	204.2	8.6	7.1	8.7	10.6	7.8	9.7
Special indexes:										
All items less food	211.7	214.2	216.9	219.4	8.9	12.4	15.3	15.4	10.7	15.3
All items less shelter	210.7	212.6	214.3	216.4	8.5	13.1	12.5	11.3	10.8	11.9
All items less mortgage interest costs 1/	211.5	213.7	215.3	217.2	6.9	12.2	14.4	11.2	9.5	12.8
All items less medical care	215.2	217.3	219.5	222.0	9.0	14.2	13.7	13.3	11.6	13.5
Commodities less food	194.1	196.5	199.1	201.4	10.1	13.4	16.1	15.9	11.7	16.0
Nondurables less food	198.4	202.9	207.0	210.4	7.2	17.3	26.7	26.5	12.1	26.6
Nondurables less food and apparel 1/	218.0	223.9	229.7	234.2	8.8	18.9	39.8	33.2	13.7	36.4
Nondurables 1/	216.3	219.2	221.3	223.9	7.4	18.4	17.8	14.8	12.8	16.3
Services less rent	243.5	246.4	249.5	252.4	7.7	11.7	15.5	15.4	9.7	15.5
Services less medical care 1/	228.2	231.0	233.9	236.9	7.0	11.4	14.1	16.1	9.2	15.1
Energy 1/	277.3	289.2	298.8	307.0	6.6	25.2	73.3	50.2	15.5	61.3
All items less energy 1/	212.3	213.9	215.3	217.0	7.9	12.3	10.4	9.2	10.1	9.8
All items less food and energy 1/	205.5	207.2	209.0	211.0	7.9	9.3	11.0	11.1	8.6	11.1
Commodities less food and energy	183.9	185.2	186.2	187.1	7.6	10.1	7.3	7.1	8.8	7.2
Energy commodities 1/	286.2	301.9	315.8	326.9	12.1	32.7	102.2	69.4	22.0	85.1
Services less energy	230.6	233.1	235.8	238.5	8.5	10.9	12.9	14.4	9.7	13.7

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 6. Consumer Price Index for urban wage earners and clerical workers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes June 1979	Indexes July 1979	Indexes Aug. 1979	Indexes Sept. 1979	Percent change to Sept. 1979 from- Sept. 1978	Percent change to Sept. 1979 from- July 1979	Percent change to Sept. 1979 from- Aug. 1979	Percent change to Aug. 1979 from- Aug. 1978	Percent change to Aug. 1979 from- June 1979	Percent change to Aug. 1979 from- July 1979
U.S. city average			216.9	219.8	221.5	223.7	12.4	2.0	1.0	12.0	2.1	1.0
Chicago, Ill.-Northwestern Ind.	M		213.2	216.9	218.2	220.5	14.3	1.8	1.1	14.3	2.3	.6
Detroit, Mich.	M		215.5	219.8	222.6	225.3	12.8	1.7	.4	13.5	3.3	1.3
L.A.-Long Beach, Anaheim, Calif.	M		219.5	216.8	219.4	223.3	13.3	2.9	1.5	12.8	2.9	1.3
N.Y., N.Y.-Northeastern N.J.	M		212.2	214.1	215.3	217.8	10.2	1.7	1.2	9.5	1.5	.6
Philadelphia, Pa.-N.J.	M		214.5	216.9	218.1	220.3	11.2	1.6	1.0	10.5	1.7	.6
Anchorage, Alaska	1	10/67	-	206.4	-	210.9	9.4	2.2	-	-	-	-
Baltimore, Md.	1		-	221.4	-	229.9	10.6	1.6	-	-	-	-
Boston, Mass.	1		-	213.7	-	217.9	11.5	2.0	-	-	-	-
Cincinnati, Ohio-Ky.-Ind.	1		-	226.5	-	230.8	13.4	1.9	-	-	-	-
Denver-Boulder, Colo.	1		-	239.3	-	243.6	17.2	1.8	-	-	-	-
Miami, Fla.	1	11/77	-	116.9	-	118.7	10.9	1.5	-	-	-	-
Milwaukee, Wis.	1		-	225.0	-	228.7	14.2	1.6	-	-	-	-
Northeast Pennsylvania	1		-	213.4	-	217.1	11.1	1.7	-	-	-	-
Portland, Oreg.-Wash.	1		-	227.9	-	232.6	13.9	2.1	-	-	-	-
St. Louis, Mo.-Ill.	1		-	217.4	-	222.5	14.3	2.3	-	-	-	-
San Diego, Calif.	1		-	233.1	-	237.7	15.7	2.0	-	-	-	-
Seattle-Everett, Wash.	1		-	215.9	-	221.0	10.7	2.4	-	-	-	-
Washington, D.C.-Md.-Va.	1		-	221.9	-	224.4	10.7	1.1	-	-	-	-
Atlanta, Ga.	2		214.5	-	219.0	-	-	-	-	12.2	2.1	-
Buffalo, N.Y.	2		209.7	-	215.3	-	-	-	-	10.6	2.7	-
Cleveland, Ohio	2		221.2	-	222.6	-	-	-	-	13.6	.6	-
Dallas-Fort Worth, Tex.	2		218.0	-	223.0	-	-	-	-	13.0	2.3	-
Honolulu, Hawaii	2		203.6	-	207.2	-	-	-	-	11.4	1.8	-
Houston, Tex.	2		234.5	-	239.0	-	-	-	-	13.3	1.9	-
Kansas City, Mo.-Kans.	2		218.4	-	223.1	-	-	-	-	14.8	2.2	-
Minneapolis-St.Paul, Minn.-Wis.	2		223.8	-	228.5	-	-	-	-	12.3	2.3	-
Pittsburgh, Pa.	2		215.0	-	220.0	-	-	-	-	10.5	2.3	-
San Francisco-Oakland, Calif.	2		213.7	-	218.6	-	-	-	-	7.2	2.3	-
Region 3/												
Northeast	2	12/77	114.3	-	116.4	-	-	-	-	10.5	1.8	-
North Central	2	12/77	117.9	-	120.6	-	-	-	-	13.2	2.3	-
South	2	12/77	117.3	-	119.6	-	-	-	-	11.9	2.0	-
West	2	12/77	117.1	-	119.8	-	-	-	-	12.5	2.3	-
Population size class 3/												
A-1	2	12/77	115.1	-	117.5	-	-	-	-	11.7	2.1	-
A-2	2	12/77	117.1	-	119.5	-	-	-	-	11.8	2.0	-
B	2	12/77	117.7	-	120.1	-	-	-	-	12.6	2.0	-
C	2	12/77	117.2	-	119.8	-	-	-	-	12.3	2.2	-
D	2	12/77	116.3	-	119.1	-	-	-	-	11.9	2.4	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	113.2	-	115.1	-	-	-	-	9.9	1.7	-
North Central/A	2	12/77	118.3	-	121.2	-	-	-	-	13.9	2.5	-
South/A	2	12/77	117.5	-	119.3	-	-	-	-	11.6	1.5	-
West/A	2	12/77	116.3	-	119.0	-	-	-	-	11.5	2.3	-
Northeast/B	2	12/77	115.5	-	117.2	-	-	-	-	10.9	1.5	-
North Central/B	2	12/77	118.8	-	121.5	-	-	-	-	13.2	2.3	-
South/B	2	12/77	117.6	-	120.1	-	-	-	-	12.2	2.1	-
West/B	2	12/77	119.0	-	121.2	-	-	-	-	13.9	1.8	-
Northeast/C	2	12/77	117.6	-	120.7	-	-	-	-	12.2	2.6	-
North Central/C	2	12/77	116.5	-	118.7	-	-	-	-	11.9	1.9	-
South/C	2	12/77	117.6	-	120.1	-	-	-	-	12.3	2.1	-
West/C	2	12/77	117.6	-	119.9	-	-	-	-	12.6	2.0	-
Northeast/D	2	12/77	115.9	-	117.8	-	-	-	-	10.9	1.5	-
North Central/D	2	12/77	117.2	-	120.1	-	-	-	-	12.3	2.5	-
South/D	2	12/77	115.7	-	118.4	-	-	-	-	11.2	2.3	-
West/D	2	12/77	115.8	-	119.5	-	-	-	-	13.7	3.2	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

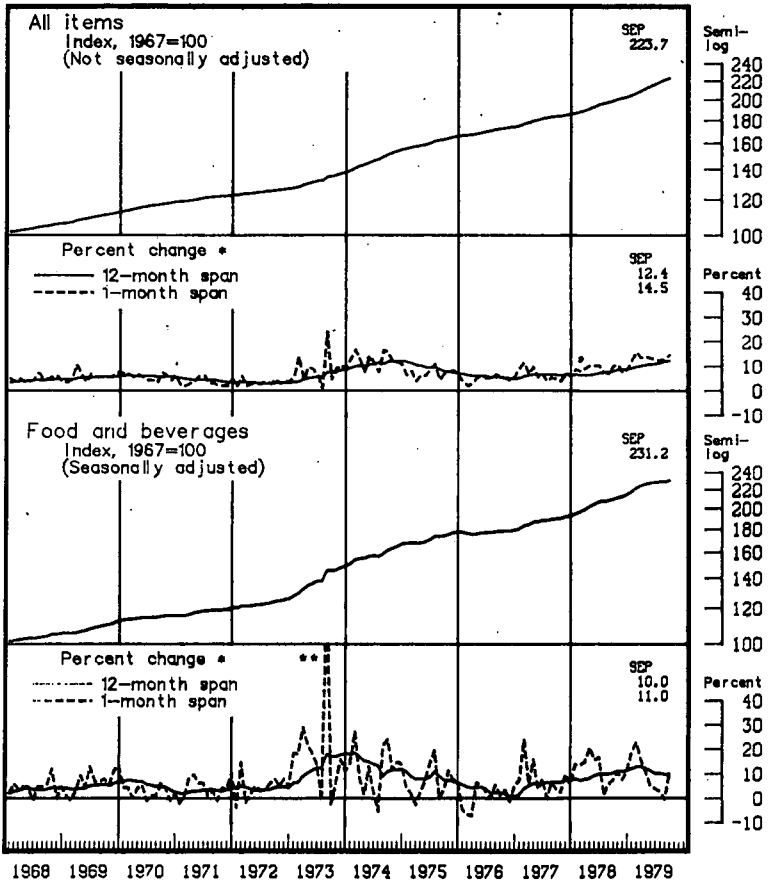
3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 4,000,000.
A-2	1,250,000 to 4,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

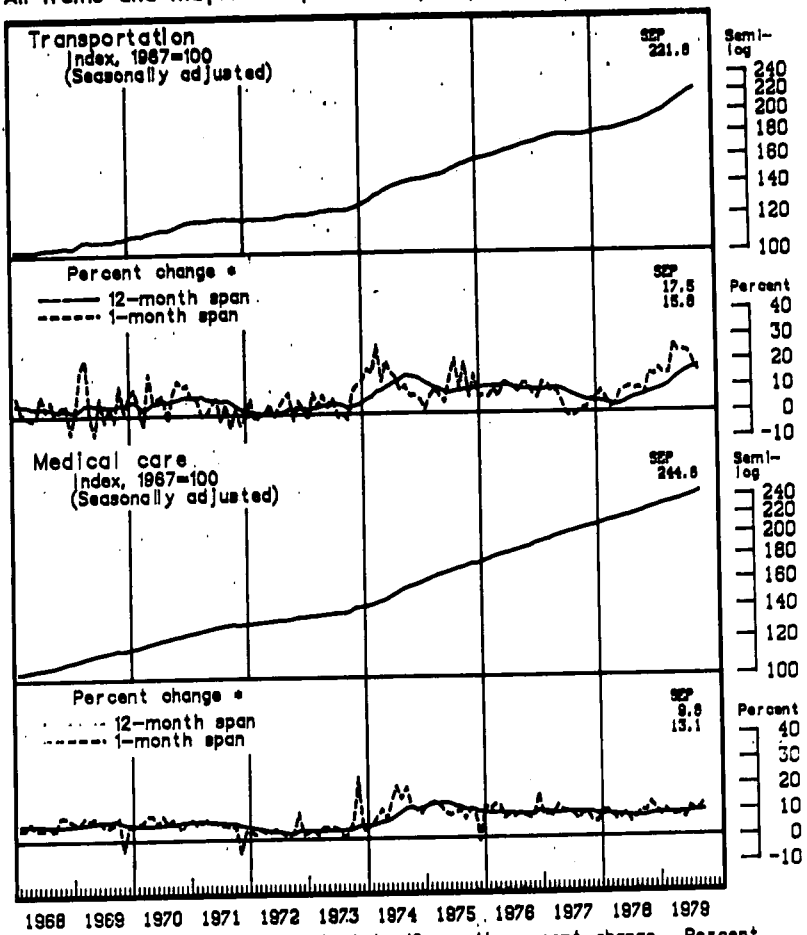
CHART 1: CPI for Urban Wage Earners and Clerical Workers
All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

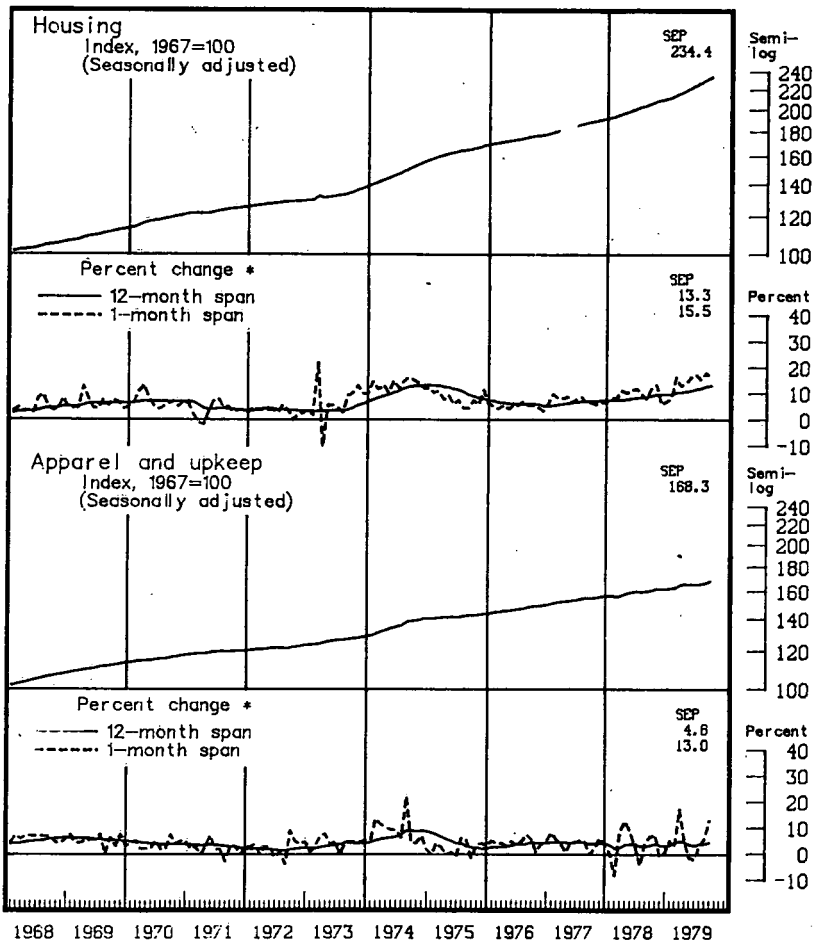
** August 1972 = 92 percent

CHART 2: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



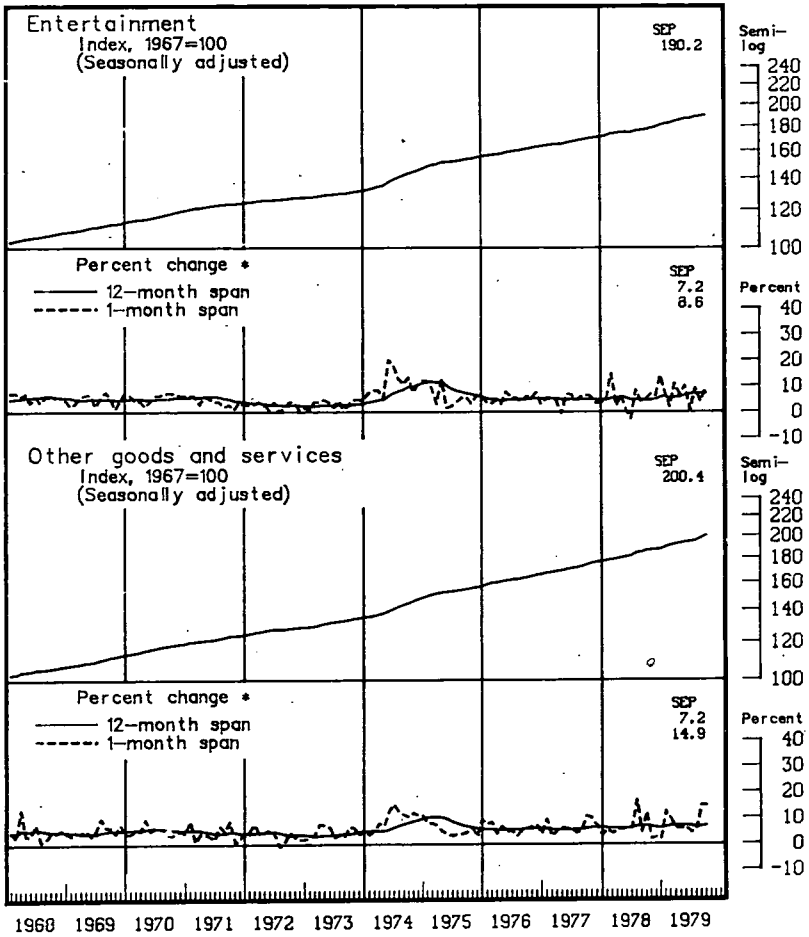
* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 3: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 4: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

Senator PROXMIRE. Yesterday Chairman Schultze of the Council of Economic Advisers said that our basic rate of inflation cannot be reduced below 8 or 9 percent in the near future and that this basic rate may be subject to continuing shocks in the form of higher oil prices. If we can't contain these oil price increases we may be subject to temporary double-digit inflation.

We also have the shocking disclosure of the Federal Reserve, which we all regard as, if not perfect, close to it. It made a $3 billion blunder in reporting the money supply figures; they did this shortly after Chairman Volcker told us that if we wanted to know what the Fed is doing, keep your eye on the money supply figures. [Laughter.]

So, we have a disturbing situation.

Mr. Kahn, please proceed in your own manner.

STATEMENT OF HON. ALFRED E. KAHN, CHAIRMAN, COUNCIL ON WAGE AND PRICE STABILITY, ACCOMPANIED BY R. ROBERT RUSSELL, DIRECTOR; AND ALFRED FROMM, DEPUTY ADVISER TO THE PRESIDENT ON INFLATION

Mr. KAHN. The figures for September demonstrate once again that inflation is certainly our No. 1 economic problem. I hope you can tell us when the administration's anti-inflation program is going to show some results.

Let me begin, Senator, by getting to your question indirectly and talking for about 5 minutes on what the numbers show.

Senator PROXMIRE. Let me just correct something. I understated the mistake the Fed had made. It was a $3.7 billion error.

Mr. KAHN. I am happy to point out that the Fed is an independent agency [laughter] which I have no responsibility for. As the line was in West Side Story, "Officer Krupke, I have problems of my own." I wish I could honestly say that it is a pleasure to be here.

The CPI for September continues 1979's unbroken string of bad news. As you point out there was a 1.1-percent increase. That's a 13.9-percent annual rate. We've gone over this discouraging record so many times. Senator Proxmire, that I am going to try not to bore you with the laborious repetition.

Instead, it seems to me that it might be most useful just to make a few specific observations in the light, first, of the record in the first 8 months of 1979 and then in the light of the September figures which are, as you suggest, essentially more of the same.

In the year preceding the beginning of the first year of the President's anti-inflation program, that is the year ending October 1, 1978, the CPI went up 8.3 percent. Through all of 1979, as you observed, we are very close month after month to 13 percent.

First, the preponderant share of this has been and continues to be energy and I'd like, after making these points, to draw just a few conclusions. I haven't had time to incorporate the September figures, but in the 6 months immediately preceding, energy alone directly accounted for 38 percent of the increase in the CPI. That was 5 points of the 13. And that's only the direct effects that have impacted directly in the prices of gasoline and fuel oil. That doesn't include its indirect effects as they ripple throughout the economy.

So, it is clear, first of all, that our problem is very heavily an energy problem.

In September, energy prices, as you point out, behaved very badly, though in point of fact not quite so badly as in the preceding months. Energy rose at only a 40-percent annual rate, but gasoline and fuel oil increased at much higher rates.

Other than that, second, it is not essentially a problem of food, and I think it is quite essential to point out, in the first 5 months of the present program—November through April of this year—food prices did increase very sharply and painfully. Prices went up at a rate of 15.5 percent. But I am not sure whether people are aware that since April, food has been helping us enormously. Between April and August, that is, until this last month, food prices went up an annual rate of 3 percent. Food for purchase and use at home actually declined for the last 3 months.

Now, it is true that in September one of the reasons this is indexed in September as slightly worse than the averages is that food went up 0.9 points which is over the edge of double digit. But you can't look at food month by month.

As I observed, even in March, when the food was moving up so painfully that very largely the prices of food to the farm—those prices go up and they go down. We were very wise, I think, to keep our hands off because food at the farm has been going down very sharply ever since.

I will say a word in a moment about food margins, but food has not really been an identifiable part of our problem. That's the second point I want to make.

Third, home purchase and finance—home ownership. The finance insurance part of that index has been going up at about a 25-percent annual rate in the last 6 months. It went up 1.8 percent in September and that has added something like 2 points to the inflation rate. This component of the index on the cost of buying homes, and I want to come back to that because as you know, Senator, as we have discussed and I would like to point out briefly that it is terribly misleading in terms of what inflation is doing for the cost of living of the American people. And I want to come back to that because that's two points of, I think, heavily misleading things in the CPI.

The fourth is the point we've made many times in that the portion of the CPI, that is subject to our wage and price standards, that in a sense what they apply to has been running quite steadily at about 7.5 percent. That is nothing to write home about.

Indeed, it is troubling that in September it was 8.0 percent. But it is important to recognize that the underlying rate of inflation, that is to say, continuing cost-related rate of inflation is still well below the double-digit level.

Chairman Schultze uses the figure of something like 8.5 percent, and I think that probably is more accurate in terms of the underlying rate. And we can go into that if you want. Because the figures that I've given you here—the 7.5 percent—leave out producer durables. They leave out construction; they leave out exports. So, I think there is nothing wrong with saying that the underlying rate is about 8.5 percent.

Fifth, margins. Food margins for a while were very troublesome to us. As prices on the farm began to go down very sharply, prices at retail did not go down. Indeed, for a while, they continued to rise. As a result, the spread between farm prices and retail prices expanded. In the 3 months, ending March, they went up 3.6 percent. That's an actual increase. In the next 3 months, they went up 6.5 percent. So, in that 6-month period they went up over 10 percent, and that means that at an annual rate, food margins were going up to something like 22 percent.

We were concerned about it. The President and I called in a number of people from food processing and retailing to urge them to pass these margins on more rapidly, and I am pleased to report that in the 3 months ending in September, food margins have scarcely gone up at all. As best we can tell, it's about one-half percent.

So, that the public is beginning to get the benefit of those reduced prices at retail.

Sixth, energy margins, of course, are our most troublesome, indeed, urgent problem. And I would just like to give you some numbers about the margins of the refiners of petroleum products. And these are actual percentage increases that we get from the national aggregate figures. In the 3 months ending March, those margins went up slightly over 10 percent. Just in those months. That is over 40 percent per year.

In the 3 months ending June, they went up over 15.5 percent. That is over 65 or 70 percent on an annual basis, and mark this; as best we can tell, our latest estimate in the 3 months ending September, those petroleum refiner margins went up 37.5 percent. And that is just in those 3 months.

If you want to get it on an annual basis, even without compounding, you are well over 100 percent. So, we have witnessed really sharp, extraordinarily sharp increases in petroleum refiner margins.

Stated another way, less than half of these very painful increases in annual rates of 60, 70 and 80 percent that we've been experiencing in the prices of petroleum products are explainable by the price of crude oil, and more than half explainable in terms of the difference between the price of crude oil and the finished products.

Now, I wish that I could today give you a more definitive analysis of what exactly has been happening at that level. Undoubtedly, what has happened is that the refiners have been buying refined products in the spot market, and in some considerable measure that was necessitated by our goals of increasing our storage of home heating oil to the 240 million barrels.

So, we are having to look very carefully at this. But so far as we can tell at this time, we cannot reconcile the assertion by the major oil refiners that they are complying with our voluntary price standards which require them to hold their gross margins in absolute dollars to increases of no more than 6.5 percent. And their profit margins in absolute dollars to no more than 6.5 percent.

We are having great difficulty reconciling that with these aggregate figures that seem to show refinery margins going up very sharply. And, of course, the profit reports of the oil companies that have been coming in during the last few days have further pushed us into a crash attempt to go through the financial data that they have supplied to us

in order to see if we can come up with answers about where the difficulty lies.

All right. What conclusions does this lead to? The first familiar and dreary one is that I see no short-term relief in sight. I can't begin to tell you what is going to happen to energy prices. The OPEC price ministers are meeting in December. They seem to have learned the lesson that less is more, and I can offer no assurances that they may not increase the prices they charge us.

Mortgage interest rates are going to keep going up during the next several months, and that is going to have a direct effect on continuing the rate of inflation at the double-digit level that I've already pointed to.

Second, it seems to me we have to address ourselves to the ways in which the home purchasing component of the Consumer Price Index misleads us about what is happening to the cost of living.

The Consumer Price Index does not measure what happens to the cost of living. This is not a quarrel with the Bureau of Labor Statistics. They are a totally professional, apolitical group of people, but they are not measuring what happens to the cost of living. The homeownership component is the outstanding example of that.

There is nothing in the Consumer Price Index that measures what is happening to my cost of living and the continued cost of owning a house that I bought not this month, but months ago. There is nothing in there that shows that I am continuing to pay on a 6-percent mortgage on the house that I bought in the interim. That is simply not included in the Consumer Price Index because it is not in the market of the things that are purchased today. That means that for the overwhelming majority of Americans who own their own homes, the CPI pretends that their cost of living has gone up by 2—more than 2 points per month in the last several months—but it hasn't.

Now, it would be bad enough that people are really misled by that. But in addition we have indexing built into our economy. We have cost-of-living adjustment clauses which are based on the Consumer Price Index. Therefore, there are people who own their homes, have no intention of buying new homes, whose incomes are going up by 13 percent per year when in fact their cost of living is going up by less than 11 percent a year. And it seems to me that we must address ourselves to that, though it is an extraordinarily difficult problem both conceptually and politically.

The third conclusion: We have to continue to attack inflation wherever we see it, and you'll forgive me for using this platform as an occasion for observing that Congress has before it or shortly will have before it the hospital cost containment bill, and we can go into the merits of that if you wish.

It is a major opportunity to put a cap on spiraling costs of medical care and therefore I strongly urge you to vote for that bill.

Fourth, as I've said the inflation problem lies very very heavily on our energy problem and it must be attacked directly through the various components of the energy program that the President has introduced in Congress. This you have before you. But let me emphasize particularly in light of what the showings are about refiner margins, in light of the role of energy costs in the CPI, and finally in what profit figures are showing, I want to underscore the urgent

necessity for passing that windfall profits tax, the just urgent necessity both in terms of fairness to the American people and in terms of having a fund which can then be used this winter to help poor people who are going to have the painful problem of choosing between heating and eating. And second, to set us on the road toward making ourselves more nearly independent of the Middle Eastern countries than we now are. And I guess those are my four conclusions, Senator Proxmire. Thank you.

Senator PROXMIRE. Well, thank you very much, Mr. Kahn.

Mr. Kahn, you said that you don't see any short-term relief in sight. That implies that you think we are going to have inflation with us at a double-digit rate for some time to come, maybe for 1 year or more. You cited the OPEC prospects and the mortgage interest rates, which are likely to rise. You didn't say anything about food prices, but I take it that they are likely to perform as they have over the last 3 or 4 years, not as they did earlier this year.

Do you expect on the basis of your expert knowledge that we are likely to be faced with an inflation situation of double-digit proportions for 1 year or more to come?

Mr. KAHN. I have been saying, Senator, honestly for several months that I thought we had a real chance of getting the rate of inflation out of double-digit levels in the months ahead. I observed that all of the private inflation forecasts with which I am familiar, predict inflation in the year ahead at the 8- or 9-percent rate. When I made those statements it was because of the kind of facts I've been presenting to you. But I could not believe that energy costs could continue in the year ahead, continue to go up at 60, 70, and 80 percent annual rates.

Second, we all expected that the cooling off of the economy would permit a reduction in interest rates which would begin to turn down this rate of increase in homeownership costs.

Finally we were beginning to see the effects of a tapering off in raw material markets. I continue to think we have a real chance of doing that because those three changes alone that I have mentioned, would quickly get us below 10 percent. We no longer can say to ourselves that OPEC is unlikely to keep increasing its prices at the 16- to 18-percent range. I think the critical variable is not the price that they post, but their production policies. And a couple of million barrels a day cutback in OPEC production is just going to keep us at the present rate.

And the second, of course, is mortgage interest rates.

Senator PROXMIRE. In addition to that, though, you have the very disturbing fact that your wage guidelines seem to be in the 6- to 8-percent range, productivity is decreasing, not increasing, and that's a fundamentally inflationary situation—unit wage costs are likely to be increasing at a rate close to 10 percent. If that's the case, I just don't see how you can get inflation down much below 10 percent for a long time.

Mr. KAHN. I find it hard to quarrel with you, Senator. I'd just like to make a few observations which have the disadvantage that they don't offer much hope, but they are the truth.

The first is that labor may attempt to recover the 13-percent rate of the CPI increase by increasing wages. But the arithmetic for the country as a whole is that we cannot recover as a country as a whole.

Senator PROXMIRE. I am making the assumption that they won't do that, even staying within their guidelines. The settlements could be quite modest, and labor could continue to take a beating, as they have over the last year—real income is down 4.3 percent.

Let me ask you this, the administration's latest official forecast is that inflation for all of 1979 will be 10.6 percent. For the first 9 months of this year the CPI has increased at an annual rate of 13.4 percent. In order to achieve 10.6 percent for the year as a whole, in the last 3 months you would have to average 2.5 percent. Now, you know that that is not going to happen.

So, why doesn't the administration issue a new forecast in order to maintain some credibility?

Mr. KAHN. I can't give you a good answer. There is a regular time at which these estimates are made and then remade, and I don't even know at the moment when the next one is due. Do you happen to know, Mr. Russell?

Mr. RUSSELL. No.

Mr. KAHN. I have no difficulty in attempting to maintain our credibility by pointing out that none of us believes that we are going to have a 2-percent rate of a CPI increase in the next several months, and we have informally been saying that we would be doing well to hold December to 11 percent. And now with the September results, it looks as though even the 11 percent may be impossible to achieve.

But I guess the other side of the coin is that these estimates are made regularly, and since they are only projections I think it would be quite foolish for the administration to be chasing around every week trying to change. I think it clearly is unachievable.

Senator PROXMIRE. When will the new wage guidelines be issue? Can you give us a general idea about likely changes? Is the delay in issuing the guidelines hurting the President's anti-inflation program, since the performance of wage costs is absolutely crucial, as you know, to getting inflation under control?

Mr. KAHN. Well, first, we do, as you observed, in effect have an 8-percent standard. Part of our understanding with organized labor that led to the formation of the Pay Advisory Committee was that we would leave to the Committee the formulation of recommendations about any changes in the standards of living while we would carry over the first standards with the Council on Wage and Price Stability redressing any inequities.

The Council has already made it clear that the workers who complied with the standard in the first year but did not have the benefit of cost-of-living protection that a 1-percent upward adjustment would automatically be accepted. So, in effect, we have an 8-percent standard.

Second and finally, we think that bringing organized labor into collaboration, from the outside to the inside and setting up a kind of participation in which business members and labor members and representatives of the public would cooperate in trying to get the necessary restraint was so important and so hopeful to us that it was worth delaying the promulgation of new standards which I think the public would have regarded as largely an empty gesture, anyhow.

Senator PROXMIRE. Now, will there be numerical guidelines or not?

Mr. KAHN. I can't guarantee that, Senator, because the Committee will be meeting Monday and addressing itself to that question. I

do find it very difficult to believe that in a program in which 80 percent of the workers covered are nonunion and which we must rely very largely on self-administration and voluntary compliance, I find it difficult to believe that we can dispense with a number.

Senator PROXMIRE. It seems hard for me to understand how you can have effective guidelines without a number. After all, restraint is fine. Some people would say restraint is 12-percent wage increases, with inflation as high as it is. So, it seems to me you have to have a number. But you have to wait until you have further meetings on that.

Now, you referred on "Face the Nation," October 14, to organized labor as a prodigal son and business as a home-abiding daughter.

Do you mean by this that labor hasn't abided by the guidelines, but business has? How do you reconcile this with your claims of success for the wage guidelines and the recent sharp increases in corporate profits?

Mr. KAHN. That was not precisely what I meant. What I meant was that organized labor was standing aloof from the standards that were, in fact, attacking them. Its official position was that the voluntary program was to be ignored and that they wanted mandatory price and wage controls. And one labor leader after another was simply saying we are going to pay no attention to the standards. What we thought it was important to do was to bring them inside and try to enlist their cooperation. It was only in that sense that I was referring to it as a prodigal son that we were making great efforts to bring in.

In point of fact even the major union wage settlements, if you look at the Teamsters, rubber, electrical, and automobile workers, and you make honest effectual estimates of the increase in wage costs that they impose, those four settlements did reflect definite deceleration of wage increases as compared to the 1976 contracts.

Senator PROXMIRE. I notice in the release on real earnings that workers in every single industry took a beating, without exception. For example, for a married worker with three dependents, in September 1978, spendable average weekly earnings were 4.4 percent below the level in September 1977; in mining this was down 3.4 percent; in construction, down 3.3 percent; in manufacturing, down 4.7 percent; in transportation and utilities, down 2.6 percent; in wholesale and retail trade, down 3.2 percent; in finance, down 4.7 percent; and in services, down 3.6 percent. Virtually every group in the economy is losing.

So, it would seem to me that the worker is the home-abiding daughter. If there's a prodigal here, it's not the worker, it must be business.

Mr. KAHN. I don't think that's correct. I think that the cost of energy, particularly, is a cost to the economy as a whole. It's very largely the scores of millions of dollars that are being extracted from us by the price increases from OPEC, and they are being extracted from all of us.

Just one second point on that, please. Observe that those figures on real disposable earnings represent figures for money earnings adjusted for the Consumer Price Index. And please remember that the Consumer Price Index does not measure the cost of living.

For example, two points of that correction is for this—I hate to use the word "fraudulent," because it is not an incorrect statistic.

Senator PROXMIRE. Well, it's the best we have. You're right, it's wrong. I would like to also ask you—what are you doing about it? After all, these are administration statistics. They aren't issued by the Joint Economic Committee. You're dead right. They are fraudulent, they are wrong, they are distorted. Why not change them, and why not change them right now, so that they appropriately reflect the proportion of the homebuyers who were affected by the increase in interest rates? It seems to me that that is a simple mechanical adjustment.

Mr. KAHN. I wish it were, Senator Proxmire.

Senator PROXMIRE. Why isn't it?

Mr. KAHN. I would love to have your help in that. I can think of only two reasons. One is that it is extremely difficult to handle conceptually. The Consumer Price Index measures what happens to the cost of a given market basket of goods. The market basket includes the purchase of homes. And so in a particular month you ask yourself what has happened to the various components of that market basket. It is very hard to know how to change that to incorporate something that isn't in the market basket of what people bought. That is to say to include the carrying costs of homes that people bought in the past. It's just a basic departure from the basic idea of what the Consumer Price Index is.

Then there's the second reason, and that's a political one. As I understand it, the Bureau of Labor Statistics has tried several times to make a plausible issue—issue a different type of standard. But remember the CPI, is a political number in the sense not that it's formulated politically, but it determines who gets what and how much.

And therefore, as I understand it, there were great political pressures imposed to abort that effort. All I can tell you is that I am going to try again, and I solicit your help.

Senator PROXMIRE. You certainly have it.

Congressman Wylie.

Representative WYLIE. Thank you very much, Senator.

Last week Mr. Volcker appeared before our committee and attributed much of our inflation right now to energy costs. As I understand it, you do, too. Is that a fair statement?

Mr. KAHN. Yes, that's true.

Representative WYLIE. Is there any way, Mr. Kahn, that economists or other analysts can say with authority what percentage of our present rate of inflation originates with energy costs?

Mr. KAHN. Certainly not down to the last decimal point. We can make the first and most obvious adjustment that I have which is simply to say if the direct prices of gasoline and home heating oil, jet fuel and so on, if those prices had gone up only as much as the rest of the Consumer Price Index, how much lower would the CPI be? And that's what produced the 38-percent figure which I said is the direct effect of the 38 percent of the total. That leaves out the indirect effects via the cost of air travel, via the cost of bus fares, via the cost of drugs, polyethylene bags, fibers, and so on. It goes in indirectly.

Representative WYLIE. Can you say with any degree of certainty what proportion originates with OPEC and the international oil companies and what portion originates domestically?

Mr. KAHN. Again I'll have to give you two kinds of ideas. One, is the direct contribution to those higher product prices of the increased

cost of crude oil to the refinery is less than 50 percent. Months ago we did it for gasoline and we estimated that it was only in the 35 to 40 percent range.

Mr. RUSSELL. Crude oil is about a third right now. You get close to half when you include the costs of refined and semirefined products.

Mr. KAHN. May I just make the second point?

That explains the 35 and 50 percent; 35 is crude oil. But second, OPEC also directly affects the supply of oil in the world market by their production policies. And there is no doubt in my mind whatever that the loss of Iran's production which contributed to an imbalance between the available supplies and our demands which were going up at that time. It contributed also to increasing product prices creating scarcities, returning to increases in refinery margins at product prices because in the end the end market price is set by demand and supply. So, it was not all reaped, that is the scarcity value is not all reaped in the crude oil price.

Representative WYLIE. Well, if as you say inflation is due largely to energy inflation, then our monetary and fiscal policy and our wage and price guidelines are being held hostage by our lack of energy policy.

Mr. KAHN. I don't feel fully competent to address myself to the premise behind your question which is that we lack an energy policy.

Representative WYLIE. Are you saying that we are helpless to fight inflation without an energy policy?

Mr. KAHN. Well, I think we would all agree that the many pieces of the energy policy that Congress has in fact enacted in the last couple of years are inadequate, that there is still much more to do. And so, with that qualification I don't think it would be fair to say we have no energy policy. I think the answer to the rest of your question is yes.

Representative WYLIE. Do you feel that interest rates will come down very soon?

Mr. KAHN. Well, my crystal ball is no better than yours. Interest rates will not come down, I don't think, until inflation shows clear signs of coming down.

Representative WYLIE. That's about the same answer I got from Mr. Miller. He wouldn't predict a time either. But that's the question I get most frequently.

Mr. KAHN. Just one more point. This latest sharp increase in interest rates was clearly a response to what seemed like an almost speculative mania, which seemed to spread in the commodity market. And I think we all agree that that was probably necessary. When I saw the price of copper which had been behaving in the spring the way you would expect it to behave, in the slowdown of the economy it began to move down from the 90-cent range to the 80-cent-and-below range. And then in the summer it began to move up into the 90's, and then suddenly in 1 week jumped up to $1.17.

Well, that kind of thing which has been spreading to sugar and to grains and to zinc and lead, I think that made it necessary to put in this sharp additional increase. Now, if that mania dies down we might conceivably see some tapering off of interest rates.

Representative WYLIE. You say if that mania dies down. How much of our current inflation would you say is due to psychological forces?

Mr. KAHN. I think in large part it is a sustaining force.

Representative WYLIE. Is it a real economic force?

Mr. KAHN. It is hard to distinguish. I mean psychology doesn't spring out of nowhere. It is based rather on past experience. But the fact of the past experience of people saying, let's say, that the prices of houses go up 50 percent per year, then read expectations which in turn either continue the spiral or accentuate it so the two work together. If we could turn around the objective situation we might turn around the psychology, but it is kind of a "catch 22" situation.

Representative WYLIE. I think the last time you were here you said that you thought a considerable amount of our inflationary rate was due to food prices. And we have heard that for some time. But food prices have moderated in the last 3 months and overall inflation did not. So, can we throw out food prices as a factor in inflation?

Mr. KAHN. Yes. In my introductory comments I pointed out first that food prices behaved very painfully between November and April. I reminded you, however, that at that time I said very strenuously in testimony before several committees don't mess with those prices because they go up and they go down. And any attempt to impose the price controls can only be counterproductive.

Now, point of fact they behaved even better than I would have expected. And I pointed out that in the last 3 months—prior to September—prices of food for sale and use at home have gone down. That over the 6-month period it has been something like 3 percent. Food prices have been helping us. They may go up again. But they go up and down. All we should be concentrating on is margins. And I pointed out that margins behaved very troublesome for awhile, but now they too are going down. Please don't misunderstand.

The Government also has policies that boost prices of food at the farm. And I think that we have to keep an eye on those. We have to look at price supports and acreage set-asides. But I am happy to point out that we will have no acreage set-asides for wheat this coming year, and we will have no acreage set-asides for feed grains. And that is the best thing the Government can do in the food level to help the fight against inflation.

Representative WYLIE. Have you made a prediction as to the food price picture for this winter?

Mr. KAHN. No, I have not. And I am sorry that I am not in a position to tell you what the Department of Agriculture has said. I would be very happy to send that to you.

Representative WYLIE. All right. If you could send that to me, I would appreciate that.

Mr. KAHN. I'd be glad to.

Representative WYLIE. Thank you very much, Mr. Kahn. Thank you, Senator Proxmire.

Senator PROXMIRE. Senator McGovern?

Senator MCGOVERN. Thank you, Senator. Mr. Kahn, in your opening comments you've made the observation that the CPI is not measuring accurately the mortgage interest rates, that an average mortgage of 6 to 8 to 9 percent is not fully reflected in the CPI. What about the home buyer who takes out a mortgage now, though, with these prime rates of 15 percent? Does it measure that?

Mr. KAHN. Yes; of course it measures that. I don't mean to minimize the increasing costs of buying homes. All I am saying is that it doesn't measure the cost of living for the American people as a whole.

Senator MCGOVERN. What in your judgment is the relative impact of high cost money on the cost of living? Obviously in the short run it does increase the cost of living. But what really does it do in terms of any real hopes on tamping down inflation?

Every one of my constituents has to get a loan every year to put in the crop, sometimes to buy a new tractor or a new combine. Small businessmen may have to borrow for some other item. But almost everybody operates on borrowed money.

Doesn't the Federal Government's policy of deliberately raising those interest rates in effect feed inflation?

Mr. KAHN. There is no doubt Senator McGovern that the immediate effect of increasing interest rates is to increase the cost of doing business to the extent that aggregate demand permits those get passed on in higher prices. And to the extent that it's reflected in the CPI, it immediately gets reflected in higher wages in the indexation of social security payments, and all the other things that are indexed in the economy.

Second, this last sharp increase which none of us can be happy about, has already had a direct and immediate effect on the price of copper, on the prices of grains because it has helped turn over that crazy speculative mania. It has also had a direct effect on the foreign exchange value of the dollar.

Senator PROXMIRE. If the Senator would yield, you say it has a beneficial effect? It has reduced the price?

Mr. KAHN. Precisely. Thank you very much. The other side of it is that it has reduced those prices. Immediately it has reduced the cost of imports to us. The next time we get around to the steel trigger price mechanism it will have reduced the steel trigger price because of the fact that the dollar has appreciated relative to the yen.

And the third thing I have to say is that I don't know how, at a time when the demand for credit is so insistently great because of inflationary expectations, I don't know how you keep interest rates down except by printing more and more money. And if you try to do it by printing more and more money then you clearly are going to fuel inflation.

The only thing I think might be considered—forgive me, but it is a difficult subject and I am just as worried as you about the possible effect on our economy—the only thing that I would like to call to your attention is that the Federal Reserve Board in addition to promulgating these new restrictions instructed all the banks to hold down loans for speculative purposes and for corporate takeovers. And I don't know how influential that is, but I am told by bankers that yes, when they come around to borrow at the Federal Reserve they don't want to be in a position of having to greatly increase those loans. And I think that is a very hopeful sign, because I would rather that we reserve our limited amounts of credit for farmers' loans—for tractors—and curtail loans for essentially nonproductive purposes even though I guess most of my fellow economists would say I have just turned in my professional badge. I have demonstrated that I want to take over the free market.

Senator McGOVERN. Well, is there anything about the approach of the Japanese and the Germans and others have taken that's instructive to us? They apparently have not relied on very high interest rates. You referred earlier to the fact that we have to deal with the OPEC problem, that this is an essential factor feeding the fires of inflation here. The Germans and the Japanese have to import all of their oil. We import less than half of ours. Why are they so much more successful in recent times in controlling inflation than we are? They don't have the high interest rates, they import all their oil, and yet that inflation rate holds pretty steady. What's the reason for that? What are they doing differently that we might take a look at?

Mr. KAHN. I am not sure that I can give you an adequate explanation. I am going to ask Mr. Russell to help me. But certainly in the past the Germans and the Japanese have been much more willing to use restrictive monetary policy than we have. They have, in fact, relied very heavily on monetary restrictions as well as encouragement to savings. They have all sorts of ways of encouraging savings, and their rate of household savings is many, many times as great as ours. I think it's partly also that they have been—the Germans particularly—so burned by inflation in the past that they are prepared to do anything to combat it and you get restraint in wage policies, for example, in Germany. You get an attitude toward productivity that seems to be superior to ours.

They also have other advantages. A fact is that their military spending is a much lower percentage of their gross national product than ours.

Senator McGOVERN. I wish that issue were more clearly understood here. Other successful economies commit a very small part of their GNP and their budgets to the military. I am totally convinced and have been for years, that that's one of the blindspots in our approach to inflation. We just refuse to look at the fact that we have these constantly increasing military budgets and I think that kind of Federal spending is more inflationary than anything else we do.

Mr. KAHN. I don't think there is any doubt that military expenditures do not produce salable goods and services. And in that sense, they are inflationary.

Senator McGOVERN. I agree. No American can consume a submarine. You can't go out on the market and buy one.

Mr. KAHN. I wouldn't want to. [Laughter.] But I am not an expert on the case for and against military spending, and I think every case of Government spending has to stand on the basis of what the case is to be made for and against it. But as an objective fact, clearly that has helped Germany and Japan, just as Germany has been helped by the ability to absorb workers into its economy when the demand is great and then to send them home when the demand declines. That is sort of the structural difference between their economy and ours that makes them more willing to have a restrictive growth in their GNP when prices threaten to get out of hand.

Senator McGOVERN. The New York Times on Wednesday, Mr. Kahn, ran an interesting article. I'll just read the opening paragraph:

Secretary of Labor Ray Marshall, expressing reservations about Federal Reserve Board policies, said today that interest rates are a very inefficient way to deal with inflation.

Would you generally agree with Secretary Marshall?

Mr. KAHN. I'm pausing not to grope for a diplomatic answer, but only to recognize that I can't just agree or disagree with him. I felt that we had no other device available to us when the Federal Reserve moved than the device that we took. I don't see that Secretary Marshall has mentioned any other device that was available to us. It was a question of which was the greater evil. And until he's prepared to tell me what he would have done in those circumstances, I just can't agree with him. And yet I do agree that in the long run high interest rates are not the best way to fight inflation. I don't think we should be discouraging capital formation and discouraging loans for productive purposes clearly to the extent that they bring closer the threat of a real recession. That's a pretty inefficient way of fighting inflation. That's why I think that we must be in the next several months, and we are, talking about what is our long-range strategy to fight inflation.

So, there are all sorts of components between high interest rates.

Senator MCGOVERN. I think you've been right in stressing the importance of increasing capital formation and increasing productivity. I doubt very much that you are going to achieve that with tight money and high interest rates.

Thank you, Senator Proxmire.

Senator PROXMIRE. Along that line, the difficulty is that there is just no way, as you said, Mr. Kahn, to get interest rates below the inflation rate. If they get below the inflation rate, you would have a field day for the speculators. After all, if you have interest rates down to 10 percent and an inflation rate of 15 percent, what does the speculator do? He borrows a million dollars, he pays $100,000 in interest. If the speculator's investment just rises with the inflation rate, he makes $150,000 on your money. So, he makes a $50,000 profit without using any money of his own.

So, the fact is that the interest rate is a function of the inflation rate. You have to get the inflation rate down. I don't know any member of the Board of Governors of the Federal Reserve System who wouldn't like to get interest rates to drop. They argue that their policy will bring interest rates down, because they are going to persist in increasing the supply of credit right through any recession.

Then, as the demand for money falls off, supply will increase and the price of money or interest will drop more sharly than it has in the past.

Mr. KAHN. I agree with you.

Senator PROXMIRE. Let me just make one other point I think Senator McGovern has been the leading person in Congress and in the country in fighting for a more sensible military policy and a reduction in the terrible burden of defense. I might point out that West Germany has announced that they will decrease their defense spending in real terms in 1980, 1981, and 1982, at a time when we say we have to increase ours at a 3-percent rate above inflation in order to keep our word with the NATO allies. They're cutting theirs. But let me get back to another subject.

A number of items are either not covered at all by price guidelines or are only partially covered. I was shocked at what a high percentage are not covered. In recent months some of the most serious inflation has occurred in these areas.

For example, in the 9 months ending September 1979, the Consumer Price Index for gasoline rose at an average rate of 62 percent. That's not covered by guidelines, I understand. Food rose at an annual rate of 10 percent. Home financing, taxes, and insurance rose at an annual rate of 25 percent. Fuels were up at an annual rate of 80 percent. Home purchase prices rose at an annual rate of 14 percent.

As of December 1978, these five areas accounted for 46.5 percent of the typical consumer's budget. What can be done to deal with this problem of serious inflation in these areas which are not covered? Almost half of what people buy is not covered by the guidelines at all. So, I wonder how effective they are.

Mr. KAHN. Let me start and then ask Mr. Russell to supplement. I don't know whether that 46.5-percent figure includes all the final prices of foods and the final prices of gasoline or of other fuels, because if it does, then it exaggerates the portion of the household budget that is not covered by the standards.

Two-thirds of the price of food is processing and marketing costs; these margins are subject to standards. And similarly in the case of petroleum. I do, nevertheless, agree that there is a large part of the consumer's budget that is not covered and, what I am saying is, should not be covered.

I don't see how you apply standards to the sale price of houses. We have, I suppose, millions of houses that turn over every year. What should we do?

Senator PROXMIRE. If I could just interrupt. My problem isn't what you should do. I just wanted to get a notion of how effective these guidelines can be. What you're telling us is that in three areas of necessities—food, housing, and energy—covering about half of what people spend their money on, we don't have any guidelines.

Mr. KAHN. We don't have any guidelines for one-third of food and for about 40 percent of energy, but we do have for the other portions because of the margins that are subject to control.

But look, I think a case could be made that even the margins of petroleum companies should not be subject to standards, and ultimately if those prices are going up, it is basically an imbalance between demand and supply and there is something to be said for letting them go up and then tax the hell out of the companies. And that's why I am so insistent that the real solution is not necessarily to hold down the prices of petroleum products artificially and to encourage people to continue our previous energy consumption habits, but instead to recognize that we are in a new energy ballgame. We have got to conserve energy. But there is no reason why all of those profits should be going to the oil companies. And, therefore, we need those taxes. And that's why, of course, I urge you to pass the windfall profits tax.

Senator PROXMIRE. One of the best ways to fight inflation and do it effectively, it would seem to me, is to encourage savings so that people consume less, save more, have more available for investment. Preliminary GNP data for the third quarter of 1979 indicate that personal savings fell to 4.1 percent of disposable personal income. That's lower than the rate achieved in any year since 1949. And in that year consumers were still restocking with consumer goods after World War II; it's also much lower than the savings rate achieved in any other industrialized country.

In order to stimulate savings, our Banking Committee has reported legislation, as you know, to phase out regulation Q over 10 years. We also include a highly controversial proposal to lower the minimum certificate size for CD's to $1,000 so that a small saver can invest in that.

Do you support those policies? Would they be helpful? Are they helpful in fighting inflation?

Mr. KAHN. Absolutely. They are just a perfect little gem of an illustration of why I spend so much of my energies on regulatory reform. Here's a case of Government regulating markets and in this case discriminating against savers. And by the way, also, holding down the kinds of assets that thrift institutions can acquire.

Senator PROXMIRE. This is exactly, it seems to me, the response to the question Senator McGovern raised. Let interest rates work for us. They work for us by encouraging people to save. On the other hand, we don't give savers the benefit of those interest rates. We have a law, as you know, making it a crime to pay interest rates above 5.25 percent if you're a bank, or 5.5 if you're a S. & L. So, why should people save? You have the worst of all worlds; higher interest rates and higher costs for the borrower, and lower reward for the saver.

Mr. KAHN. That's one of the ways in which the President has moved. We are already moving to relax regulation Q, and, of course, I know that you strongly support that.

Senator PROXMIRE. Now, how can we reduce inflation without hurting capital formation? I think Senator McGovern made an excellent point that one of the things that we need so badly in our economy is more investment. At the same time, a restrained credit policy which the Federal Reserve is following which I think is right, does have the perverse effect of discouraging investments because it costs so much to borrow money and invest it. What can we do about it?

Mr. KAHN. Well, I think that the monetary tightness has to be seen as a short-term effort to take some of this inflationary steam out of the economy. And I think that if that speculative mania had been permitted to continue, capital formation would have been discouraged even more because that kind of speculation creates inefficiencies, encourages people to divert their attention to quick ways of raising a buck rather than long-term capital formation.

But surely we have to be looking toward tax incentives, I think, above all else to see that we encourage more capital formation and also to see that we encourage more R. & B.

I would like to emphasize also to see that we make a better effort in absorbing the structurally unemployed and retraining people and helping the technologically displaced because that's also a major source of increased productivity. And there is no question that as we look at our future budgetary policies that has to play a very large role in them.

Senator PROXMIRE. When Treasury Secretary Miller testified before this committee the other day, he endorsed monetary policies as a major tool to combat inflation. Of course, he was the former Chairman of the Federal Reserve Board, and he supported the Board's policy.

If interest rates continue to climb near the 20-percent range, mortgage money dries up, and housing takes a plunge, as Mr. Miller out-

lined in that same testimony, a countercyclical fiscal policy which would be triggered when unemployment hits 6.5 percent and remains at that level or higher for 3 months. That suggests to me that when tight money really begins to bite and hold down the increase in prices, the administration is going to come back with a fiscal policy which might work in the other direction. And I wonder if this is the way to go. What it means is that the public sector would be expanding and trying to create jobs for the unemployed while the private sector is contracting because of the Government's policy of restraint; this is just the opposite of what I think most of us think would be most efficient and desirable.

Mr. KAHN. Yes. But I think it is also the opposite of what this administration's clear intention is.

Senator PROXMIRE. How do you overcome that?

Mr. KAHN. First of all, as you know, the President has been very firm in saying that we are not talking about tax cuts, we are sticking at a time when there are great pressures as you know in the public and Congress, to reduce taxes and some people are talking about $35 billion. The President is holding very firmly, and that's No. 1.

No. 2, when and if it does become necessary to combat the recession we are determined not to have across-the-board tax cuts, but instead to make them targeted, targeted at absorption of the unemployed, targeted at capital formation in the ways that I've just mentioned. Targeted at cost inflating taxes like social security, payroll taxes.

No. 3, we are definitely committed in that the AFL–CIO just signed, in fact, a national accord which we will not go in for massive increases in Government expenditures at that time, and we will not have massive public works programs, but only highly targeted expenditures in particular areas, because letting unemployment move up sharply in particular areas is rather a wasteful way of combating inflation. And we will hear very heavy emphasis on incentives, incentives in the private economy. The President is very serious about bringing Federal expenditures down as a percentage of GNP.

Senator PROXMIRE. I am very happy to know that, Mr. Kahn. You have to leave shortly—how long can you stay?

Mr. KAHN. Another 20 minutes. Is that convenient for you?

Senator PROXMIRE. Congressman Wylie.

Representative WYLIE. Thank you, Senator.

Mr. Kahn, we all agree that our primary problem is inflation and has been the primary problem facing the Nation. So, we have to lick inflation. We have to start out with that premise. We are just going to have to kind of grit our teeth and do something about it. Would you agree with that?

Mr. KAHN. I do.

Representative WYLIE. Then you agree that inflation hurts investments, too?

Mr. KAHN. Yes, it does.

Representative WYLIE. Now, I'd like for a moment to try to sort out your answer on the impact of energy prices on our inflation, with monetary, fiscal, and wage and price guidelines all held hostage to a lack of an energy policy. Are you saying that nothing we do will work short of an energy policy?

Mr. KAHN. I think that's an exaggeration. There are obviously other things we can do.

Representative WYLIE. I thought so, too.

Mr. KAHN. Yes. If I said that, I surely did not mean that nothing would work. In fact, I specifically talked about hospital cost containment, for example. I specifically mentioned regulation Q and wheat set-asides and feed grain set-asides, and by passing the bill to deregulate the trucking industry.

There are a lot of things like that would help. But clearly, the energy component is so enormous that we have got to squeeze out the nonessential uses of energy. And I don't know by what combination of policies other than the ones the President has already formulated, we are going to do that. But I think we are going to do it. It's terribly important. That's the best I can do.

Representative WYLIE. I happen to think that the root cause of our inflation is deficit budget spending over a continued long period of time. And you're not saying that balancing the budget would be hopeless, independent of an energy policy which is what would remove our dependence from OPEC oil.

Mr. KAHN. No. Of course it would not be hopeless. I would point out to you that the budget deficit of the government in Germany is three times as large as ours is relative to their GNP. The same thing is true in Japan. I don't have the number, but it's much higher than ours.

And total government spending in Germany is much much larger than spending in the United States relative to GNP. So, that it's clear that we are dealing with something in addition to that. That does not mean that I disagree with you. Particularly in the late 1960's and early 1970's under one kind of administration and one under another kind of administration sharp expansions of spending unaccompanied by tax increases at the Federal level were very important contributors to this problem of inflation.

Representative WYLIE. What importance do you place on balancing a Federal budget?

Mr. KAHN. Well, I think I would have to operate at two levels. One level is that if the deficit is now projected or that it appears we've achieved for fiscal 1979 is on the order of $26 billion—maybe it's $25 billion—at that level a change of $25 billion in a $2-plus trillion economy is by any measure if you can say put it through your machines, it's nothing, it's negligible.

But the second level is the symbolic aspect of balancing the budget, what it means to the perception of everybody else's determination of the Government to show the kind of restraint that we're saying everybody else has to show and what it says about the long-range relationship of Federal spending to GNP. And in that sense it becomes much more important.

The third point I would make is, however, is that I believe it would be foolish to pretend that we are going to balance the budget or could balance it without doing more harm than good. If we are really moving into a recession, I think we have got to concentrate on the budget deficit as a percentage of GNP at some level of unemployment, and not say as we move into a recession that we are going to at that time

increase tax rates. That is really silly. But as a long-range proposition I would emphasize the second point. That is it is important for us to demonstrate fiscal restraint.

Representative WYLIE. I think there might be some psychological impact, as you say. I think the President could put it through. This is my own feeling now. If he said I am going to send to Congress a balanced budget, I realize it may have to be modified, and it might not be the way it will come out, but that's square one.

I say that because this week I noticed short-term Treasury bills are now paying something like what, 11.8 percent? Now, that's a considerable crowding out effect with the private sector. And that money is used to manage the public debt, which although it may be $26 billion and seems small, would be part of the gross national product. Still, that's a considerable amount of crowding out, and I think that hurts investment and capital formation.

Mr. KAHN. I think you're right, but put it in context. The $26 billion compares with an over $40 billion increase, net increase in consumer installment debt in 1978. And I think it was over $100 billion—I hope I am not double counting—increase in mortgage debt. And something of the same order of magnitude of increased corporate debt. Now, I quite agree that this inner elastic demand to finance Federal deficits is a factor and that's another reason why we are going to try to control it. But as I look at the budget for fiscal 1980 or 1981 it seems to me—well, let's skip that 1980—that for the President to say I am going to balance the budget, in those circumstances when our projections are a slowing in the rate of GNP and even a possible recession, it would not be believed and would rightfully not be believed. While I think Senator Proxmire made a good point awhile ago, though, when he said he thought that some stability could be linked to our economy, if we could encourage people to put their money in a savings account and leave it there for awhile. But one of the problems of leaving your money in a savings account is inflation. If we only pay them 5.5 or 5.25 percent, they can compound that daily and get up somewhere but they can't possibly get up to 11.8 percent, which is what you can get on Treasury bills.

And there has been a considerable amount of disintermediation from financial institutions just in the last 2 months I've noticed. So, it seems to me as if we ought to come down pretty hard on trying to balance the budget. That's the primary problem. And maybe with some of these other things that come along there will be some temporary dislocations, but as I say we will just have to grit our teeth, pull in our belt and take it from there.

Mr. KAHN. The President has been no slouch on that. That is, the budget deficit has been pretty sharply reduced, thanks undoubtedly to the expansion of the private economy. And he had been a very firm exponent of moving in the direction of budget balance.

Representative WYLIE. Thank you, Mr. Kahn. Thank you, Senator Proxmire.

Senator PROXMIRE. Senator McGovern.

Senator MCGOVERN. Mr. Kahn, reading the stories this week about Exxon's profits increasing over 100 percent surely supports your case for the windfall profit tax. Wouldn't it make even greater sense to do

something about the high prices that produce those fantastic profits? Why not just apply the price guidelines to the oil companies, the same as to everybody else? Then you wouldn't have 120-percent profit increases. You wouldn't have the need for the excess profits tax.

Mr. KAHN. There are two pieces to that, Senator. One is at the level of refinery margins and the marketing margins, especially of the integrated major companies, there the guidelines do apply and weighing just as fast as we can to find out what the devil is happening. I know that that sounds superficially like a kind of vapid answer, but if you had any exposure to the intricacies of oil company accounting and the possibilities of purchases and sales among themselves, you'd know that it is an extraordinarily difficult thing to find out what is happening. But we aim to use every weapon available to the Federal Government to see at least if they comply with the standards. That is the first one.

The other is the crude oil level.

Senator MCGOVERN. I intend to support the windfall profit tax without any question. But would you support Mr. Kahn, recognizing that this is a complex area, some kind of control mechanism on oil prices, rather than relying on the windfall profit tax?

Mr. KAHN. Well, the windfall profit tax was devised because of the President's decision to decontrol crude oil. And I think it's publicly known that I had a terrible conflict myself on that subject because I was worried about the effect of decontrol in the middle of a serious inflationary problem on our ability to hold people in line and the like. But I must say that if an economist and if someone who is concerned about intelligent energy policy, a balance-of-payments policy and relieving ourselves of reliance on the Middle East, I had to applaud the President's deregulation. I thought it was a courageous act, and as I say I had an enormous sense of relief that we were letting that price go up to the replacement costs to what it costs us. Every time we consume an additional barrel of oil it leads to more imports. Every time we hold the American price down, we are encouraging profligacy.

So, I have to say that at the crude oil level I support the notion of deregulation and taking it away with the windfall tax. At the refining and marketing levels I don't see why the oil companies should not be asked to show exactly the same restraint as the rest of the economy, and we are going to do our damnedest to see that they do.

Senator MCGOVERN. I'm sure you'd agree that as long as you rely on voluntary wage and price restraints, success depends to some degree on public acceptance. Yet, when the public reads about enormous increases in oil company profits, their skepticism grows, making it almost impossible to enlist the support of working people for wage restraint.

I understand you've been conducting an investigation to determine if some of the oil companies have been violating the profit margin standards. When will that investigation be complete, and if you find violations, what are you going to do about it?

Mr. RUSSELL. Maybe I'll answer that question, Senator.

We're engaged in a collaborative effort with the Department of Energy now to try to resolve the paradox, the apparent paradox that is brought about by the fact that adequate data show that margins of

refiners are expanding at a very rapid rate—indeed, rates far in excess of those allowed under our standards. Yet the data supplied to us by the companies for the most part tends to indicate that they are in compliance. So, either the average data are incorrect or the data they are supplying us are incorrect.

We have received a lot of data from DOE and are analyzing it now. I would hesitate to give you a deadline as to when we will complete the analysis, as it is as Mr. Kuhn pointed out, a very complicated matter. But we hope to have some answers sometime early in the next month.

Mr. KAHN. I'd be very reluctant to try to spell out the things that we might possibly do. I know there's a danger whether we do that that they'll say, well, if you do that we'll do something terrible to you. At the very least we are going to scream bloody murder to the American people and to the oil companies who sell their products to the American people. And if they are in fact playing games with us, the very least we can do, and it would be very injurious, would be to identify the people who are. But we will be considering every weapon that's available to us.

Senator MCGOVERN. Recognizing the difficulty of getting accurate information from the oil companies, I've felt for a long time that we ought to have an energy agency within the Government, a corporation capable of developing and marketing up to 5 or 10 percent of the oil that's on public land, and selling it at a fair profit to the Government.

Wouldn't that be a reliable way to find out whether or not profiteering is taking place on the part of the oil companies? Maybe it's not. Maybe what it would show is that they produce more cheaply than the Government. I don't understand why we can't get more support for this Federal yardstick concept that we used so effectively with TVA. Would something like that assist you in your efforts to know what the profit margins are and whether in fact the oil companies are profiteering at the expense of the public?

Mr. KAHN. I have difficulty giving you a good answer to that question, Senator, partly because I never quite understood from what extent I should be speaking as a private individual and to what extent as the spokesman of an administration that has not taken a position on that bill, so far as I know.

I can point out some of my hesitations. In the case of TVA, you were dealing with the production of electricity—the production and generation of electricity. I don't think that anybody can claim that TVA, which began operating as a multiple-purpose river valley development, was a proper yardstick for Con Edison in New York, which is burning coal and oil. But TVA was based on Senator Norris' notion, among others, that there was an enormous demand for electricity that could be tapped at lower rates and that there were enormous economies to be achieved if somebody would vigorously probe that great market.

And in that sense, and that's kind of setting an example, TVA was a marvelous institution. The oil situation is in many ways very different. Costs of producing crude oil will vary from one piece of land to another. And I don't know that anybody would argue in the same way that a Federal corporation exploiting, let's say, the Baltimore Canyon, if it didn't find anything, that that would prove anything

about the efficiency of operations of other oil companies. So, I have some difficulty with the yardstick concept. It seems to be different.

At the same time I must admit to some more than willingness as a kind of personal opinion, to explore the question of whether we could really learn something from that that we don't know now or cannot more readily learn by investigating what the oil companies are doing given the equivocal character of that answer.

Senator McGovern. Just one final question: It's my understanding that the committee is going to hold a hearing on Monday, the 50th anniversary of the great stock market crash of 1929. There has been more and more pessimistic talk lately from many Americans regarding our ability to control the economy. I am wondering if we could actually have another serious depression. What are your views on that?

Mr. Kahn. Well, I am reluctant to be the Roger Babson of 1979. The few of you who are as old as I will remember he predicted in the 1920's that we were in a new era and that we'd never have a depression. Nevertheless, as best I could see, the economy is in infinitely—strike infinitely, nothing is infinitely—is in a far stronger position to resist the kind of cumulative liquidation spiral that we had in the 1930's. The Government has a so much larger share of the total economy. Our built-in stabilizers take over so quickly that what we have is this amazing phenomenon, in fact, that this much advertised recession of 1979 and 1980 so far as we can tell started in the early spring of 1979 and ended in the early summer.

Now, that isn't to deny that we are getting there, but the backing up of the Federal Reserve, the Federal Deposit Insurance, the willingness of the Government to step in just makes it hard for me to see that kind of multiple liquidation process that we had then. But there are a lot of things that are hard to see.

Senator McGovern. Thank you.

Senator Proxmire. You have been very patient with the committee, Mr. Kahn. I would like to ask two very quick questions.

It has been reported that in order to get labor's participation in the new Pay Advisory Committee, the administration has agreed to stop the use of sanctions, including withholding Government contracts, and also to refrain from "jawboning."

It seems to me that the nonnumerical, only 50 percent of the economy guidelines have become a toothless tiger. Maybe you could use them for a carpet, but it's hard to see how they could be very effective.

Mr. Kahn. One, we have never surrendered the right to jawbone and we will not.

Senator Proxmire. Well, I hope not, because I think your jawboning is one of the few really entertaining shows here in Washington. [Laughter.]

Mr. Kahn. Well, I hope it's entertaining. It keeps me from crying. The second we do agree that so far as pay is concerned, that we want to give this cooperative mechanism a chance to operate, and therefore, while we have not in any way surrendered our legal right to use procurement so far as pay violations are concerned, we want to operate as long as the advisory participatory effort is going on, we want to give it a chance and try not to use the threat.

Senator Proxmire. You would use it with respect to prices?

Mr. KAHN. That is right. We have surrendered nothing so far as using procurement or any other sanctions as far as prices are concerned.

Senator PROXMIRE. The final question is: What will be the impact on our domestic inflation of our recently announced grain sales to the Soviet Union?

Mr. KAHN. I have no better estimate than that of the Department of Agriculture. That the effect of the bad Russian harvest and their coming into the world market has already been discounted, and that we can expect additional inflationary effect. But, of course, you can ask yourself the question, what would happen to the price of grain had we cut it off? I think in that case the price of grain would probably have dropped. The price of grain which had increased in anticipation of the sales would then have dropped. So, I guess you have to say that it does directly tend to sustain the prices of grain, but on the other hand consider what it would have done to our balance of payments and to the value of the dollar if we were, and to our incentives to the farmers to continue to produce, and our ability to have zero acres set aside if we cut off the sales.

Senator PROXMIRE. Thank you very much. I think you and your 150 gallant lawyers are doing a magnificent job, apparently so far, even though it is a losing job. And you are giving us a good show in the process.

Mr. KAHN. We need the kind words very badly. Thank you very much, Senator.

Senator PROXMIRE. The committee will stand adjourned.

[Whereupon, at 11:30 a.m., the committee adjourned, subject to the call of the Chair.]

MONITORING INFLATION

TUESDAY, NOVEMBER 27, 1979

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m. in room 6226, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Present: Senators Bentsen and Proxmire.

Also present: John M. Albertine, executive director; William R. Buechner and Paul B. Manchester, professional staff members; Mark Borchelt, administrative assistant; and Mark R. Policinski, minority professional staff member.

OPENING STATEMENT OF SENATOR BENTSEN, CHAIRMAN

Senator BENTSEN. The committee will come to order.

The good news is that prices in October didn't shoot up as much as in September. The bad news is that they didn't miss it by much. Looking at the color of this chart, we might call it the "greening of America." It gives us the Christmas spirit.

But I notice that in the first quarter of 1979 the Consumer Price Index was 9.8 percent higher than in the first quarter at 1978; for the second quarter of 1979 it was 10.6 percent above the second quarter of 1978; for the third quarter of 1979, 11.6 percent higher than the third quarter of 1978. That escalation of inflation is certainly not encouraging. Prices have risen by 11 percent since December 1978. That means that if you have a take-home pay of $100, it has shrunk in value to about $90 since last December.

The administration revised its inflation forecast for 1979 last July. They made it more pessimistic. They said at the time that prices in December of this year would be 100.6 percent above prices in December 1978.

Now, that was the bad news the administration had for us back in July. The bad news today is that even if we had zero—zero—inflation in the last 2 months of this year, prices in December 1979 would be 11 percent above prices in December 1978.

Here is where Americans find themselves: Home financing costs, fueled by both higher interest rates and higher home prices, rose at an annual rate of 41 percent in October; the index for rent was up by 17 percent; fuel oil prices rose at an annual rate of 17 percent—still too high, but a substantial improvement over the first 9 months of the year.

I am extremely concerned about practically all the components of the Consumer Price Index, and especially about the rising cost of

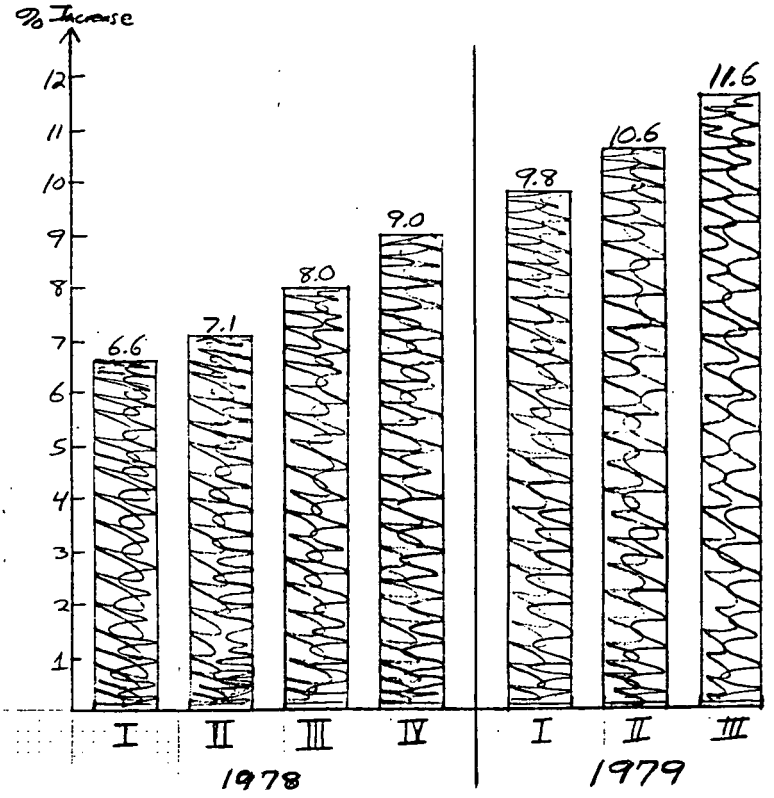
shelter in this county. The Joint Economic Committee plans to take a closer look at that tomorrow when we have some housing experts scheduled to address the subject of housing costs in another hearing. Maybe we will be able to get some answers on that subject then.

But for today, Mr. Russell, we will take a look at the broader consumer price picture—a picture which we all must admit is very discouraging.

Without objection, the press release entitled "The Consumer Price Index—October 1979" will be inserted in the hearing record at this point.

[The chart referred to, together with the press release, follows:]

PERCENTAGE INCREASE IN THE CONSUMER PRICE INDEX OVER SAME QUARTER OF PRIOR YEAR



News
United States Department of Labor
Bureau of Labor Statistics Washington, D.C. 20212

Patrick Jackman (202) 523-7827
523-8416
Kathryn Hoyle (202) 523-1913
523-1208

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TRANSMISSION OF MATERIAL IN THIS RELEASE
IS EMBARGOED UNTIL 9:00 A.M. (EST)
Tuesday, November 27, 1979

THE CONSUMER PRICE INDEX--OCTOBER 1979

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.9 percent before seasonal adjustment in October to 225.4 (1967=100), the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increased 0.8 percent before seasonal adjustment in October to 225.6 (1967=100). The CPI-U was 12.2 percent higher and the CPI-W was 12.4 percent higher than in October 1978.

CPI for All Urban Consumers (CPI-U)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for All Urban Consumers rose 1.0 percent in October, the tenth consecutive monthly increase of about 1.0 percent. The housing component, primarily reflecting higher mortgage interest rates and house prices, continued to advance sharply and accounted for about two-thirds of the increase in the October CPI. The index for medical care continued to edge upwards, increasing 1.0 percent in October. The entertainment index also rose more than in September. Prices for most other major categories of consumer

Table A. Percent changes in CPI for All Urban Consumers (CPI-U)

Expenditure category	Seasonally adjusted							Unadjusted
	Changes from preceding month							Compound annual rate 3-mos. ended Oct. '79	12-mos. ended Oct. '79
	1979								
	Apr.	May	June	July	Aug.	Sept.	Oct.		
All items	1.1	1.1	1.0	1.0	1.1	1.1	1.0	13.2	12.2
Food and beverages	.9	.7	.2	.1	0	.9	.7	6.8	9.7
Housing	1.1	1.2	1.3	1.2	1.4	1.2	1.5	17.3	13.5
Apparel and upkeep	.5	0	-.1	-.1	.7	1.3	.2	9.2	4.7
Transportation	2.0	1.8	1.7	1.8	1.5	1.2	.5	13.7	17.4
Medical care	.6	.6	.7	.7	.8	.9	1.0	11.3	9.4
Entertainment	.8	.5	.1	.7	.7	.3	.6	7.0	7.1
Other goods and services	.5	.5	.5	.5	1.0	1.6	.2	11.7	7.4

(Data for CPI-U are shown in tables 1 through 3.)

spending also increased in October, but by less than in September. The transportation component rose 0.5 percent in October, following substantially larger increases in each of the preceding 11 months. The October increase in the index for food and beverages was somewhat less than in September, while increases in the indexes for apparel and upkeep and other goods and services were substantially less than in either August or September.

The housing index rose 1.5 percent in October, the ninth consecutive month of large increases. Rising shelter costs accounted for most of the increase. In October, home financing costs rose 2.9 percent, reflecting an increase of 1.1 percent in mortgage interest rates and 1.9 percent in house prices. The index for rent increased 1.3 percent. Prices for household fuels continued to increase in October, but the rise was the smallest since January. Fuel oil prices rose 1.3 percent; this compares with an average monthly increase of about 5.0 percent during the first 9 months of this year. The index for gas and electricity rose 1.1 percent as a decline in charges for electricity was more than offset by increased charges for natural gas. The index for home maintenance and repairs rose 0.9 percent in October, about the same as in September.

The October increase of 0.7 percent in the food and beverage component compares with an increase of 0.9 percent in September and much smaller increases in the summer months. The increase in grocery store food prices slowed to 0.7 percent. Most grocery store food categories showed smaller increases in October. Fresh fruit prices declined 1.2 percent, following a 2.6 percent rise in September. The index for meats, poultry, fish, and eggs rose 1.0 percent in October, compared with 0.7 percent in September and declines in each of the 3 preceding months. Increases in beef and pork prices, the first increase in 7 months for the latter, more than offset the continued decline in poultry prices and a decrease in egg prices. Prices of the other two components of the food and beverage index--restaurant meals and alcoholic beverages--rose 0.9 percent in October, compared with 0.6 percent in September.

The 0.5 percent rise in the transportation component was the smallest in 12 months. A decline of 1.5 percent in new car prices, after seasonal adjustment, and a smaller increase in gasoline prices were primarily responsible for the deceleration. The 1980 model cars were included in the CPI for the first time in October and will continue to be phased into the index over the next several months. (For a report on quality changes for 1980 cars, see news release USDL 79-766, dated November 1, 1979). The 1.8 percent increase in gasoline prices in October compares with an average monthly increase of about 4.0 percent during the first 9 months and was the smallest increase since December 1978. Used car prices decreased slightly, continuing the decline which has taken place for eight consecutive months. The index for public transportation rose 1.7 percent, the fourth consecutive large increase.

The index for apparel and upkeep rose 0.2 percent in October, compared with increases of 0.7 percent in August and 1.3 percent in September. A decline in the prices for women's and girls' clothing, reflecting early fall sales, was primarily responsible for the smaller October increase. Charges for apparel services rose 1.1 percent in October, following increases of 1.0 and 1.2 percent in the 2 preceding months.

The medical care index rose 1.0 percent in October, the largest increase since January. Charges for physicians' services and hospital rooms rose 0.5 and 1.0 percent, respectively, following increases of 0.7 and 0.6 percent in September. The index for medical care commodities in October continued to increase at about the same rate as during the first 9 months.

The index for entertainment rose 0.6 percent in October, compared with 0.3 percent in September, but about the same as the average monthly increases during the first 9 months. The index for other goods and services rose 0.2 percent in October, following increases of 1.0 percent in August and 1.6 percent in September.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers rose 0.9 percent in October, the tenth consecutive monthly increase of about 1.0 percent. The housing component, primarily reflecting higher mortgage interest rates and house prices, continued to advance sharply and accounted for over three-fifths of the October increase. The index for medical care continued to edge upwards and the increase of 1.1 percent was the largest this year. Prices for most other major categories of consumer spending, however, showed smaller increases in October than in September. The transportation component, following substantial increases in each of the preceding 11 months, rose 0.4 percent. The October increase in the index for food and beverages was somewhat less than in September, while the increases in the indexes for apparel and upkeep and other goods and services were notably less than in September. The entertainment index rose the same as in September.

The housing index rose 1.4 percent in October, the ninth consecutive month of large increases. Rising shelter costs accounted for most of the increase. In October, home financing costs rose 2.9 percent, reflecting an increase of 1.1 percent in mortgage interest rates and 1.9 percent in house prices. The index for rent increased 1.2 percent. Prices for household fuels continued to show substantial increases in October, but the rise was the smallest since February. Fuel oil prices rose 1.3 percent compared with average monthly increases of about 5.0 percent during the first 9 months. The index for gas and electricity rose 1.1 percent as a decline in charges for electricity was more than offset by increases in charges for natural gas.

The October increase of 0.7 percent in the food and beverage component compares with an increase of 0.9 percent in September. The index for food at home increased 0.6 percent as most grocery store food items showed smaller price increases in October than in September.

Prices of the other two components of the food and beverage index--restaurant meals and alcoholic beverages--rose 0.9 and 1.0 percent, respectively, in October, following increases of 0.5 and 0.7 percent in September.

The increase in the transportation component was the smallest in 18 months. A decline of 1.5 percent in new car prices, after seasonal adjustment, and a slower advance in gasoline prices were primarily responsible for the deceleration. The 1.8 percent increase in gasoline prices in October compares with an average monthly increase of about 4.0 percent during the first 9 months and and was the smallest increase since December 1978. Used car prices declined for the eighth consecutive month. The index for public transportation rose 1.4 percent in October, the fourth consecutive large monthly increase.

The index for apparel and upkeep rose 0.5 percent in October compared with an increase of 1.0 percent in September. A decline in the prices for women's and girls' clothing, reflecting early fall sales, was primarily responsible for the smaller October increase. Charges for apparel services rose 1.0 percent in October, following increases of 0.9 and 1.0 percent in the 2 preceding months.

The medical care index rose 1.1 percent in October, the largest increase this year. Charges for physicians' services and hospital rooms rose 1.2 and 1.4 percent, respectively, following increases of 1.1 and 0.6 percent in September. The index for medical care commodities in October rose the same as in September.

The index for entertainment rose 0.7 percent in October, the same as in September. The index for other goods and services rose 0.2 percent in October, following increases of 1.2 percent in both August and September.

Table B. Percent changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure category	Seasonally adjusted								Unadjusted
	Changes from preceding month 1979							Compound annual rate 3-mos. ended	12-mos. ended
	Apr.	May	June	July	Aug.	Sept.	Oct.	Oct.'79	Oct.'79
All Items	1.1	1.0	1.0	1.0	1.0	1.1	0.9	12.8	12.4
Food and beverages	.8	.4	.3	.2	0	.9	.7	6.4	9.8
Housing	1.1	1.3	1.3	1.2	1.4	1.2	1.4	17.1	13.7
Apparel and upkeep	.4	-.1	-.2	.2	.5	1.0	.5	8.2	4.4
Transportation	2.0	1.8	1.8	1.7	1.5	1.2	.4	13.2	17.4
Medical care	.7	.6	.9	.8	.8	1.0	1.1	12.4	9.9
Entertainment	.5	.8	.1	.7	.3	.7	.7	7.0	7.3
Other goods and services	.5	.5	.4	.4	1.2	1.2	.2	10.8	7.4

(Data for CPI-W are shown in tables 4 through 6.)

Technical Notes

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. Effective with the January 1978 index, the Bureau of Labor Statistics began publishing CPI's for two population groups: (1) a new CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total noninstitutional civilian population; and (2) a revised CPI for Urban Wage Earners and Clerical Workers (CPI-W) which represents about half the population covered by the CPI-U. The CPI-U includes, in addition to wage earners and clerical workers, groups which historically have been excluded from CPI coverage, such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Prices are collected in 85 urban areas across the country from over 18,000 tenants, 18,000 housing units for property taxes, and about 24,000 establishments—grocery and department stores, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of food, fuels, and a few other items are obtained every month in all 85 locations. Prices of most other commodities and services are collected every month in the five largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits of the Bureau's trained representatives. Mail questionnaires are used to obtain public utility rates, some fuel prices, and certain other items.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Separate indexes are also published for 28 local areas. Area indexes do not measure differences in the level of prices among cities; they only measure the average change in prices for each area since the base period.

The index measures price changes from a designated reference date—1967—which equals 100.0. An increase of 22 percent, for example, is shown as 122.0. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

For further details see the following: *The Consumer Price Index: Concepts and Content Over the Years*, Report 517, revised edition (Bureau of Labor Statistics, May 1978); *The Revision of the Consumer Price Index*, by W. John Layng, reprinted from the *Statistical Reporter*, February 1978, No. 78-5 (U.S. Dept. of Commerce), and *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978.

A Note About Calculating Index Changes

Movements of the indexes from one month to another are usually expressed as percent changes rather than changes in index points because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example in the accompanying box illustrates the computation of index point and percent changes.

Percent changes for 3-month and 6-month periods are expressed as annual rates and are computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

Index Point Change

CPI	189.8
Less previous index	189.2
Equals index point change:	0.6

Percent Change

Index point difference	0.6
Divided by the previous index	189.2
Equals:	0.003
Results multiplied by one hundred	0.003x100
Equals percent change:	0.3

A Note on Seasonally Adjusted and Unadjusted Data

Because price data are used for different purposes by different groups, the Bureau of Labor Statistics publishes seasonally adjusted as well as unadjusted changes each month.

For analyzing general price trends in the economy, seasonally adjusted changes are usually preferred since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude every year—such as price movements resulting from changing climatic conditions, production cycles, model changeovers, holidays, and sales.

The unadjusted data are of primary interest to consumers concerned about the prices they acutally pay. Unadjusted data are also used extensively for escalation purposes. Many collective bargaining contract agreements and pension plans, for example, tie compensation changes to the Consumer Price Index unadjusted for seasonal variation.

Seasonal factors used in computing the seasonally adjusted indexes are derived by the X-11 Variant of the Census Method II Seasonal Adjustment Program. The updated seasonal data at the end of 1977 replaced data from 1967 through 1977. Subsequent annual updates will replace 5 years of seasonal data, e.g., data from 1974 through 1978 will be replaced at the end of 1978. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components.

24 Hour CPI Mailgram Service

Consumer Price Index data now are available by mailgram within 24 hours of the CPI release. The new service is being offered by the Bureau of Labor Statistics through the National Technical Information Service of the U.S. Department of Commerce.

The CPI MAILGRAM service provides unadjusted and seasonally adjusted data both for the All Urban Consumers (CPI-U) and for the Urban Wage Earners and Clerical Workers (CPI-W) indexes as shown on the CPI-U sample page below. The unadjusted data include the current month's index and the percent changes from 12 months ago and one month ago. The seasonally adjusted data are the percent changes from one month ago.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U): U.S. CITY AVERAGE (1967=100)

GROUP	UNADJ INDEX MAY 1979	UNADJUSTED % CHG FROM 12 MO AGO	UNADJUSTED % CHG FROM 1 MO AGO	S ADJ % CHG FROM 1 MO AGO
ALL ITEMS	216.1	10.8	1.2	1.1
ALL ITEMS(1957-59=100)	209.9	-	-	-
FOOD AND BEVERAGES	228.2	11.2	.8	.7
FOOD	234.3	11.4	.9	.7
FOOD AT HOME	253.4	11.3	.7	.5
CEREALS AND BAKERY PRODUCTS	216.2	9.5	.8	1.0
MEATS, POULTRY, FISH, AND EGGS	242.2	19.4	.9	.1
DAIRY PRODUCTS	223.5	11.1	.7	.8
FRUITS AND VEGETABLES	225.8	3.6	.1	-.2
FOOD AWAY FROM HOME	241.1	11.7	1.1	1.1
HOUSING	222.4	11.3	1.2	1.2
RENT, RESIDENTIAL	173.3	6.8	1.0	1.0
HOMEOWNERSHIP	254.9	14.5	1.3	1.3
FUEL AND OTHER UTILITIES	232.2	7.7	2.1	2.2
FUEL OIL, COAL, AND BOTTLED GAS	364.3	23.2	4.1	4.5
GAS (PIPED) AND ELECTRICITY	251.6	8.2	2.6	2.6
HOUSEHOLD FURNISHINGS AND OPERATION	189.2	7.5	.3	.4
APPAREL AND UPKEEP	166.1	3.9	.4	.0
TRANSPORTATION	207.7	13.4	2.4	1.8
NEW CARS	165.8	8.7	.9	1.1
USED CARS	225.4	11.3	2.7	-.5
GASOLINE	247.7	29.1	5.5	5.0
PUBLIC TRANSPORTATION	193.3	3.1	.4	.7
MEDICAL CARE	236.3	8.9	.5	.6
MEDICAL CARE SERVICES	254.4	9.4	.5	.6
ENTERTAINMENT	187.8	6.6	.7	.5
OTHER GOODS AND SERVICES	193.9	7.5	.4	.5
PERSONAL CARE 1/	193.9	7.5	.9	.5
COMMODITIES	205.8	10.9	1.2	.5
COMMODITIES LESS FOOD AND BEVERAGES	192.9	10.9	1.5	1.0
NONDURABLES LESS FOOD AND BEVERAGES	195.7	12.0	2.3	1.9
DURABLES	189.2	10.3	1.1	.5
SERVICES	229.5	10.3	1.1	1.3
ALL ITEMS LESS FOOD	205.9	10.5	1.3	1.2
ENERGY 1/	260.8	19.8	4.2	4.5
ALL ITEMS LESS FOOD AND ENERGY	204.1	9.5	.9	.9

1/ NOT SEASONALLY ADJUSTED.

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TABLE 1. Consumer Price Index for all urban consumers: U.S. city average, by expenditure category and commodity and service group. 1967=100

Group	Relative importance, December 1978	Unadjusted indexes Sept. 1979	Oct. 1979	Unadjusted percent change to Oct. 1979 from- Oct. 1978	Sept. 1979	Seasonally adjusted percent change from- July to Aug.	Aug. to Sept.	Sept. to Oct.
Expenditure category								
All items	100.000	223.4	225.4	12.2	0.9	1.1	1.1	1.0
All items(1957-59=100)	-	259.8	262.2	-	-	-	-	-
Food and beverages	19.242	231.0	232.1	9.7	.5	.0	.9	.7
Food	18.161	237.1	238.2	9.9	.5	.0	.9	.8
Food at home	12.616	234.7	235.4	9.3	.3	-.3	1.1	.7
Cereals and bakery products	1.583	225.6	227.0	10.7	.6	2.3	.5	.5
Meats, poultry, fish, and eggs	4.363	231.0	230.3	8.8	-.3	-3.6	.7	1.0
Dairy products	1.683	211.3	213.3	11.6	.9	1.3	.5	.5
Fruits and vegetables	1.757	231.8	232.0	7.3	.1	1.5	2.7	.5
Sugar and sweets	.440	282.0	283.1	7.9	.4	.6	1.0	.4
Fats and oils	.367	231.5	231.9	7.2	.2	1.0	.3	-.2
Nonalcoholic beverages 1/	1.418	367.7	372.1	9.3	1.2	2.0	1.6	1.2
Other prepared foods	1.045	212.6	213.4	10.5	.4	.5	1.0	.0
Food away from home	5.545	247.6	249.6	11.1	.8	.7	1.6	.9
Alcoholic beverages	1.080	174.2	176.0	7.9	1.0	.3	.6	.9
Housing	44.258	234.6	237.7	13.5	1.3	1.4	1.2	1.6
Shelter	29.827	247.9	251.5	15.1	1.5	1.5	1.3	1.8
Rent, residential	5.535	179.0	181.4	8.4	1.3	.9	.8	1.3
Other rental costs	.735	239.3	241.6	13.0	1.0	.7	.8	1.2
Homeownership	23.557	271.9	276.7	16.8	1.8	1.7	1.4	1.9
Home purchase	10.166	229.8	233.4	14.7	1.6	1.5	1.1	1.9
Financing, taxes, and insurance	9.686	323.0	330.5	21.3	2.3	2.1	1.8	2.3
Maintenance and repairs	3.705	262.5	264.7	10.0	.8	.7	1.0	.9
Maintenance and repair services	2.846	284.4	287.0	10.3	.9	.6	.6	.9
Maintenance and repair commodities	.859	211.5	212.5	9.0	.5	1.1	2.1	.7
Fuel and other utilities	6.326	251.2	252.9	18.9	.7	1.8	1.7	.7
Fuels	4.231	306.6	310.3	22.2	1.2	2.6	2.8	1.2
Fuel oil, coal, and bottled gas	.870	461.6	470.8	56.9	2.0	6.7	5.6	1.5
Gas (piped) and electricity	3.352	270.1	272.5	13.5	.9	1.4	1.3	1.1
Other utilities and public services	2.096	159.8	158.8	-.1	-.6	-.1	-.1	-.5
Household furnishings and operation	8.105	192.2	193.3	6.3	.6	.5	.4	.6
Housefurnishings	4.457	164.1	165.2	4.8	.7	.3	.1	.7
Housekeeping supplies	1.542	224.1	224.8	7.0	.3	.6	.4	.4
Housekeeping services	2.106	253.4	254.6	8.9	.5	1.0	.8	.6
Apparel and upkeep	5.886	169.0	171.0	4.7	1.2	.7	1.3	1.2
Apparel commodities	4.819	164.2	165.2	3.7	.6	.6	1.2	.2
Men's and boys' apparel	1.532	162.7	164.2	3.2	.9	-.2	.9	.7
Women's and girls' apparel	1.891	155.9	155.5	1.0	-.3	1.6	1.5	-1.2
Infants' and toddlers' apparel	.118	223.4	224.8	2.2	.6	.4	.7	.6
Footwear	.698	180.1	182.6	8.8	1.4	.1	1.0	1.2
Other apparel commodities	.580	172.6	175.5	8.4	1.7	.9	1.8	1.4
Apparel services 1/	1.066	210.2	212.5	11.8	1.1	1.0	1.2	1.1
Transportation	17.806	221.4	222.7	17.4	.6	1.5	1.2	.5
Private transportation	16.782	222.0	223.1	17.8	.5	1.5	1.2	.4
New cars	3.934	166.1	167.5	7.7	.8	.4	.8	-1.5
Used cars	3.148	292.9	299.9	2.3	-1.5	-.6	-.9	-.1
Gasoline	4.183	301.0	303.8	50.5	.9	4.0	3.5	1.8
Maintenance and repair	1.515	247.1	249.1	10.0	.8	.7	.6	.9
Other private transportation	4.001	201.7	203.7	9.0	1.0	1.4	.5	.6
Other private trans. commodities	.714	177.7	182.0	12.9	2.4	1.1	.9	1.9
Other private trans. services	3.288	210.1	211.4	8.1	.6	1.4	.5	.3
Public transportation	1.024	205.2	209.1	10.5	1.9	2.0	1.6	1.7
Medical care	4.959	243.7	245.9	9.4	.9	.8	.9	1.0
Medical care commodities	.845	155.8	156.6	7.3	.5	.7	.6	.6
Medical care services	4.115	262.8	265.3	9.9	1.0	.8	1.0	1.1
Professional services 1/	1.982	230.3	231.6	8.4	.6	.6	.6	.6
Other medical care services	2.133	302.0	306.2	11.3	1.4	1.0	1.3	1.6
Entertainment	3.963	191.1	192.0	7.1	.5	.7	.3	.6
Entertainment commodities	2.330	192.0	193.1	7.5	.6	.9	.4	.8
Entertainment services	1.633	190.2	190.8	6.5	.3	.5	.2	.4
Other goods and services	4.287	201.7	202.3	7.4	.3	1.0	1.6	.2
Tobacco products	1.152	190.9	191.3	5.7	.2	1.5	.6	.1
Personal care 1/	1.707	199.0	199.8	7.7	.4	.6	.8	.4
Toilet goods and personal care appliances 1/	.762	191.4	192.5	6.9	.6	.6	.9	.6
Personal care services 1/	.945	206.4	207.0	8.4	.3	.5	.7	.3
Personal and educational expenses	1.427	223.3	224.0	8.6	.3	1.0	3.3	.2
School books and supplies	.183	201.5	202.3	7.7	.4	1.1	4.2	-3.5
Personal and educational services	1.245	228.6	229.4	8.7	.3	1.0	3.2	.8
Commodity and service group								
All items	100.000	223.4	225.4	12.2	0.9	1.1	1.1	1.0
Commodities	59.213	218.1	219.6	12.4	.7	.9	1.1	.8
Food and beverages	19.242	231.0	232.1	9.7	.5	.0	.9	.7
Commodities less food and beverages	39.972	208.3	209.9	13.7	.8	1.4	1.2	.8
Nondurables less food and beverages	16.671	213.2	214.9	19.3	.8	2.1	1.7	.8
Apparel commodities	4.819	164.2	165.2	3.7	.6	.6	1.2	.2
Nondurables less food, beverages, and apparel 1/	11.852	242.2	244.3	25.8	.9	2.6	2.1	.9
Durables	23.301	194.5	196.0	9.6	.8	.7	.7	.7
Services	40.787	280.7	283.6	11.9	1.2	1.2	1.1	1.2
Rent, residential	5.535	179.0	181.4	8.4	1.3	.9	.8	1.3
Household services less rent	20.820	276.7	280.7	14.9	1.4	1.4	1.3	1.5
Transportation services	5.828	216.6	218.5	9.0	.9	1.3	.7	.7
Medical care services	4.115	262.8	265.3	9.9	1.0	.8	1.0	1.1
Other services	4.489	204.7	205.7	8.3	.5	.7	1.3	.6
Special indexes:								
All items less food	81.839	219.6	221.8	12.8	1.0	1.3	1.2	1.0
All items less shelter	70.173	216.1	217.4	11.0	.6	.8	1.0	.6
All items less mortgage interest costs 1/	92.728	216.7	218.3	10.9	.7	.8	.9	.7
All items less medical care	95.041	222.1	224.1	12.4	.9	1.1	1.1	.9
Commodities less food	41.052	201.8	203.4	13.6	.8	1.3	1.2	.8
Nondurables less food	17.751	209.6	211.3	18.6	.8	1.9	1.8	.7
Nondurables less food and apparel 1/	12.932	232.7	234.8	24.4	.9	2.5	1.9	.9
Nondurables 1/	35.912	223.1	224.5	14.2	.6	1.0	1.2	.6
Services less rent	35.252	252.2	255.1	12.5	1.2	1.3	1.1	1.2
Services less medical care 1/	36.672	236.7	239.6	12.2	1.2	1.3	1.3	1.2
Energy 1/	8.502	304.3	307.5	35.8	1.1	3.2	2.7	1.1
All items less energy 1/	91.498	217.3	219.2	10.0	.9	.7	.9	.9
All items less food and energy 1/	73.337	211.5	213.6	10.1	1.0	1.0	1.0	1.0
Commodities less food and energy	35.902	188.2	189.6	8.3	.7	.6	.6	.8
Energy commodities 1/	5.150	325.3	329.0	50.9	1.1	4.6	3.4	1.1
Services less energy	37.435	238.4	241.3	11.8	1.2	1.2	1.1	1.2
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.448	$.444	-10.8	-.9	-1.1	-.9	-.9
1957-59=$1.00 1/	-	.385	.381	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-U

TABLE 2. Consumer Price Index for all urban consumers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in				6 months ending in	
	July 1979	Aug. 1979	Sept. 1979	Oct. 1979	Jan. 1979	Apr. 1979	July 1979	Oct. 1979	Apr. 1979	Oct. 1979
					Expenditure category					
All items	-	-	-	-	8.8	13.9	12.8	13.2	11.4	13.0
Food and beverages	229.0	229.0	231.1	232.8	12.6	15.2	4.1	6.8	13.9	5.5
Food	235.0	235.0	237.1	238.9	12.7	15.4	4.0	6.8	14.0	5.4
Food at home	233.0	232.3	234.8	236.4	14.0	16.5	1.0	6.0	15.2	3.5
Cereals and bakery products	220.5	225.5	226.7	227.9	6.6	8.7	13.6	14.1	7.6	13.8
Meats, poultry, fish, and eggs	233.9	225.5	227.1	229.4	28.6	40.7	-16.4	-7.5	34.5	-12.0
Dairy products	208.0	210.7	211.7	212.7	15.1	11.4	11.1	9.3	13.2	10.2
Fruits and vegetables	229.6	233.1	239.5	240.7	1.1	-5.9	15.2	20.8	-2.5	18.0
Sugar and sweets	280.0	281.6	284.3	285.4	5.6	6.3	12.3	7.9	5.9	10.1
Fats and oils	227.9	230.1	230.8	230.3	3.6	14.2	7.0	4.3	8.7	5.6
Nonalcoholic beverages 1/	354.6	361.8	367.7	372.1	6.0	2.7	8.2	21.3	4.3	14.5
Other prepared foods	210.8	211.8	213.9	214.0	12.3	8.7	14.7	6.2	10.5	10.4
Food away from home	244.4	246.0	247.4	249.6	11.1	13.7	10.8	8.8	12.4	9.8
Alcoholic beverages	172.7	173.3	174.4	176.0	8.9	8.7	6.5	7.9	8.8	7.2
Housing	228.4	231.6	234.3	237.7	6.9	14.0	16.2	17.3	10.4	16.7
Shelter	240.0	243.6	246.8	251.2	8.3	16.6	16.1	20.0	12.4	18.0
Rent, residential	176.1	177.7	179.2	181.6	6.4	4.5	9.9	13.1	5.4	11.5
Other rental costs	234.6	236.3	238.3	241.1	17.8	12.8	10.1	11.6	15.3	10.8
Homeownership	262.9	267.3	271.0	276.2	8.4	19.7	17.7	21.8	13.9	19.7
Home purchase	223.3	226.7	229.3	233.6	9.3	14.8	15.1	19.8	12.0	17.4
Financing, taxes, and insurance	309.5	316.1	321.7	329.2	5.7	29.9	23.5	28.0	17.2	25.7
Maintenance and repairs	257.2	259.1	261.6	263.9	10.7	8.7	9.9	10.8	9.7	10.4
Maintenance and repair services	279.4	281.2	283.0	285.6	11.4	10.5	10.4	9.2	10.9	9.8
Maintenance and repair commodities	205.1	207.3	211.7	213.1	8.9	3.0	8.0	16.5	5.9	12.2
Fuel and other utilities	243.7	248.1	252.2	254.0	-.2	11.9	32.4	18.0	5.7	25.0
Fuels	293.6	301.3	308.5	312.3	.0	18.2	48.2	28.0	8.7	37.7
Fuel oil, coal, and bottled gas	416.2	443.9	468.6	475.6	12.6	54.4	104.4	70.5	31.8	86.7
Gas (piped) and electricity	263.7	267.3	270.9	273.9	-3.4	10.1	34.6	16.4	3.1	25.2
Other utilities and public services	159.9	159.8	159.6	158.8	.3	.0	2.3	-2.7	.1	-.3
Household furnishings and operation	190.5	191.5	192.2	193.4	7.5	6.6	4.8	6.2	7.0	5.5
Housefurnishings	163.2	163.7	163.9	165.0	4.9	6.7	2.7	4.5	5.8	3.6
Housekeeping supplies	222.3	223.6	224.5	225.3	10.7	6.4	5.6	5.5	8.5	5.5
Housekeeping services	249.2	251.6	253.7	255.1	11.0	6.8	8.3	9.8	8.9	9.0
Apparel and upkeep	165.6	166.8	168.9	169.3	1.2	9.7	-1.0	9.2	5.4	4.0
Apparel commodities	160.1	161.1	163.1	163.4	.0	8.9	-2.0	8.5	4.4	3.1
Men's and boys' apparel	161.0	160.6	162.1	163.2	2.8	.3	4.1	5.6	1.5	4.8
Women's and girls' apparel	149.4	151.8	154.1	152.3	-4.7	15.3	-12.3	8.0	4.8	-2.7
Infants' and toddlers' apparel	219.7	220.5	222.1	223.5	-2.2	5.8	-1.8	7.1	1.7	2.6
Footwear	177.8	177.9	179.7	181.9	6.6	8.7	10.3	9.5	7.7	9.9
Other apparel commodities	168.1	169.6	172.6	175.1	1.5	12.9	2.4	17.7	7.1	9.8
Apparel services 1/	205.7	207.7	210.2	212.5	9.8	15.6	8.0	13.9	12.7	10.9
Transportation	214.8	218.1	220.7	221.8	14.2	18.3	23.4	13.7	16.3	18.4
Private transportation	215.4	218.7	221.3	222.2	14.7	18.8	24.3	13.2	16.7	18.6
New cars	168.4	169.1	169.8	167.2	10.2	13.7	10.4	-2.8	11.9	3.6
Used cars	199.8	198.7	197.0	196.9	23.7	-.2	-6.2	-5.7	11.1	-5.9
Gasoline	276.1	287.1	297.1	302.3	22.6	58.2	83.9	43.7	39.3	62.6
Maintenance and repair	244.2	245.9	247.3	249.6	8.2	11.5	11.4	9.1	9.8	10.3
Other private transportation	199.1	201.8	202.8	204.1	7.9	6.7	11.2	10.4	7.3	10.8
Other private trans. commodities	174.0	176.0	177.5	180.9	12.8	13.5	8.7	16.8	13.1	12.7
Other private trans. services	207.7	210.6	211.6	212.2	6.7	5.3	11.6	9.0	6.0	10.2
Public transportation	197.5	201.4	204.6	208.1	2.1	8.3	9.2	23.3	5.2	16.0
Medical care	239.7	241.5	243.7	246.2	11.1	7.3	8.2	11.3	9.2	9.8
Medical care commodities	153.9	155.0	156.0	156.9	8.5	6.3	6.8	8.0	7.4	7.4
Medical care services	258.2	260.2	262.8	265.6	11.9	7.3	8.6	12.0	9.6	10.3
Professional services 1/	227.6	228.9	230.3	231.6	10.7	6.9	8.7	7.2	8.8	8.0
Other medical care services	295.2	298.1	302.0	306.8	12.4	7.7	8.4	16.7	10.0	12.5
Entertainment	188.9	190.3	190.9	192.1	7.3	8.8	5.2	7.0	8.1	6.1
Entertainment commodities	189.3	191.0	191.8	193.3	7.5	9.7	4.1	8.7	8.6	6.4
Entertainment services	188.6	189.6	190.0	190.8	7.1	7.4	7.1	4.7	7.3	5.9
Other goods and services	196.2	198.1	201.2	201.7	4.5	7.6	5.7	11.7	6.0	8.7
Tobacco products	187.4	190.3	191.5	191.7	2.0	9.1	2.4	9.5	5.5	5.9
Personal care 1/	196.4	197.5	199.0	199.8	7.3	8.3	7.9	7.1	7.8	7.5
Toilet goods and personal care appliances 1/	188.6	189.7	191.4	192.5	5.4	7.4	6.2	8.5	6.4	7.3
Personal care services 1/	203.9	205.0	206.4	207.0	9.1	8.9	9.3	6.2	9.0	7.8
Personal and educational expenses	212.0	214.1	221.2	221.6	4.8	5.3	5.9	19.4	5.1	12.4
School books and supplies	195.1	197.3	205.6	198.5	9.0	7.6	7.1	7.2	8.3	7.1
Personal and educational services	216.4	218.5	225.4	227.1	3.9	4.8	5.7	21.3	4.4	13.3
					Commodity and service group					
All items	-	-	-	-	8.8	13.9	12.8	13.2	11.4	13.0
Commodities	209.5	211.4	213.8	215.5	10.8	15.2	11.7	12.0	13.0	11.8
Food and beverages	229.0	229.0	231.1	232.8	12.6	15.2	4.1	6.8	13.9	5.5
Commodities less food and beverages	197.6	200.3	202.7	204.4	10.2	15.1	15.5	14.5	12.6	15.0
Nondurables less food and beverages	204.6	208.8	212.4	214.0	9.5	20.9	28.1	19.7	15.0	23.8
Apparel commodities	160.1	161.1	163.1	163.4	.0	8.9	-2.0	8.5	4.4	3.1
Nondurables less food, beverages, and apparel 1/	231.2	237.3	242.2	244.3	10.7	27.6	42.3	24.7	18.8	33.2
Durables	191.5	192.8	194.1	195.4	11.7	9.7	8.6	8.4	10.7	8.5
Services	235.0	237.8	240.4	243.4	5.8	12.3	14.5	15.1	9.0	14.8
Rent, residential	176.1	177.7	179.2	181.6	6.4	4.5	9.9	13.1	5.4	11.5
Household services less rent	268.8	272.6	276.1	280.2	5.0	17.8	19.3	18.1	11.2	18.7
Transportation services	213.1	215.9	217.4	218.9	6.3	7.5	11.2	11.3	6.9	11.3
Medical care services	258.2	260.2	262.8	265.6	11.9	7.3	8.6	12.0	9.6	10.3
Other services	199.9	201.3	203.9	205.1	6.9	8.4	7.3	10.8	7.6	9.1
Special indexes:										
All items less food	214.0	216.7	219.2	221.4	8.4	13.6	14.9	14.6	11.0	14.7
All items less shelter	211.9	213.7	215.9	217.2	9.3	12.8	11.3	10.4	11.0	10.8
All items less mortgage interest costs 1/	213.0	214.7	216.7	218.3	7.1	12.7	13.4	10.3	9.9	11.9
All items less medical care	217.0	219.3	221.8	223.9	9.1	14.3	12.9	13.3	11.7	13.1
Commodities less food	196.3	198.9	201.3	202.9	10.2	15.0	15.4	14.1	12.6	14.8
Nondurables less food	201.5	205.4	209.0	210.5	9.3	20.4	26.5	19.1	14.7	22.7
Nondurables less food and apparel 1/	222.8	228.3	232.7	234.8	10.8	25.9	39.0	23.3	18.1	30.9
Nondurables 1/	218.3	220.4	223.1	224.5	9.3	18.9	17.0	11.9	14.0	14.4
Services less rent	245.9	249.0	251.8	254.8	5.8	13.5	15.1	15.3	9.6	15.2
Services less medical care 1/	230.6	233.6	236.7	239.6	6.1	11.3	15.0	16.5	8.7	15.8
Energy 1/	287.1	296.3	304.3	307.5	9.1	36.4	73.4	31.6	22.0	51.0
All items less energy 1/	213.8	215.4	217.3	219.2	7.6	12.1	9.9	10.5	9.9	10.2
All items less food and energy 1/	207.3	209.4	211.5	213.6	6.3	11.2	10.3	12.7	8.7	11.5
Commodities less food and energy	185.4	186.6	187.8	189.0	9.2	9.0	7.0	8.0	9.1	7.5
Energy commodities 1/	300.8	314.5	325.3	329.0	16.3	56.4	99.2	43.1	34.9	68.8
Services less energy	232.7	235.5	238.1	241.0	6.8	12.4	12.6	15.0	9.6	13.8

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 3. Consumer Price Index for all urban consumers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes July 1979	Aug. 1979	Sept. 1979	Oct. 1979	Percent change to Oct. 1979 from- Oct. 1978	Aug. 1979	Sept. 1979	Percent change to Sept. 1979 from- Sept. 1978	July 1979	Aug. 1979
U.S. city average			218.9	221.1	223.8	225.8	12.2	1.9	0.9	12.1	2.1	1.0
Chicago, Ill.-Northwestern Ind.	M		217.8	218.6	221.3	221.8	13.5	1.5	.2	14.2	1.8	1.2
Detroit, Mich.	M		219.5	222.2	223.7	227.2	13.1	2.3	1.6	13.2	1.9	.7
L.A.-Long Beach, Anaheim, Calif.	M		218.7	217.5	220.7	221.8	12.1	2.0	.5	11.9	2.8	1.5
N.Y., N.Y.-Northeastern N.J.	M		214.0	215.4	218.1	219.9	9.8	2.1	.8	9.7	1.9	1.3
Philadelphia, Pa.-N.J.	M		216.1	217.7	219.5	220.1	10.9	1.1	.3	11.0	1.6	.8
Anchorage, Alaska	1	10/67	207.4	-	213.2	-	-	-	-	10.4	2.8	-
Baltimore, Md.	1		221.0	-	224.9	-	-	-	-	10.5	1.8	-
Boston, Mass.	1		219.2	-	218.1	-	-	-	-	11.4	1.8	-
Cincinnati, Ohio-Ky.-Ind.	1		228.8	-	229.0	-	-	-	-	12.4	1.9	-
Denver-Boulder, Colo.	1		236.5	-	240.8	-	-	-	-	15.3	1.8	-
Miami, Fla.	1	11/77	115.7	-	117.4	-	-	-	-	10.1	1.5	-
Milwaukee, Wis.	1		222.7	-	226.0	-	-	-	-	13.9	1.5	-
Northeast Pennsylvania	1		211.7	-	215.4	-	-	-	-	10.5	1.7	-
Portland, Oreg.-Wash.	1		227.4	-	232.2	-	-	-	-	14.3	2.1	-
St. Louis, Mo.-Ill.	1		216.9	-	222.2	-	-	-	-	13.3	2.4	-
San Diego, Calif.	1		236.1	-	240.4	-	-	-	-	16.4	1.8	-
Seattle-Everett, Wash.	1		217.5	-	222.6	-	-	-	-	10.7	2.3	-
Washington, D.C.-Md.-Va.	1		220.4	-	222.9	-	-	-	-	11.0	1.1	-
Atlanta, Ga.	2		-	216.9	-	220.8	11.2	1.8	-	-	-	-
Buffalo, N.Y.	2		-	214.6	-	218.7	10.4	1.9	-	-	-	-
Cleveland, Ohio	2		-	221.4	-	224.7	12.4	1.5	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	222.9	-	228.2	14.2	2.4	-	-	-	-
Honolulu, Hawaii	2		-	207.2	-	210.5	11.5	1.6	-	-	-	-
Houston, Tex.	2		-	240.6	-	244.2	13.6	1.5	-	-	-	-
Kansas City, Mo.-Kans.	2		-	224.6	-	229.9	14.7	2.4	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	227.0	-	231.2	12.1	1.9	-	-	-	-
Pittsburgh, Pa.	2		-	219.1	-	226.0	11.5	3.1	-	-	-	-
San Francisco-Oakland, Calif.	2		-	218.3	-	221.5	9.0	1.5	-	-	-	-
Region 3/												
Northeast	2	12/77	-	116.2	-	118.7	11.1	2.2	-	-	-	-
North Central	2	12/77	-	120.3	-	122.6	13.1	1.9	-	-	-	-
South	2	12/77	-	119.4	-	121.6	12.2	1.8	-	-	-	-
West	2	12/77	-	119.4	-	121.9	12.6	2.1	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	117.2	-	119.4	11.5	1.9	-	-	-	-
A-2	2	12/77	-	119.1	-	121.3	12.0	1.8	-	-	-	-
B	2	12/77	-	119.8	-	122.3	12.9	2.1	-	-	-	-
C	2	12/77	-	119.6	-	122.2	12.6	2.2	-	-	-	-
D	2	12/77	-	118.7	-	121.2	12.5	2.1	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	115.0	-	117.3	10.3	2.0	-	-	-	-
North Central/A	2	12/77	-	121.0	-	123.2	13.3	1.8	-	-	-	-
South/A	2	12/77	-	118.7	-	120.7	12.0	1.7	-	-	-	-
West/A	2	12/77	-	118.7	-	120.8	11.5	1.8	-	-	-	-
Northeast/B	2	12/77	-	117.3	-	120.2	12.3	2.5	-	-	-	-
North Central/B	2	12/77	-	120.5	-	122.1	13.0	1.5	-	-	-	-
South/B	2	12/77	-	120.1	-	122.4	12.6	1.9	-	-	-	-
West/B	2	12/77	-	120.9	-	123.6	13.7	2.2	-	-	-	-
Northeast/C	2	12/77	-	120.2	-	123.0	13.3	2.3	-	-	-	-
North Central/C	2	12/77	-	119.0	-	121.9	13.0	2.4	-	-	-	-
South/C	2	12/77	-	119.9	-	122.1	12.0	1.8	-	-	-	-
West/C	2	12/77	-	119.5	-	122.2	12.7	2.3	-	-	-	-
Northeast/D	2	12/77	-	116.9	-	119.2	11.4	2.0	-	-	-	-
North Central/D	2	12/77	-	119.5	-	122.0	12.8	2.1	-	-	-	-
South/D	2	12/77	-	118.5	-	120.6	12.1	1.8	-	-	-	-
West/D	2	12/77	-	118.8	-	122.8	14.3	3.4	-	-	-	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 4,000,000.
A-2	1,250,000 to 4,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

CPI-W

TABLE 4. Consumer Price Index for urban wage earners and clerical workers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes Sept. 1979	Oct. 1979	Unadjusted percent change to Oct. 1979 from- Oct. 1978	Sept. 1979	Seasonally adjusted percent change from- July to Aug.	Aug. to Sept.	Sept. to Oct.
Expenditure category								
All items	100.000	223.7	225.6	12.4	0.8	1.0	1.1	0.9
All items(1957-59=100)	-	260.1	262.4	-	-	-	-	-
Food and beverages	20.946	231.2	232.3	9.8	.5	.0	.9	.7
Food	19.777	237.3	238.3	10.0	.4	.0	.9	.7
Food at home	13.899	234.2	234.8	9.2	.3	-.3	1.1	.6
Cereals and bakery products	1.715	226.6	227.9	10.6	.6	2.0	.8	.5
Meats, poultry, fish, and eggs	4.862	230.5	229.7	8.8	-.3	-3.7	1.0	.8
Dairy products	1.856	212.0	214.0	11.6	.9	1.3	.6	.3
Fruits and vegetables	1.818	229.6	230.2	7.6	.3	2.0	2.1	.7
Sugar and sweets	.972	281.2	282.2	7.6	.4	.6	.9	.5
Fats and oils	.398	230.7	231.9	6.8	.5	1.0	-.3	.2
Nonalcoholic beverages 1/	1.615	365.0	368.2	8.0	.9	1.8	1.4	.9
Other prepared foods	1.164	212.4	213.4	10.4	.5	.6	.9	.1
Food away from home	5.877	249.3	251.3	11.9	.8	.6	.5	.9
Alcoholic beverages	1.169	174.9	176.9	8.0	1.1	.3	.7	1.0
Housing	40.957	238.5	237.7	13.7	1.4	1.4	1.2	1.4
Shelter	26.969	248.2	252.4	15.5	1.7	1.5	1.9	1.8
Rent, residential	5.238	178.9	181.2	8.2	1.3	.9	.9	1.2
Other rental costs	.504	238.6	241.3	13.0	1.1	.8	.8	1.3
Homeownership	21.227	273.3	278.3	17.4	1.8	1.7	1.5	1.9
Home purchase	8.921	230.0	233.6	14.8	1.6	1.6	1.2	1.9
Financing, taxes, and insurance	8.987	325.6	333.5	22.1	2.4	2.2	1.9	2.4
Maintenance and repairs	3.320	263.4	265.3	11.2	.7	.8	.8	.8
Maintenance and repair services	2.351	287.2	289.4	12.2	.8	.5	.8	.8
Maintenance and repair commodities	.969	210.8	211.9	8.8	.5	1.5	1.1	.8
Fuel and other utilities	6.221	251.7	253.4	15.0	.7	1.8	1.7	.7
Fuels	4.215	306.6	310.1	22.1	1.1	2.6	2.4	1.2
Fuel oil, coal, and bottled gas	.875	462.5	471.7	57.1	2.0	6.6	5.7	1.5
Gas (piped) and electricity	3.340	269.9	272.2	13.5	.9	1.3	1.3	1.1
Other utilities and public services	2.006	159.8	158.9	-.1	-.6	-.1	-.1	-.4
Household furnishings and operation	7.767	190.6	191.7	6.2	.6	.6	.3	.5
Housefurnishings	4.571	163.5	164.4	5.0	.5	.5	.0	.4
Housekeeping supplies	1.601	222.6	223.9	7.0	.6	.5	.5	.6
Housekeeping services	1.596	252.1	253.9	8.9	.7	.9	.8	.8
Apparel and upkeep	9.524	169.3	170.8	4.4	.9	.5	1.0	.5
Apparel commodities	6.886	163.9	165.3	3.6	.9	.4	1.0	.4
Men's and boys' apparel	1.531	163.2	164.4	2.9	.7	-.3	.4	.5
Women's and girls' apparel	1.927	154.4	154.8	.5	.3	1.3	.9	-.4
Infants' and toddlers' apparel	.131	226.4	228.7	4.3	1.0	.4	.6	1.0
Footwear	.735	179.4	181.9	8.9	1.4	-.2	1.1	1.1
Other apparel commodities	.562	174.9	178.7	8.9	2.2	.8	2.9	1.9
Apparel services 1/	.637	208.7	210.8	10.8	1.0	.9	1.0	1.0
Transportation	20.045	222.4	223.4	17.4	.4	1.5	1.2	.4
Private transportation	19.121	222.7	223.7	17.9	.4	1.5	1.2	.4
New cars	4.154	165.9	167.4	7.9	.9	.3	.5	-1.5
Used cars	4.019	202.9	199.9	2.3	-1.5	-.6	-.9	-.1
Gasoline	4.769	302.3	305.2	51.1	1.0	4.1	3.5	1.8
Maintenance and repair	1.665	247.5	249.4	10.0	.8	.7	.7	.8
Other private transportation	4.514	202.3	204.0	9.0	.8	1.3	.6	.4
Other private trans. commodities	.804	178.7	181.6	11.5	1.6	1.1	.8	1.1
Other private trans. services	3.710	210.6	211.9	8.4	.6	1.4	.6	.2
Public transportation	.924	204.1	207.3	9.0	1.6	1.6	1.1	1.4
Medical care	4.989	246.7	247.2	9.9	1.0	.8	1.0	1.1
Medical care commodities	.771	156.7	157.4	7.4	.4	.7	.4	.4
Medical care services	3.717	263.8	266.8	10.4	1.1	.9	1.2	1.2
Professional services 1/	1.900	233.1	234.9	9.6	.8	.8	.9	.8
Other medical care services	1.817	301.3	305.9	11.3	1.5	1.0	1.4	1.7
Entertainment	3.794	190.2	191.4	7.3	.6	.3	.7	.7
Entertainment commodities	2.396	189.9	190.7	6.9	.4	.3	.8	.5
Entertainment services	1.398	191.8	193.5	8.2	.9	.4	.5	.9
Other goods and services	4.245	200.6	201.4	7.4	.4	1.2	.2	.2
Tobacco products	1.392	190.9	191.2	5.8	.2	1.8	.5	.1
Personal care 1/	1.762	198.4	199.4	7.8	.5	.8	.4	.5
Toilet goods and personal care appliances 1/	.838	191.0	191.6	7.0	.3	1.1	.4	.3
Personal care services 1/	.924	205.8	207.3	8.5	.7	.5	.4	.7
Personal and educational expenses	1.091	223.5	224.2	8.6	.3	.9	3.3	.0
School books and supplies	.163	205.0	205.8	8.5	.4	.9	4.8	-3.6
Personal and educational services	.929	228.4	229.0	8.6	.3	.9	3.0	.7
Commodity and service group								
All items	100.000	223.7	225.6	12.4	0.8	1.0	1.1	0.9
Commodities	62.074	214.4	215.8	12.5	.7	.9	1.0	.7
Food and beverages	20.946	231.2	232.3	9.8	.5	.0	.9	.7
Commodities less food and beverages	41.128	203.5	205.0	13.9	.7	1.3	1.2	.7
Nondurables less food and beverages	17.651	214.8	216.6	20.2	.8	2.2	1.6	.8
Apparel commodities	6.886	163.9	165.3	3.6	.9	.4	1.0	.4
Nondurables less food, beverages, and apparel 1/	12.765	243.8	245.9	26.7	.9	2.8	2.1	.9
Durables	23.477	193.5	194.8	9.1	.7	.6	.5	.6
Services	37.926	241.0	244.0	12.3	1.2	1.2	1.1	1.2
Rent, residential	5.238	178.9	181.2	8.2	1.3	.9	.9	1.2
Household services less rent	18.784	278.2	282.3	15.6	1.5	1.4	1.4	1.5
Transportation services	6.299	216.8	218.6	8.9	.8	1.2	.7	.6
Medical care services	3.717	263.8	266.8	10.4	1.1	.9	1.2	1.2
Other services	3.888	204.9	206.4	8.7	.7	.6	1.1	.8
Special indexes:								
All items less food	80.223	219.8	222.0	13.0	1.0	1.3	1.2	1.0
All items less shelter	73.031	216.7	217.9	11.3	.6	.8	1.0	.6
All items less mortgage interest costs 1/	93.132	217.2	218.7	11.2	.7	.7	.9	.7
All items less medical care	95.511	222.3	224.2	12.6	.9	1.0	1.1	.9
Commodities less food	42.297	202.0	203.5	13.7	.7	1.3	1.2	.7
Nondurables less food	18.820	211.0	212.9	19.4	.9	2.0	1.6	.8
Nondurables less food and apparel 1/	13.934	234.2	236.3	25.1	.9	2.6	2.0	.9
Nondurables 1/	38.597	223.9	225.3	14.5	.6	1.0	1.2	.6
Services less rent	32.689	252.6	255.7	12.9	1.2	1.3	1.2	1.2
Services less medical care 1/	34.209	236.2	239.9	12.5	1.3	1.3	1.3	1.3
Energy 1/	9.085	307.0	310.2	37.0	1.0	3.3	2.7	1.0
All items less energy 1/	90.915	217.0	218.8	9.9	.8	.7	.8	.8
All items less food and energy 1/	71.138	211.0	213.0	10.0	.9	.9	1.0	.9
Commodities less food and energy	36.552	187.5	188.7	7.9	.6	.5	.5	.5
Energy commodities 1/	5.785	326.5	330.2	51.3	1.1	4.6	3.4	1.1
Services less energy	34.586	238.7	241.7	12.2	1.3	1.2	1.1	1.2
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.447	$.443	-11.0	-.9	-1.1	-.9	-.9
1957-59=$1.00 1/	-	.384	.381	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 5. Consumer Price Index for urban wage earners and clerical workers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
	July 1979	Aug. 1979	Sept. 1979	Oct. 1979	Jan. 1979	3 months ending in Apr. 1979	July 1979	Oct. 1979	6 months ending in Apr. 1979	Oct. 1979
Expenditure category										
All items	-	-	-	-	9.5	14.4	12.8	12.8	11.9	12.8
Food and beverages	229.3	229.2	231.2	232.9	12.8	16.3	3.7	6.4	14.5	5.1
Food	235.3	235.2	237.3	238.9	13.1	16.6	3.5	6.3	14.8	4.9
Food at home	232.6	231.8	234.3	235.7	14.2	16.3	.9	5.4	15.2	3.1
Cereals and bakery products	221.5	225.9	227.7	228.8	6.9	7.8	14.1	13.8	7.4	14.0
Meats, poultry, fish, and eggs	233.4	224.7	226.9	228.8	30.1	38.8	-16.0	-7.7	34.4	-11.9
Dairy products	208.4	211.2	212.4	213.1	14.3	12.1	10.6	9.3	13.2	10.0
Fruits and vegetables	227.9	232.4	237.2	238.8	2.2	-5.6	15.2	20.5	-1.8	17.8
Sugar and sweets	278.9	280.7	283.2	284.5	4.8	6.7	11.0	8.3	5.8	9.6
Fats and oils	228.3	230.5	229.8	230.3	4.1	13.1	6.8	3.6	8.5	5.1
Nonalcoholic beverages 1/	353.6	360.0	365.0	368.2	3.9	9.1	6.8	17.6	6.0	12.1
Other prepared foods	210.5	211.7	213.7	214.0	11.4	8.7	14.5	6.8	10.0	10.6
Food away from home	246.3	247.8	249.1	251.3	12.1	17.1	10.2	8.4	14.6	9.3
Alcoholic beverages	173.1	173.6	174.9	176.7	7.3	9.4	6.5	8.6	8.4	7.5
Housing	228.4	231.6	234.4	237.6	7.1	14.5	16.4	17.1	10.7	16.7
Shelter	240.6	244.3	247.6	252.0	8.5	17.6	16.1	20.3	13.0	18.2
Rent, residential	176.0	177.5	179.1	181.2	6.4	9.1	9.9	12.4	5.3	11.1
Other rental costs	233.8	235.7	237.6	240.6	18.2	12.4	9.2	12.2	15.3	10.7
Homeownership	264.1	268.6	272.5	277.8	8.9	21.0	18.0	22.4	14.8	20.2
Home purchase	223.3	226.8	229.5	233.8	8.9	15.2	15.1	20.2	12.0	17.6
Financing, taxes, and insurance	311.5	318.4	324.3	332.2	6.5	31.0	23.5	29.3	18.1	26.4
Maintenance and repairs	258.3	260.3	262.5	264.6	12.9	11.9	10.0	10.1	12.4	10.1
Maintenance and repair services	282.2	283.6	285.8	288.0	14.6	14.9	11.1	8.5	14.8	9.8
Maintenance and repair commodities	205.5	208.6	210.8	212.5	8.7	5.3	7.1	14.3	7.0	10.7
Fuel and other utilities	284.2	288.6	292.8	294.5	.0	11.7	33.2	18.0	5.7	25.4
Fuels	293.8	301.4	308.5	312.1	.0	17.7	49.3	27.3	8.5	37.9
Fuel oil, coal, and bottled gas	416.8	434.3	469.5	476.5	12.7	54.8	104.4	70.8	32.1	86.8
Gas (piped) and electricity	263.8	267.3	270.7	273.6	-3.3	9.3	35.7	15.7	2.8	25.3
Other utilities and public services	159.9	159.8	159.6	158.9	.3	.0	2.0	-2.5	.1	-.3
Household furnishings and operation	189.0	190.1	190.7	191.7	8.2	6.0	8.6	5.8	7.1	5.2
Housefurnishings	162.7	163.5	163.5	164.2	6.8	6.4	2.8	3.7	6.6	3.2
Housekeeping supplies	220.7	221.8	223.0	224.3	10.3	5.3	5.6	6.7	7.8	6.2
Housekeeping services	248.1	250.4	252.4	254.4	9.9	6.3	8.8	10.6	8.1	9.7
Apparel and upkeep	165.8	166.6	168.3	169.1	1.7	8.4	-.2	8.2	5.0	3.9
Apparel commodities	160.5	161.2	162.8	163.5	.8	7.5	-1.2	7.7	4.1	3.1
Men's and boys' apparel	162.4	161.9	162.5	163.3	3.3	-.8	6.4	2.2	1.5	4.3
Women's and girls' apparel	149.1	151.0	152.4	151.8	-3.9	12.3	-11.7	7.4	3.9	-2.6
Infants' and toddlers' apparel	222.6	223.5	224.9	227.1	-1.8	9.8	1.5	8.3	3.8	4.8
Footwear	174.2	177.3	179.2	181.2	6.4	11.6	9.5	8.1	9.0	8.8
Other apparel commodities	168.6	170.0	174.9	178.3	3.2	7.7	1.2	25.1	5.4	12.5
Apparel services 1/	204.9	206.7	208.7	210.8	8.5	15.2	7.8	12.0	11.8	9.9
Transportation	215.7	218.9	221.6	222.5	15.2	18.5	23.3	13.2	16.8	18.1
Private transportation	216.0	219.3	221.9	222.8	15.7	19.0	24.0	13.2	17.3	18.5
New cars	168.3	168.8	169.6	167.1	10.2	13.8	11.2	-2.8	12.0	3.9
Used cars	199.8	198.7	197.0	196.9	23.7	-.2	-6.2	-5.7	11.1	-5.9
Gasoline	277.1	288.4	298.4	303.7	22.8	59.5	84.4	44.3	40.0	63.1
Maintenance and repair	244.4	246.2	248.0	249.9	8.0	11.7	10.8	9.3	9.8	10.1
Other private transportation	199.7	202.3	203.6	204.4	8.6	6.6	11.1	9.8	7.6	10.4
Other private trans. commodities	175.1	177.0	178.5	180.5	14.6	9.8	8.9	12.9	11.9	10.9
Other private trans. services	210.2	211.1	212.1	212.8	7.1	6.1	11.5	9.1	6.6	10.3
Public transportation	198.0	201.2	203.5	206.3	2.3	8.5	8.1	17.9	5.4	12.8
Medical care	240.3	242.3	244.8	247.4	9.8	8.2	9.3	12.4	9.0	10.8
Medical care commodities	155.1	156.2	156.8	157.6	8.7	6.3	7.8	6.6	7.5	7.2
Medical care services	258.6	260.8	263.8	267.0	10.1	8.7	9.7	13.6	9.4	11.6
Professional services 1/	229.3	231.1	233.1	238.9	9.7	9.2	9.8	10.1	9.5	9.8
Other medical care services	294.3	297.2	301.3	306.5	10.3	8.0	9.8	17.6	9.1	13.7
Entertainment	188.3	188.9	190.2	191.5	5.3	6.5	6.6	7.0	7.9	6.8
Entertainment commodities	187.8	188.4	189.9	190.9	8.8	7.0	5.1	6.8	7.9	5.9
Entertainment services	190.1	190.9	191.8	193.5	10.0	6.0	9.3	7.3	8.0	8.3
Other goods and services	198.6	198.1	200.4	200.9	5.7	7.4	5.3	10.8	6.5	8.0
Tobacco products	187.1	190.5	191.5	191.6	3.1	8.4	1.7	10.0	5.7	5.8
Personal care 1/	196.0	197.6	198.4	199.4	8.5	7.6	7.9	7.1	8.0	7.5
Toilet goods and personal care appliances 1/	188.1	190.2	191.0	191.6	7.8	8.6	4.1	7.7	8.2	5.9
Personal care services 1/	204.0	205.0	205.8	207.3	8.9	6.9	11.6	6.6	7.9	9.1
Personal and educational expenses	212.5	214.5	221.6	221.7	5.4	5.3	6.1	18.5	5.4	12.1
School books and supplies	198.0	199.8	209.4	201.8	9.8	8.7	7.6	7.9	9.2	7.8
Personal and educational services	216.6	218.6	225.2	226.7	4.5	4.4	6.1	20.0	4.5	12.9
Commodity and service group										
All items	-	-	-	-	9.5	14.4	12.8	12.8	11.9	12.8
Commodities	209.8	211.7	213.9	215.5	11.8	15.4	11.6	11.3	13.6	11.5
Food and beverages	229.3	229.2	231.2	232.9	12.8	16.3	3.7	6.4	14.5	5.1
Commodities less food and beverages	197.9	200.5	202.9	204.4	11.1	15.1	16.0	13.8	13.1	14.9
Nondurables less food and beverages	206.0	210.5	213.9	215.7	9.9	22.1	29.5	20.2	15.9	24.8
Apparel commodities	160.5	161.2	162.8	163.5	.8	7.5	-1.2	7.7	4.1	3.1
Nondurables less food, beverages, and apparel 1/	232.4	238.9	243.8	245.9	11.6	28.2	43.6	25.3	19.6	34.2
Durables	190.9	192.1	193.1	194.2	11.7	9.5	8.1	7.1	10.6	7.6
Services	195.3	198.2	200.8	203.8	6.0	12.7	14.8	15.3	9.3	15.0
Rent, residential	176.0	177.5	179.1	181.2	6.4	9.1	9.9	12.4	5.3	11.1
Household services less rent	270.0	273.9	277.6	281.8	5.4	18.7	20.1	18.7	11.8	19.4
Transportation services	213.8	216.4	217.9	219.1	6.9	7.9	11.0	10.3	7.4	10.6
Medical care services	258.6	260.8	263.8	267.0	10.1	8.7	9.7	13.6	9.4	11.6
Other services	200.7	201.9	204.2	205.9	8.3	7.5	8.8	10.8	7.9	9.8
Special indexes:										
All items less food	218.2	216.9	219.4	221.6	9.1	13.9	15.3	18.6	11.4	16.9
All items less shelter	212.6	214.3	216.4	217.7	10.2	13.2	11.7	9.9	11.7	10.8
All items less mortgage interest costs 1/	213.7	215.3	217.2	218.7	7.7	13.4	14.0	9.7	10.5	11.8
All items less medical care	217.3	219.5	222.0	224.0	10.0	14.7	12.9	12.9	12.3	12.9
Commodities less food	196.5	199.1	201.4	202.9	11.0	15.0	15.6	13.7	13.0	14.6
Nondurables less food	202.9	207.0	210.4	212.1	9.6	21.1	28.4	19.4	15.2	23.8
Nondurables less food and apparel 1/	223.9	229.7	234.2	236.3	11.0	26.9	40.1	24.1	18.7	31.8
Nondurables 1/	219.2	221.3	223.9	225.3	9.9	19.6	17.4	11.6	14.6	14.4
Services less rent	246.4	249.5	252.8	255.5	6.0	14.1	15.9	15.6	9.9	15.7
Services less medical care 1/	231.0	233.9	236.9	239.9	6.9	11.7	15.3	16.3	9.3	15.8
Energy 1/	289.2	298.8	307.0	310.2	9.9	37.9	75.7	32.4	23.1	52.5
All items less energy 1/	213.9	215.3	217.0	218.8	8.1	12.6	9.7	9.5	10.3	9.6
All items less food and energy 1/	207.2	209.0	211.0	213.0	6.6	11.2	10.5	11.7	8.9	11.1
Commodities less food and energy	185.2	186.2	187.1	188.1	9.5	9.0	6.8	6.4	9.3	6.6
Energy commodities 1/	301.9	315.8	326.5	330.2	16.7	56.8	99.9	43.1	35.3	69.1
Services less energy	233.1	235.8	238.5	241.4	7.0	13.0	13.2	15.0	10.0	14.1

1/ Not seasonally adjusted.

NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 6. Consumer Price Index for urban wage earners and clerical workers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes July 1979	Aug. 1979	Sept. 1979	Oct. 1979	Percent change to Oct. 1979 from- Oct. 1978	Aug. 1979	Sept. 1979	Percent change to Sept. 1979 from- Sept. 1978	July 1979	Aug. 1979
U.S. city average			219.4	221.5	223.7	225.6	12.4	1.9	0.8	12.4	2.0	1.0
Chicago, Ill.-Northwestern Ind.	M		216.8	218.2	220.6	221.7	13.6	1.6	.5	14.3	1.8	1.1
Detroit, Mich.	M		219.8	222.6	223.5	226.9	13.1	1.9	1.5	12.8	1.7	.4
L.A.-Long Beach, Anaheim, Calif.	M		216.8	219.6	223.0	224.0	13.6	2.0	.4	13.3	2.9	1.5
N.Y., N.Y.-Northeastern N.J.	M		214.1	215.3	217.8	219.3	10.1	1.9	.7	10.2	1.7	1.2
Philadelphia, Pa.-N.J.	M		216.9	218.1	220.3	221.3	11.3	1.5	.5	11.2	1.6	1.0
Anchorage, Alaska	1	10/67	206.8	-	210.9	-	-	-	-	9.8	2.2	-
Baltimore, Md.	1		221.8	-	224.9	-	-	-	-	10.6	1.6	-
Boston, Mass.	1		213.7	-	217.9	-	-	-	-	11.5	2.0	-
Cincinnati, Ohio-Ky.-Ind.	1		226.5	-	230.8	-	-	-	-	13.4	1.9	-
Denver-Boulder, Colo.	1		239.3	-	243.6	-	-	-	-	17.2	1.8	-
Miami, Fla.	1	11/77	116.9	-	118.7	-	-	-	-	10.9	1.5	-
Milwaukee, Wis.	1		225.0	-	228.7	-	-	-	-	14.2	1.6	-
Northeast Pennsylvania	1		213.4	-	217.1	-	-	-	-	11.1	1.7	-
Portland, Oreg.-Wash.	1		227.9	-	232.6	-	-	-	-	13.9	2.1	-
St. Louis, Mo.-Ill.	1		217.4	-	222.5	-	-	-	-	14.3	2.3	-
San Diego, Calif.	1		233.1	-	237.7	-	-	-	-	15.7	2.0	-
Seattle-Everett, Wash.	1		215.9	-	221.0	-	-	-	-	10.7	2.4	-
Washington, D.C.-Md.-Va.	1		221.9	-	224.4	-	-	-	-	10.7	1.1	-
Atlanta, Ga.	2		-	219.0	-	223.5	12.7	2.1	-	-	-	-
Buffalo, N.Y.	2		-	215.3	-	218.6	10.5	1.5	-	-	-	-
Cleveland, Ohio	2		-	222.6	-	225.5	12.5	1.3	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	223.0	-	228.0	13.9	2.2	-	-	-	-
Honolulu, Hawaii	2		-	207.2	-	211.1	11.9	1.9	-	-	-	-
Houston, Tex.	2		-	239.0	-	241.8	13.1	1.2	-	-	-	-
Kansas City, Mo.-Kans.	2		-	223.1	-	227.9	15.6	2.2	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	228.5	-	233.0	13.1	2.0	-	-	-	-
Pittsburgh, Pa.	2		-	220.0	-	225.1	12.2	2.8	-	-	-	-
San Francisco-Oakland, Calif.	2		-	218.6	-	220.8	9.0	1.0	-	-	-	-
Region 3/												
Northeast	2	12/77	-	116.4	-	118.7	11.4	2.0	-	-	-	-
North Central	2	12/77	-	120.6	-	122.8	13.2	1.8	-	-	-	-
South	2	12/77	-	119.6	-	121.6	12.3	1.7	-	-	-	-
West	2	12/77	-	119.8	-	122.3	13.0	2.1	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	117.5	-	119.6	12.0	1.8	-	-	-	-
A-2	2	12/77	-	119.8	-	121.5	12.3	1.8	-	-	-	-
B	2	12/77	-	120.1	-	122.5	13.1	2.0	-	-	-	-
C	2	12/77	-	119.8	-	122.1	12.6	1.9	-	-	-	-
D	2	12/77	-	119.1	-	121.4	12.4	1.9	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	115.1	-	117.3	10.7	1.9	-	-	-	-
North Central/A	2	12/77	-	121.2	-	123.3	13.5	1.7	-	-	-	-
South/A	2	12/77	-	119.3	-	121.2	12.1	1.6	-	-	-	-
West/A	2	12/77	-	119.0	-	121.1	12.3	1.8	-	-	-	-
Northeast/B	2	12/77	-	117.2	-	119.9	12.3	2.3	-	-	-	-
North Central/B	2	12/77	-	121.5	-	123.3	13.3	1.5	-	-	-	-
South/B	2	12/77	-	120.1	-	122.2	12.6	1.7	-	-	-	-
West/B	2	12/77	-	121.2	-	124.2	14.0	2.5	-	-	-	-
Northeast/C	2	12/77	-	120.7	-	123.0	13.3	1.9	-	-	-	-
North Central/C	2	12/77	-	118.7	-	121.2	12.5	2.1	-	-	-	-
South/C	2	12/77	-	120.1	-	122.2	12.5	1.7	-	-	-	-
West/C	2	12/77	-	119.9	-	122.6	12.6	2.3	-	-	-	-
Northeast/D	2	12/77	-	117.6	-	120.1	12.0	2.1	-	-	-	-
North Central/D	2	12/77	-	120.1	-	122.2	12.5	1.7	-	-	-	-
South/D	2	12/77	-	118.4	-	120.4	11.5	1.7	-	-	-	-
West/D	2	12/77	-	119.5	-	123.4	14.6	3.3	-	-	-	-

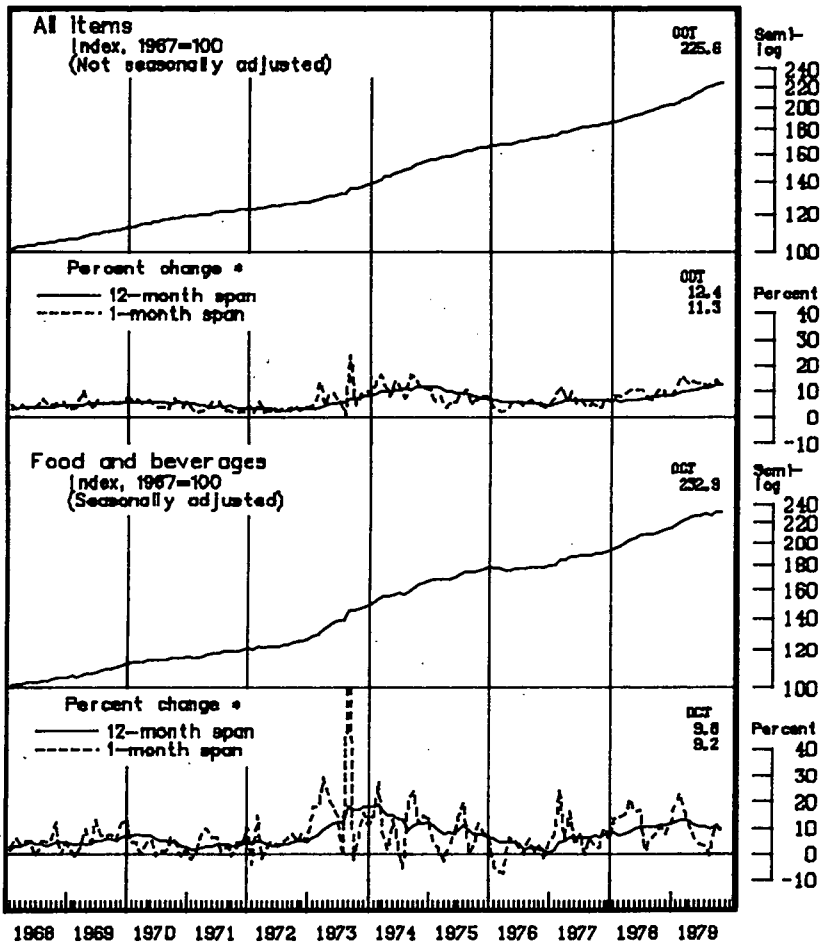
1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:
A-1 More than 4,000,000.
A-2 1,250,000 to 4,000,000.
B 385,000 to 1,250,000.
C 75,000 to 385,000.
D Less than 75,000.
Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

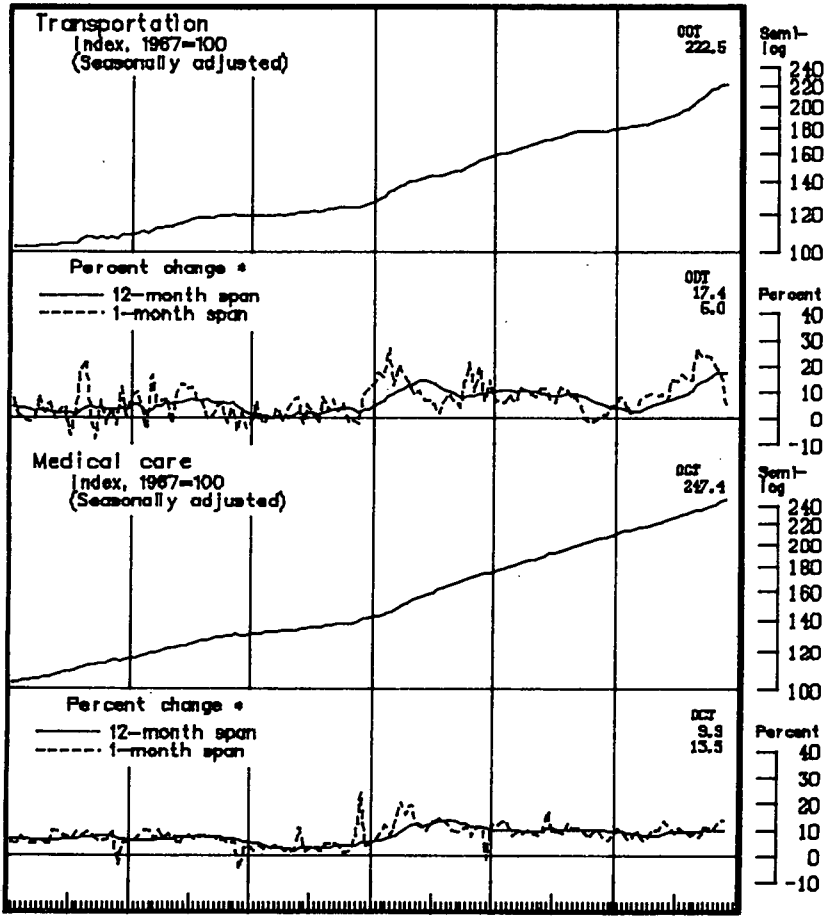
CHART 1: CPI for Urban Wage Earners and Clerical Workers All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

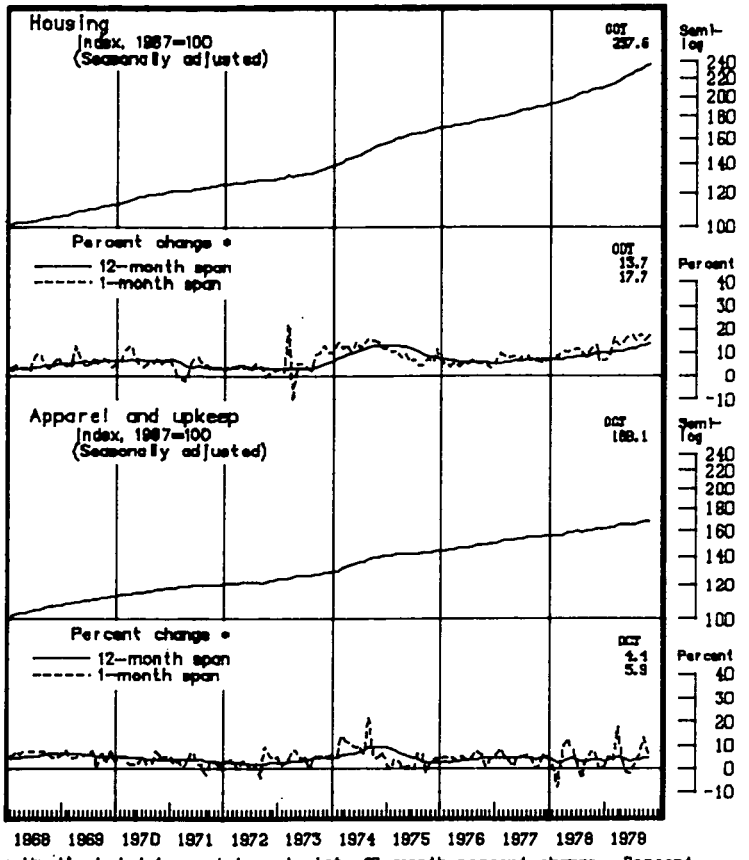
** August 1972 = 92 percent

CHART 2: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



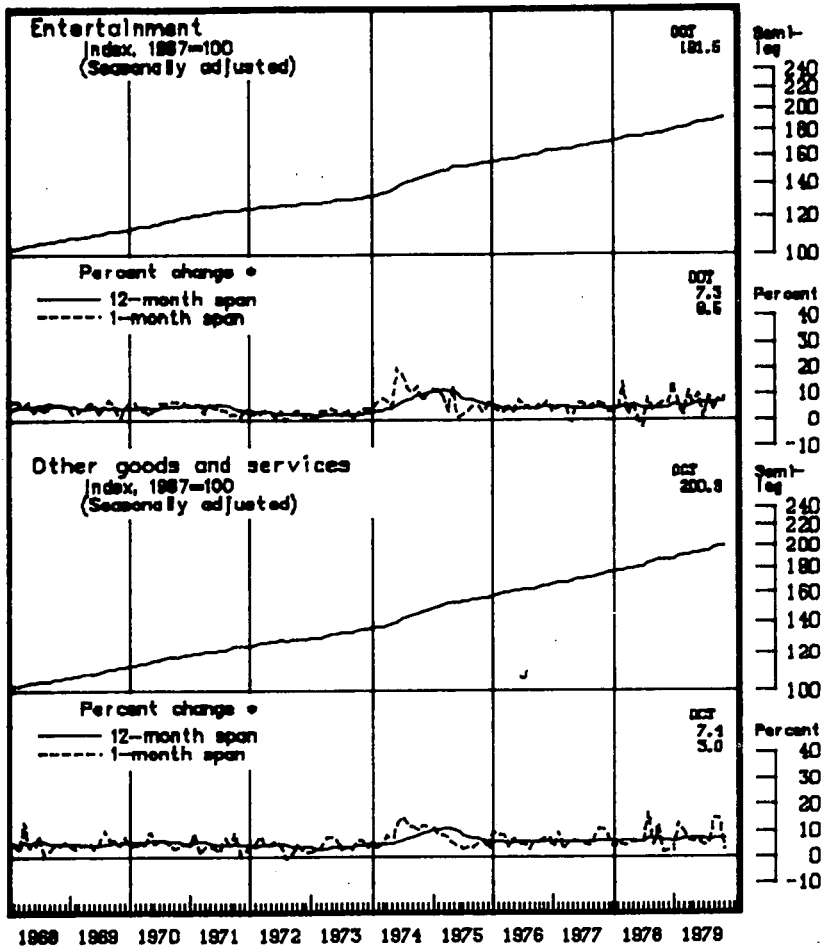
* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 3: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



• Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 4: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



• Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

Senator BENTSEN. Mr. Russell, we are pleased to have you before us this morning.

I want to ask you the question that is on the minds of every American consumer today, When will we get some relief from these incredible increases in consumer prices?

TESTIMONY OF R. ROBERT RUSSELL, DIRECTOR, COUNCIL ON WAGE AND PRICE STABILITY

Mr. RUSSELL. Do you want me to begin answering questions now?

Senator BENTSEN. I wish you would, beginning with that one.

Mr. RUSSELL. I handed out a number of tables. I think two of the tables, which pertain to the most recent increases in both the Producer Price Index and the Consumer Price Index, provide some evidence about what we can expect over the next few months.

I think the amazing thing about the inflation thus far is that although we have been suffering through a very severe explosion in the uncontrollable exogenous components of the CPI—primarily, food, energy, and housing—the underlying rate at least thus far has not exploded as we feared it might.

However, the October figures give us some mixed evidence about what is happening to the underlying rate of inflation, which provides a better picture of the possibilities of bringing inflation under control than does the overall Consumer Price Index which contains many volatile components that aren't susceptible to immediate control.

If you look at the table, the Producer Price Index, you will see that the index for finished goods less food and energy—two volatile components that have accounted for such a large part of the inflation over the last year—has some very ominous indications for what is to come. This index went up six-tenths, six-tenth, and five-tenths in July, August, and September.

However, in the month of October the Producer Price Index less food and energy prices went up by one full percentage point. This acceleration in the price increases of goods produced in the United States is across the board and, and I think, provides evidence that maybe the food and fuel price explosion is starting to get built into the industrial wage-price structure. If that happens, it will take us even longer than we thought to slow down this inflation.

Senator BENTSEN. Let me understand that. Do you think that the fuel increases have worked their way through the system yet or not?

Mr. RUSSELL. I think that the bulk of the fuel price increases have worked their way through the system in the sense that almost all of the direct effects have now been felt. Indeed, the Consumer Price Index released this morning indicates that fuel price increases have slowed down markedly. However, what we have yet to experience are the indirect effects of these fuel price increases. As the increased prices of fuel, petrochemicals, and others——

Senator BENTSEN. As they get into the byproducts?

Mr. RUSSELL. Yes. And then they get built into the Consumer Price Index, and that, in turn, gets built into wage increases. And so, the ultimate effect of fuel price increases and shocks such as we had this year is roughly double the direct effect. And we will be feeling the indirect effects of the fuel price explosion for the next year.

Senator BENTSEN. All right. If you would, please go ahead.

Mr. RUSSELL. If you like, I would turn to the Consumer Price Index. That also gives us some reasons to be optimistic, but also some reason to be pessimistic about the potential for getting things under control over the next few months. The overall increase was again 1 percent, about the same as it was in the previous 3 months. However, this overall increase in the CPI, I think, conceals more than it reveals with respect to the components. If we look at the problematic components, we see that food is again rising. It rose at eight-tenths of 1 percent in October, primarily because of meat price increases, and roughly the same increase as in September.

On the whole, food price increases don't look very good, but they are not nearly as bad right now as they were in the winter of last year.

The optimistic part of the Consumer Price Index is the evidence that, indeed, energy price increases are at least for the moment abating. The energy component of the CPI went up by just 1.1 percentage point in October. This compares to 2.7 percentage points in September, 3.2 percentage points in August, and 4.2 in July. So, there has been steady deceleration in the energy component of the CPI.

The bad news is in the housing component of the CPI. We had anticipated a slowdown in this component about now because the anecdotal evidence suggests that the speculation in housing has abated a bit and there is evidence from around the country that home purchase price increases are starting to slow down. This did not show up because the inrcease in the home purchase component of the CPI in October was 1.9 percent, well above the rate of increase that we had experienced in previous months.

Senator BENTSEN. How current are these figures? When you say "for October," what are you measuring?

Mr. RUSSELL. That is a good question because, while the October CPI in some cases measures the price increases during October, in the case of the housing components, that is decidedly untrue.

Senator BENTSEN. That is what I was afraid of.

Mr. RUSSELL. Most of the data in that component come from the FHA.

Senator BENTSEN. Do we have a lag that is taking place in those housing numbers?

Mr. RUSSELL. The lag is about 2 to 3 months, on average. So, if there is a slowdown in home purchase price increases——

Senator BENTSEN. You see, every day I hear that there is a substantial disintermediation in funds, and that the commitment windows are closing on housing. Prior commitments are being funded, but the pipeline is empty, from what I hear. And I want to see how much lag is still there, how many of those mortgages were already committed months in advance.

Mr. RUSSELL. Well, yes, there is, of course, substantial anecdotal evidence of drying up of mortgage credit in various parts of the country. However, I should hasten to add that the actions of the Federal Reserve Board, the recent actions, have not yet had an impact on the home finance component of the CPI. That also enters the CPI with a lag. I don't expect they will start to show up until the November CPI, and then they will show up with a vengeance in the December CPI.

So that the lag is helpful in one respect and harmful in another as far as determining what the picture looks like in the months ahead, because if there is indeed a slowdown in home purchase prices, that has not yet been felt in the CPI or has not yet been reflected in it. Then, over the next 2 or 3 months, we should see that component slowing down a bit, although it did accelerate sharply in October.

On the other hand, the home finance part of it is likely to be even worse over the next few months than it has been, and it is bad enough already. It could be going up at rates in excess of 2 percent a month over the next few months.

Senator BENTSEN. How about home financing costs? Are they exaggerated to some degree in the CPI? I have heard charges that they are.

Mr. RUSSELL. It is not exactly exaggerated. It is a conceptual issue of what it is that the CPI is supposed to be measuring. The Bureau of Labor Statistics has repeatedly said that this is not a cost-of-living index; it does not measure the increase in the cost of living for most consumers. Rather, it is a price index for currently produced and purchased commodities.

Therefore, the home purchase and home financing component of the CPI measures the increased cost of buying a house today and financing a house today. This, of course, is an increase in cost only for those who today are buying and financing a house. For others, when home purchase prices go up, they are in fact wealthier. The cost of living has not gone up for them at all. They have become richer through the increase of the value of their assets.

This does, however, tend to exaggerate a bit the effects of interest rate changes and changes in home purchase prices on both the up side and down side. So, right now it is probably exaggerating the increase in the CPI if we want to think of it as a cost of living. But when interest rates turn around, as I am sure they will do in the next year, it will help us in that the home purchase component will fall by more than it would if we were measuring something like implicit rent, instead of the cost of currently purchased homes.

Senator BENTSEN. You would say that the inflation figures published in January before the Iowa caucuses would be rather unfavorable numbers; is that right?

Mr. RUSSELL. I personally don't see a very highly probable prospect of a significant moderation in the inflation rate over the next few months. I think in looking for moderation we have to take a longer-term horizon than 3 months. So much of that, of course, depends on what OPEC decides to do, as well.

Senator BENTSEN. Last month Mr. Kahn stated that we have to look toward tax incentives to encourage capital formation and research and development. Can you be more specific as to what the administration is likely to propose and when it will propose it?

Mr. RUSSELL. No. I can't be more specific because, as far as I know, the administration is not close to proposing any kind of targeted tax cut program right now because of feeling that it would be—

Senator BENTSEN. Don't you think it will be in the State of the Union Address? Don't you think that the administration now is gleaning ideas along these lines to put in the State of the Union Address?

Mr. RUSSELL. The administration is always reexamining fiscal policy with respect to both short-term and long-term impacts. The problem with a tax cut now is that it would have a deleterious short-term impact on the inflation rate. In the long run, I think, the administration is on record with the view that a tax incentive——

Senator BENTSEN. Well, it's obvious that they are not going to do it now, from their actions. But I would assume that you're going to see something like that proposed in the State of the Union Address.

Mr. RUSSELL. I wouldn't want to speculate about what will be in the State of the Union Address.

Senator BENTSEN. Many older Americans feel that the prices of the items they purchase have risen more rapidly than the overall Consumer Price Index, and they then argue that the automatic inflation adjusted in social security is inadequate.

Now, have you as the Social Security Administration investigated this? Would it be preferable—is it feasible—to have a separate CPI reflecting the buying patterns of the elderly?

Mr. RUSSELL. If, in fact, we were trying to measure the increased cost of living of different people, we should probably have a different cost-of-living index for every person in the United States, because the change in the cost of living depends critically upon what you buy. And so, I imagine that insofar as the retired buy a different basket of goods than does the average urban consumer who enters the Consumer Price Index sample, you might get somewhat different results than you would for the overall CPI.

However, the studies that I have seen that construct cost-of-living indexes for particular subsets of population instead of the overall population don't show radical differences in the changes in the cost of living. This is perhaps most obviously evidenced by the construction of two different consumer price indexes—one for urban workers and one for all urban consumers—which don't really vary that much in terms of changes over time.

As for the basket that the retired people buy, I imagine that most retired persons already own a home. It is the young who have not yet bought a home that bear the biggest burden of the big increases in home finance and home purchase costs.

So, it's not clear to me at all that the elderly suffer the most from the price increases or that the price index is biased against them in terms of measuring the cost of living. It may go the other way, in fact.

Senator BENTSEN. Senator Proxmire.

Senator PROXMIRE. Thank you very much, Mr. Chairman.

I understand that the chairman asked about this a little earlier, but it really disturbs me very much. I wonder what kind of a Consumer Price Index we have when you tell us, as you tell us in your release here, that two-thirds of the increase is due to increased housing costs. Isn't that right?

Mr. RUSSELL. I haven't measured that. You mean, for October?

Senator PROXMIRE. Yes, sir.

Mr. RUSSELL. Well, let's see, it is up around 2 percent. That is 20 percent of the index. That is four-tenths. It appears to account for about four-tenths of a percent, and the overall increase is 1 percent.

Senator PROXMIRE. Well, let me read this from the October CPI release:

The housing component primarily reflecting higher mortgage interest rates and house prices, continued to advance sharply and accounted for about two-thirds of the increase in the October CPI." That is in the second sentence under "CPI for urban consumers.

Mr. RUSSELL. That includes rents as well as home purchases. Rents went up a lot the last month. They went up 1.3 percent.

Senator PROXMIRE. Let's zero in on that. I understand that the housing component measures three things, primarily. It measures, No. 1, the increase in the mortgage interest rate. And it represents, No. 2, the increase in the price of houses that are purchased. It represents, No. 3, the increase in the rent index. Is that right?

Mr. RUSSELL. That is correct, home purchase is one; finance, insurance, and taxes is second; and rent is the third.

Senator PROXMIRE. OK. Now, the difficulty is that only a tiny fraction of the American people bought a home in October. Therefore, only that small proportion would be hit by the higher mortgage rates. Right? If you didn't take out a mortgage in October, it didn't affect you.

No. 2, only a small fraction, the same portion, would be affected by the increase in the price of housing in October. Right?

Mr. RUSSELL. That's correct.

Senator PROXMIRE. So, those two elements there don't really measure the increase in the cost of living for most Americans. Is that right?

Mr. RUSSELL. That's correct. This is not meant to be a measure of the cost of living. The BLS has repeatedly said that.

Senator PROXMIRE. I know they say that, but it drives me bananas—the headlines in the newspapers all over the country today and television tonight are going to be that inflation is continuing at a roughly 1-percent rate. And you say in this release here that the housing component accounted for about two-thirds of the increase in October, and now you tell me that this doesn't really measure the increase in the cost of living for Americans.

So, I think that there is a deception here. It's not only deceiving the people who think that there is a different inflation rate than they suffer from, but it also is persuading us to following economic policies based upon a false assumption as to what is happening to inflation.

Mr. RUSSELL. That's right. It's not just a matter of perception. It also gets built directly into wage increases through cost-of-living escalators.

Senator PROXMIRE. That's another element. It increases social security payments for 40 million Americans. It has a profound effect on this society. And yet it is not based on an element of cost that the overwhelming majority of American people experience.

One of the reasons I raise this, too, is that we're going to get it the other way. As you know, one of the best pieces of news we've had in a long time occurred yesterday, when the prime rate was reduced, and many people think that interests rates may peak and may start going down. I don't think that they will, necessarily. But they may well do that.

Now, if that happens—and it may not this month, but it probably will over the next few months—then we're going to get the reverse of

this situation. We may get the notion that inflation is under control because we will have a sharp drop in housing inflation which won't really benefit the great majority of the American people. But we will get the picture that inflation is improving, when it really isn't improving that much. Isn't that likely to be the effect?

Mr. RUSSELL. That's right. What you're doing, Senator, is providing a good argument for looking at what we call the "underlying rate of inflation" for an indicator in making economic policy, rather than the overall inflation rate which includes these very volatile components which don't really reflect underlying inflation trends.

Senator PROXMIRE. Well, is there such a component? Is there some way we can get this out every month and have people know about it, and have it reported so that we have some picture of the actual increase in the cost of living for the American people? You say that the CPI does not purport to reflect that. But the index is reported that way—at least it is interpreted that way by most of us, even those of us who have been around here a long, long time and have a lot of experience with this.

Mr. RUSSELL. If you read the release carefully, I think you will see they never refer to it as a "cost of living" but rather as a "consumer price index." And I guess that one can certainly make an argument that another method of measuring the cost of home ownership should be used than the Consumer Price Index.

The most obvious one, recommended by most economists, is the "implicit rent notion." There is both an investment aspect in owning a home and a consumption aspect.

Senator PROXMIRE. Now, would that particular measurement reflect the impact of housing costs on the great majority of the American people, including those who own their own home and have the same mortgage and so forth?

Mr. RUSSELL. Yes; it would. The real cost of living in a house that you own is the opportunity cost of not renting it out to somebody else. When you buy a house, what you have done is invested in a capital good whose value typically appreciates, and you get income from that.

Senator PROXMIRE. Well, I think that is a little reaching.

Mr. RUSSELL. No; it's not.

Senator PROXMIRE. Is the real advantage the lost opportunity cost or the opportunity cost?

Mr. RUSSELL. You can always, if you wish, rent your house out and rent somebody else's house, for example, in which case your standard of living is not the least bit affected by changes in the cost or the level of interest rates or in the value of houses.

Senator PROXMIRE. You can do that, but most of us aren't in the business. Most of us are going to live in our house. We don't think that from month to month or even year to year we can make a little better deal—that's just not the way we live or the way we think or the way we operate.

Mr. RUSSELL. What I am saying is the cost of living in your house implicitly is the cost of not renting it out. Therefore, an accurate indicator of what it is costing to live in your house is the lost rental, and the rental component of the Consumer Price Index, therefore, is a very good indicator of the true cost of living in your house and consuming

the services of the house that you own for both investment and consumption purposes.

Therefore, if we use something like the rental index to impute the rents to living in the house, we would get a much more stable index, which you can see by looking at the rental component of the CPI, which is fairly stable. Although, I might add, in October, unfortunately, it jumped by 1.3 percentage points, the biggest jump in years.

Senator PROXMIRE. Let me ask you this: What would be the increase in the cost of living, leaving that very controversial housing element out of it?

Mr. RUSSELL. I have to guess, because I don't have that calculation handy, but I think that if you take that alone out, the increase in the Consumer Price Index over last year would be lower by about two percentage points, which would knock it down from about 12 to about 10 percent.

Senator PROXMIRE. OK, that's very helpful. What would it be now, for October, if you can do that?

Mr. RUSSELL. For October? The overall increase was 1 percent and if you knock—it would be somewhere around eight-tenths of 1 percent.

Senator PROXMIRE. Eight-tenths of 1 percent instead of 1 percent?

Mr. RUSSELL. That's right.

Senator PROXMIRE. Then I can't understand what this means, when you say that the housing component accounted for about two-thirds of the increase in October.

Mr. RUSSELL. There's a difference between telling you how much of the increase it accounted for on the one hand, and simply taking it out on the other. There is a difference between those two calculations.

Senator PROXMIRE. I can see where there would be a difference. I can't see where the difference would be that great. It seems to me that if taking it out leaves an increase of only eight-tenths of 1 percent that would account for only 20 percent of the increase. It would have been 1 percent with it in. With it out, is it eight-tenths of 1 percent?

Mr. RUSSELL. It would take a while to go through the arithmetic, but that is not correct.

Senator PROXMIRE. Now, at last month's CPI hearing, Chairman Kahn said that the critical variable in the oil situation was not the price posted by OPEC, but their production policies, and that a cutback in OPEC production would keep inflation going at its recent rate. Since that time, our Embassy at Tehran has been taken over, our Embassy in Islamabad has been burned to the ground, the mosque in Mecca has been occupied, we have stopped all imports of oil from Iran, and the Saudis and other Persian Gulf oil producers have expressed concern about our freezing of Iranian deposits in U.S. banks.

As a result of these factors, are we likely to see the type of production cutback with the repercussions for inflation feared by Chairman Kahn?

Mr. RUSSELL. I think that OPEC was already planning production cutbacks next year, quite independently of the political crisis in the Middle East, and that we have to look forward next year to another large increase in crude oil prices, without doubt.

Whether it will be as large as last year is hard to know. I don't, however, expect the increase in the retail prices of refined petroleum prices

to be as big as last year, because a great bulk of the increases in energy prices in the United States during this past year were not attributable to increases in the price of crude oil, but rather to increases in the margins of refiners and distributors of refined products.

Their margins are now high, so that even if we had a crude oil price index next year as big as last, that is, 60 percent, I wouldn't expect retail energy prices to go up as much next year.

Senator PROXMIRE. Can you tell what effect our embargoing Iranian oil and refusing to buy it will have on the CPI?

Mr. RUSSELL. As long as Iran continues to supply oil in the world market, I don't think that our embargoing the importation of Iranian oil would have a major impact on U.S. energy prices. What determines the prices of energy is what the equilibrium price is in the world market. As long as Iran's oil is being supplied to the world market, there will be some redistribution of supplies.

Senator PROXMIRE. Well, that redistribution process involves a somewhat higher price, doesn't it?

Mr. RUSSELL. That's right. We would end up having to buy higher priced oil.

Senator PROXMIRE. How much higher?

Mr. RUSSELL. I don't know, exactly. It would raise the price but not by a lot. If Iran were to simply stop exporting oil at all, since they account for I think, around 4 percent of the world oil supply, that would have a major impact on prices.

Senator PROXMIRE. What effect would that have on prices?

Mr. RUSSELL. The short-run elasticity of demand is about 0.1, so a 4-percent cutback in production is likely to cause a 40-percent increase in the price of crude oil in the short run.

Senator PROXMIRE. A 40-percent increase in the price of oil if Iran was out of the market?

Mr. RUSSELL. That's right.

Senator PROXMIRE. Over the last 3 months, the Producer Price Index for finished consumer goods has risen at an annual rate exceeding 19 percent. That is the Producer Price Index. Now, does that suggest that the CPI is likely to rise even more rapidly in the next few months?

Mr. RUSSELL. There is a lagged response in the CPI to increases in the PPI, but it is not very long, particularly if you look only at the finished goods component of the Producer Price Index. Another thing to keep in mind is that the Producer Price Index is measuring something quite different from the Consumer Price Index. Only goods are included in the Producer Price Index, whereas the Consumer Price Index includes services. Service prices tend to be much more stable than the prices of commodities. Therefore, the big increase in the Producer Price Index typically do not augur for similarly big increases in the Consumer Price Index, with the lag.

Senator PROXMIRE. Now we have a good leading indicator for the unemployment rate: the number of people who work part time, voluntarily, divided by the number who work part time because they have to, out of necessity. I understand that this index has been followed, and it has been a very good advance indicator, with a lag of about 6 months to a year, for unemployment.

Are there any leading indicators for the price index? Do you know of any that we could be aware of, other than the producer prices, which foreshadow an increased inflation over the next few months?

Mr. RUSSELL. No; I know of nothing similar to what you refer to with respect to the unemployment rate. It is true that looking at crude material prices gives us some information about intermediate price increases with the lag, which in turn is a pretty good predictor of what's going to happen to finished good prices with the lag. These are the three different parts of the Producer Price Index, and the finished goods, or Wholesale Price Index in the Producer Price Index does provide us with some information about the prices of goods, or Wholesale Price Index in the Producer Price Index does provide us with some information about the prices of goods in the CPI. So that we can track these through the various stages of production, but it is not at all accurate.

There is an econometric model built by Joel Popkin that formalizes these relationships and it works pretty well.

Senator PROXMIRE. What does that indicate for prices over the next few months?

Mr. RUSSELL. I have not talked to him or looked at his forecasts lately, but I surmise that it does not look very good.

Senator PROXMIRE. Well, let's see how good or bad that looks. Could inflation go to 15 percent in 1980?

Mr. RUSSELL. No; I would not anticipate that at all. I expect the inflation rate is almost certain to drop in 1980, compared to 1979, unless we have an even worse energy crisis next year.

Senator PROXMIRE. Why? All the indicators you've given me so far are negative. Certainly the world energy situation does not look good. The Producer Price Index doesn't look good. And yet you say inflation will be better in 1980 than in 1979. Why?

Mr. RUSSELL. I was looking at the next few months. Things don't look very good. Looking, however, at the year ahead, I think we should see quite a bit of moderation in the overall rate of inflation.

Senator PROXMIRE. Why?

Mr. RUSSELL. This is partly because I think the energy sector won't be as bad next year, nor will food and housing. Almost nobody believes interest rates could go up again next year as much as they did this, and most all forecasters are predicting that interest rates not only will start to fall, but indeed have already begun to fall.

Finally, everybody, including the Government, is now predicting a recession ranging from mild to severe during 1980 and this recession is undoubtedly going to have some moderating effect on the inflation rate.

Senator PROXMIRE. Well, I think you may well be right on housing. But why do you assume that food prices are going to moderate? Aren't they very unpredictable?

Mr. RUSSELL. They are very unpredictable. But we have now had three bad winters in a row and the rational thing to expect of a winter is an average winter. If we have only an average winter this coming year, the food price performance will be better than in any of the last 3 years. Now, if it is worse than average, we will get another poor performance, as we had last year.

But there is no reason to expect a winter worse than average.

Senator PROXMIRE. Isn't it possible that the energy situation may counterbalance the improved housing performance?

Mr. RUSSELL. Of course. That is where most of the uncertainty lies, but this last year was so bad in terms of energy that I think you would have to be one of the worst pessimists to expect an even worse year ahead.

Senator PROXMIRE. Has COWPS or the Social Security Administration investigated the effect of inflation on the elderly? They argue that the automatic escalation of social security benefits don't really provide for them.

Mr. RUSSELL. We have not done a study ourselves. In answer to a question by Senator Bentsen earlier, I indicated that I have no a priori reason to believe that the Consumer Price Index is a poorer indicator of changes in the cost of living for the elderly than for others, primarily because the elderly, for the most part, already own property.

The increase in the home purchase financing prices hits hardest those families that are just in the stage of their life cycle where they're buying houses. It is for them that I think the increase in the cost of living is the worst.

Senator PROXMIRE. Right now we have on the floor of the Senate, as you know, a windfall profits tax. Those who oppose the windfall profits tax or are trying to reduce it argue that it is an excise tax, that it's going to be translated into higher prices for energy for the American people.

What can you tell us, as a professional, about the likely effects of a windfall profits tax? Suppose the conference settles close to the House version, with a windfall profits tax that yields over $200 billion over 10 years. Would that have a significant effect on prices, or would it primarily come out of the profits of the oil companies?

Mr. RUSSELL. Well, by its very name a "windfall profits tax" should not have a short-term impact on prices. The reason is that it is intended to tax away windfall gains or what economists call rents, of oil producers, that goes to them because of decontrol of crude oil and refined product prices.

I guess it would be irresponsible of me, however, as an economist, not to acknowledge that in the long run a windfall profits tax is a tax on capital. Insofar as it is a tax on capital it can inhibit investment in capital and insofar as it does that it can, in the long run, have an inflationary impact by lowering productivity.

I think, however, that in the short run it is absolutely essential that this windfall profits tax be passed, so that we do not have a massive redistribution of income from oil consumers to oil producers, going along with decontrol of energy.

Senator PROXMIRE. You say, then, that in the short run, over the next year or so, the effect on prices should not be perceptible?

Mr. RUSSELL. That's right.

Senator PROXMIRE. But in the longer run it might have an effect because of the effect on investment?

Mr. RUSSELL. Insofar as it inhibits expansion of plant and capacity.

Senator PROXMIRE. Now, Mr. Kahn has been quoted as saying that business is now on trial in the eyes of the American people. What did he mean by that?

Mr. RUSSELL. Was this a recent comment?

Senator PROXMIRE. It was in the November Reader's Digest.

Mr. RUSSELL. What I take it he means—although I don't know the context—is that——

Senator PROXMIRE. I presume it relates to the inflation situation and their increased prices.

Mr. RUSSELL. I am sure it does. It relates to the theme that in order to bring the inflation under control we must get restraint from everybody. "Everybody" includes the business community. "Restraint" means keeping the prices down; it means keeping prices down even in an area such as energy, where shortages have arisen over the past year. I think that that is what he means when he says business is on trial, in the same way that labor is on trial and in the same way that the government is on trial.

Senator PROXMIRE. Well, we have had a performance in the labor sector which he keeps saying has been pretty good, and I think he's right. Wages have increased around 8 percent or so. Obviously prices have been going up a lot higher than that. Profits have been going up a great deal.

In view of that, has business failed their trial?

Mr. RUSSELL. No, I don't think so. Looking at the numbers more carefully we see that the increases in wages plus fringe benefits over the last year have been about 1½ percentage points above the pay standard. They have gone up about 8½ percent, compared to the 7 percentage standard. That is not all due to violation of the standard, but rather most of it is slippage due to various kinds of exemptions and exceptions built into the standard.

If we look at prices in the industrial and service core of the economy, at which the price standard is primarily aimed, this slippage has been about the same. The price standard would call for increases of about 6 percent overall, in that sector of the economy, with universal adherence to the price standard. The actual increase in these sectors of the economy has been about 7½ percent over the first program year, so on both the wage side and the price side, the slippage between the standard itself and the actual increase has been about 1½ percentage points.

This is also consistent with the fact that over this first year of our program, income shares of labor and capital have remained roughly constant. Indeed, the capital share, the share of profits in total income, has fallen a little, whereas the share of labor in total income has risen slightly.

Senator PROXMIRE. Now, in the Council's Inflation Update last Wednesday you said, and I quote:

> There is considerable debate as to whether we are now in a recession, and, if so, about the effects that a recession might have on the current rate of inflation. Looking at the events of 1973–75, we see no guarantee that the underlying rate of inflation in the present period will be checked, even if we are moving into a recession. The sharp increase in the underlying rate of inflation in 1974 came about concurrently with the economy's relapse into recession.

Is it really worth suffering higher unemployment and other adverse effects of recession if there is so much doubt about whether or not a recession will help us reduce the rate of inflation?

Mr. RUSSELL. No. Certainly I would not recommend an engineered recession of the type that we suffered in 1975, when the unemployment

rate went to 9 percent. That did, indeed, break the backbone of the underlying inflation that we had back then, but at a terrible cost.

No one in the administration is recommending that recession is the cure for inflation. They are saying, however, that a slowdown in the real rate of growth is necessary in order to provide enough slack in both labor and product markets to make the other parts of the anti-inflation program work to moderate the inflation gradually over time.

But, in terms of using recession alone to fight inflation, the administration is unalterably opposed to that, because the social costs are so great.

Senator PROXMIRE. Well, I wonder if there is any real difference. You say that we did break the back of inflation in the 1975 period, with a very high rate of unemployment.

Mr. RUSSELL. For a short period of time.

Senator PROXMIRE. And you don't want to do that again? Are we going to break the back here? What do you have to do, have a higher rate of unemployment for a longer period of time? Maybe with more distress? But it is going to take a longer period to do it. That means you have to hold your unemployment at a higher level? Can we blink at the fact that if you're going to do something effective about inflation with fiscal and monetary policy you've got to pay a painful price? People have to lose their jobs?

It is a terrible thing to have to contemplate. No administration, especially one running for reelection in less than a year, wants to admit it. But is this one of the grim facts we really have to face?

Mr. RUSSELL. No; I don't think so. I don't think anybody argues that recession is a necessary condition.

Senator PROXMIRE. I think a lot of people argue that. They don't argue it if they're running for office. But they argue it if they're not.

Mr. RUSSELL. That's right, many economists make that argument. None of us in the administration make that argument. We think slow growth and moderately restrictive fiscal and monetary policy over a period of several years together with the pay and price standards can gradually bring inflation under control. If we were trying to do it overnight, then I think it would take a severe recession. And that is why we're not trying to do it overnight.

Senator PROXMIRE. So you're going to have to have a higher level of unemployment for a longer period in order to wring out inflation by a more moderate position?

Mr. RUSSELL. I don't think a higher rate of unemployment for a sustained period of time is necessary to bring inflation under control. I don't consider a 6 percent—

Senator PROXMIRE. You're not running for office. Why do you have to take that position?

Mr. RUSSELL. I don't think a 6 percent unemployment rate is too low. I think if we can't bring inflation under control gradually over time with the 6 percent unemployment rate—then I agree with you, we are in trouble. But I don't think that is true.

Senator PROXMIRE. Well? A 6 percent unemployment rate, but a situation in which we have just about as high a proportion of our people working as we've ever had in our history—because we had such a tremendous increase in the work force.

Mr. RUSSELL. There's no doubt about the fact that 6 percent today may be very analagous to a 4 percent unemployment rate 10 years ago. But 10 years ago I would have argued that there's no reason why we can't control inflation with a 4 percent unemployment rate. I think today we certainly can control it with 6 percent unemployment rate.

Senator PROXMIRE. We're not doing very well now. And it has been roughly 6 percent for a long, long time, more than a year.

Mr. RUSSELL. For more than a year, yes; but it was brought down quite substantially before this last year.

Senator PROXMIRE. And inflation is about as bad as it's ever been.

Mr. RUSSELL. I think you will agree, Senator, though, that there have been some exogenous shocks that have made it hard to control the inflation, even with a 6 percent unemployment rate. Most of the acceleration in inflation, if not all of it, can be attributed to shocks that have nothing to do with the level of the unemployment rate.

Senator PROXMIRE. When McDonald's reduced their prices on hamburgers and cheeseburgers in August, they proclaimed this loudly. But according to yesterday's Wall Street Journal, they recently increased prices by 5 percent to 20 percent on almost everything else, without any such fanfare. Will the Council on Wage and Price Stability investigate these increases to see if they comply with the price guidelines?

Mr. RUSSELL. We have certainly got McDonald's, like all of the other major companies in the country, under constant surveillance. And we will make sure that they are in compliance.

Senator PROXMIRE. Well, I hope for all the junk food addicts that you do that, because people who don't jog, and insist on eating that terrible stuff deserve to suffer.

Mr. RUSSELL. Of course, it's been argued by some that that junk food is more nutritious than a lot of the gourmet foods.

Senator PROXMIRE. I suppose you can find things that are even less nutritious, but it's not easy.

Last month, Mr. Kahn said one reason why inflation was lower in Germany and Japan was that in comparison with the United States they spend a smaller percentage of their GNP for military purposes. I would agree that a sharp increase in military spending is inflationary, but I don't understand why the level of military spending per se contributes to the rate of inflation.

Can you explain that to me? I am one of those who is very critical of our defense spending, and I think it can be reduced, and ought to be, but I don't know—I would like to have you explain why this is more inflationary than any other kind of Government spending.

Mr. RUSSELL. Since this is not a matter of domestic policymaking, I would like to take a somewhat different tack than Mr. Kahn. I don't myself attribute this to the different levels of defense spending in Germany and Japan. The first thing I would like to say is I don't think the United States does all that poorly vis-a-vis other countries. Most OECD countries now have inflation rates at double-digit levels. In Japan, it's true the inflation rate is about 5 to 6 percent for consumer prices. However, that is a very service-oriented economy and service prices have been fairly steady. If you look at their Producer Price Index it's been going up at about 10 percent. So Japan is not doing all that well, either.

Then we might ask, "Well, still they are doing somewhat better. Why is that?" It is often argued that really they should be doing even worse because of the energy problem, because they have to rely almost entirely on imported oil in order to fuel their economy. But in fact, that is not the critical issue.

The critical problem with the oil price increases is that there has been a worldwide shortage, a worldwide increase in prices, and it doesn't matter whether you import it or produce it domestically. Energy prices are going up everywhere. What matters is how energy-intensive a country is. This country is more energy-intensive by far than any of the European countries. And more energy-intensive than Japan.

Therefore, the energy crunch hits the United States harder than it hits any of these other countries.

Finally, with respect to Germany, I might say that the way that they can control inflation is through induced recessions, since their people don't suffer very much through high unemployment rates. They have the luxury of being able to export their unemployed, because they rely very much on alien workers during expansions, and when they have an induced recession to fight inflation, the workers leave the country.

A couple of years ago when they had a recession, 500,000 workers left Germany because they could not find employment. If we were to do the same in this country, given that our labor force is larger, that is equivalent to exporting 2 million unemployed workers. That is equivalent to 2 full percentage points on our unemployment rate.

If we could effectively raise the unemployment rate from 6 to 8 percent, but have no increase in unemployed Americans by simply exporting the unemployed, as Germany was able to do, then we could bring our inflation under control very quickly.

Senator PROXMIRE. How do you know we don't do that? People argue that our illegal aliens from Mexico have constituted at least 2 million. I've seen much higher estimates than that.

They come in and go out. They are foreign labor coming in to some extent to take up the slack, are they not?

Mr. RUSSELL. Yes, to a certain extent. But that is very regional to begin with. It is concentrated in one particular part of the economy.

Senator PROXMIRE. Well, they're not only in California and Texas, but also in New York and Milwaukee. We have them all over the country.

Mr. RUSSELL. To a certain extent. But the flow of these persons across borders is not so free as it is between Germany and its neighboring countries.

Senator PROXMIRE. Now last month Mr. Kahn said that he would supply us with the Agriculture Department's latest predictions on food prices.

Is that available yet?

Mr. RUSSELL. I read that the latest prediction was 10 percent in 1980.

Senator PROXMIRE. You know, typically, the productivity rate growth falls in the early stages of a recession. That tends to raise the unit labor cost of production and, of course, is inflationary.

Our productivity record has already been atrocious this year. And if the usual cyclical pattern prevails, it's going to get worse as we're moving into a recession, and that should certainly aggravate the inflation situation.

What is your comment on that?

Mr. RUSSELL. I guess my main response is that what we are going through right now does not appear to be the usual situation, as you referred to it.

You already have productivity over the last year, during which we were not in a recession, falling well over 1 percent. Whether or not that will worsen as we move into a recession is now highly conjectural, although I agree with you that, typically, productivity follows a cyclical pattern. The pattern appears to have broken over the past couple of years, much to our dismay because the falling productivity growth rate, even while the economy was expanding, has driven unit labor cost up by over 10 percent during the past year, even though wage increases have been fairly well behaved.

But I guess that we cannot look to a recovery of productivity growth over the next year to help very much in ameliorating the inflation problem.

Senator PROXMIRE. I have been very pessimistic about inflation and I still am. I think it's going to continue at a high rate and even going to be higher in the coming year.

You are more optimistic about it.

But there is some precedent that inflation could improve quite rapidly. We had that after World War II. For instance, it went from 18 percent in 1946 to 9 percent in 1947, to 3 percent in 1948, and prices actually fell by about 2 percent in 1949.

In Japan, the rate of inflation fell from 24 percent in 1974 to 12 percent in 1975, and then down to about 4 percent in 1978.

What prospect is there, if any, that we could begin to make very solid improvements in fighting inflation? We always look ahead and try to project the present situation. And I have talked about how the situation might get worse.

But is there a reasonable prospect that we might get a substantial improvement in inflation so that it drops down to, say 6 percent or 4 percent, something like that, or less?

Mr. RUSSELL. Frankly, I don't see a high probability for the prospect of dramatic improvements in the inflation rate over a short period of time for a couple of reasons.

Senator PROXMIRE. Well, not a short period of time, but say over a period of 2 to 3 years.

Mr. RUSSELL. Well, I expect gradual moderation in the inflation rate, but nothing like what we saw right after World War II when, incidentally, I think there was a recession. I think that the problems that we're dealing with today just did not exist back then. The energy crisis, for example.

Second, the economy is now much more highly indexed to the rate of inflation. That gives the inflation rate more staying power. It is harder to change it radically in the short period of time because of all of the indexation.

Therefore, I don't think it can be brought down terribly quickly in a short period of time.

Senator PROXMIRE. What proportion of the American workers are on cost-of-living adjustments?

Mr. RUSSELL. Directly, only about 10 to 15 percent of the American workers are covered formally by cost-of-living adjustment clauses. However, an untold number of workers are indirectly indexed to the cost of living through the maintenance of relationships between unionized and nonunionized workers throughout the economy.

So that, indirectly, I would say that perhaps as much as a quarter to a half are indexed to the inflation rate.

Senator PROXMIRE. Well, I have a statement here from the staff that seems to contradict that. I would like your comments.

It says:

The Bureau of Labor Statistics reported on October 29 that for the first 9 months of 1979, 58 percent of workers under settlements were covered by contracts with cost-of-living adjustment clauses.

Mr. RUSSELL. Right.

Senator PROXMIRE. Does "under settlements" account for the difference?

Mr. RUSSELL. Yes, that is exactly it. You see, 20 percent, roughly, of the American work force is unionized and a little over half of that is covered by cost-of-living indexes. And that's where I come up with the figure of 10 to 15 percent that are directly covered.

Senator PROXMIRE. But that is a big increase—for all of 1978, the figure was 37 percent and it's already gone up to 58 percent.

Only in the last few months are we moving very rapidly in indexing a much larger share of the work force.

And so it makes it harder to get back into a situation where inflation could improve rather sharply.

Mr. RUSSELL. That is exactly what's going on and I think it is a rational reaction to the high inflation rates of the last decade. Not only are the workers, particularly the unionized workers, indexing the wages to the cost of living, this is also true of the Government. There is, for example, indexing of social security payments to the cost of living.

More and more indexation is taking place, particularly as we are learning to try to cope with persistent inflation.

Senator PROXMIRE. Now I pressed you last month to see if I could get an official forecast of inflation for the coming year from the administration, and Mr. Kahn said that you didn't know when the next official inflation forecast would be made by the administration.

Can you tell us today?

Mr. RUSSELL. No; I'm sorry. I don't know when it will be made.

Senator PROXMIRE. Why shouldn't we have that? It is so important that we have that kind of estimate for policymaking purposes.

And I would hope that you could give it to us. Could we expect it over the next—the period of the next month some time?

Mr. RUSSELL. I'm not certain. That is a question that you should address to Charlie Schultze, who is responsible for the forecasting.

Senator PROXMIRE. Is the administration going to take a position that they shouldn't forecast because a forecast would have to be so bad that it would make us all cry?

Mr. RUSSELL. No; I'm sure that they're not going to take that position.

Senator PROXMIRE. I'm beginning to think that maybe that's it. Certainly if the situation were good, they would be more inclined to give us a forecast, wouldn't they?

Mr. RUSSELL. No. The CEA and the troika have traditionally refrained from changing their forecast every time there was a new development. Rather, they just——

Senator PROXMIRE. Well, what is the forecast now? You say they are changing it. What was the forecast that is unchanged, and what did they predict for the coming year?

Mr. RUSSELL. I don't recall exactly. It was about 11 percent for this year and something less for next year. The last official forecast was under 10 percent.

Senator PROXMIRE. Nine?

Mr. RUSSELL. Yes, I think something like that.

Senator PROXMIRE. Mr. Kahn has indicated that he thinks it will be higher than that.

Mr. RUSSELL. Well, we all have personal opinions and my personal opinion is 9 to 10 percent for calendar year 1980.

Senator PROXMIRE. Well, how about the CPI statement on fuel oil. That assumes that we purchase it throughout the year, but the purchases will be concentrated at the end of the year. Doesn't it understate the cost of fuel oil for consumers?

Mr. RUSSELL. It assumes we purchase it throughout the year, you say? I don't know about that.

Senator PROXMIRE. The Consumer Price Index implicitly assumes consumers are buying fuel oil throughout the year, and it keeps the same weight for fuel oil in there in July and August and so forth. But it is toward the end of the year that the prices go up, and when we will purchase most of our fuel.

Mr. RUSSELL. What you say is correct—that's right. The weights are kept the same throughout the year, even though most of the purchases are seasonal.

So what does that do? Well, that gives the home heating oil component too big a weight in the summer and too small a weight in the winter. So in a sense, it will be understating what the real increase in the cost of living due to increases in home heating oil are in the winter because of that, but it will be overstating the effect of that component in the summer.

So it averages out over the year.

Senator PROXMIRE. One way of getting indexing under control so that it doesn't make it so difficult to get inflation down is to provide, instead of indexing, real wage insurance. That way as inflation moderates, the cost to the Government would tend to moderate. The inflation spurts up, the workers would be protected, and you wouldn't have built in an automatic increase with a lag and so forth.

Can you tell us if the administration is going to have a new proposal for wage insurance?

Mr. RUSSELL. No. I can't tell you whether they will have such a proposal. I think it is fair to say that we are always looking at additional anti-inflation policies that might be either adopted through administrative policy or sent up to the Hill in the form of legislation.

I do agree with you that I think real wage insurance is very attractive because it rewards workers for restraint; whereas indexation essentially rewards the economy as a whole for lack of restraint.

So real wage insurance is the opposite of indexation, which is why I very much favor real wage insurance myself and oppose indexation.

Senator PROXMIRE. Well, the administration tried and didn't make headway and gave up. I was hoping that they would come back and try again.

Mr. RUSSELL. Well, I sense that the temperament of the Congress is a little bit different this year than it was last.

Senator PROXMIRE. Well, it is. And I think there's real sentiment for some kind of a tax cut. If you're going to have one, you ought to have one that will help you on the inflation front. And this would.

Mr. RUSSELL. That's right.

Senator PROXMIRE. So it might be worth proposing.

Mr. RUSSELL. I find it attractive myself.

Senator PROXMIRE. What is your best estimate of the current specific tradeoff between inflation and unemployment? How much will the rate of inflation fall for each percentage rise in unemployment?

Mr. RUSSELL. The estimate that I quote is one that comes out of a simulation using the Federal Reserve/MIT econometric model of the economy. And it suggests that in order to lower the inflation rate by 1 percentage point, we would have to have 1 million additional persons unemployed for 2 years.

That is using fiscal and monetary restraint alone. That is what we measure the tradeoff to be. That is probably the most pessimistic estimate of that tradeoff. Others think that you would have to endure much less unemployment than that to get the inflation rate down by 1 percentage point.

The monetarists do that. I think the monetarists tend to be a little bit more optimistic about the efficacy of monetary restraint on slowing down the inflation rate without causing unemployment than do econometric models.

Senator PROXMIRE. Well, give us your estimate.

Mr. RUSSELL. I tend to believe the econometric model builders.

Senator PROXMIRE. Which would require how much?

Mr. RUSSELL. In order to lower the inflation rate by 1 percentage point, using fiscal and monetary policy alone, we would have to increase the unemployment rate by 1 percentage point for a period of 2 years.

Senator PROXMIRE. And that is 1 million jobs?

Mr. RUSSELL. That is 1 million jobs; yes.

Senator PROXMIRE. That's your position?

Mr. RUSSELL. I think that that is as good as estimate as any; yes.

Senator PROXMIRE. Now you were very careful about saying that would be the result by monetary and fiscal policy alone.

Mr. RUSSELL. That's right.

Senator PROXMIRE. All right. Now what else?

Mr. RUSSELL. I think that the pay and price standard serve as useful complements to fiscal and monetary restraint.

Senator PROXMIRE. Well, there's considerable debate about that. A lot of people don't think that they're doing much of anything. But

maybe they are. Well, then, let's assume that you have a reasonably effective pay and price standard. Then what is the payoff?

Can you do it, then? Can you reduce the inflation rate 1 percent by, say, a half-million more unemployed if you also have an incomes policy that has some bite?

Mr. RUSSELL. The best guesses—and these can only be guesses of the economists that I talk to and my own best guess based upon my examination of the data—indicate that these guideposts knocked perhaps one-half to 1 percentage point off of the inflation rate on their own.

In a sense, what I'm saying is that with no additional unemployment, you could knock perhaps one-half to 1 percent off the inflation rate with pay and price standards alone as long as fiscal and monetary policy were not stimulative, as long as we were not overly stimulating the economy.

Senator PROXMIRE. I'm concerned about the difference between inflation indexes. The GNP deflator has been rising at an annual rate of 9 percent; the CPI, 13 percent.

What is the reason for that huge difference?

Mr. RUSSELL. They measure different things. The GNP deflator, for example, nets out the cost of imported crude oil and refined products.

On the other hand, the GNP deflator includes cost of producer goods as opposed to consumer goods.

So they are measuring very different things and producer goods have been going up at fairly rapid rates recently, which could explain why the deflator is going up more rapidly than the Consumer Price Index underlying rate.

I don't know if you've got the tables that were handed out, but one table goes over various measures of the underlying rate of inflation. It includes one constructed from the CPI by excluding housing, energy, food, and used cars.

The PPI excludes energy and food. There is a fixed weight, nonprice farm deflator. This is another possible measure of the underlying rate of inflation because it excludes farm products and the prices of imported crude oil.

And you can see that they give you fairly different measures of the underlying rate of inflation.

Over the recent past, for example, over the fiscal year 1979, basically the first program year, the CPI underlying rate is about 7½ percent, and the PPI underlying rate is about 8½ percent.

The reason for that is that the PPI excludes services, and service prices have been relatively more stable.

The nonfarm deflator, on the other hand, is very close to 10 percent. The main reason for this is the big increases in the prices of capital equipment which do not enter the Consumer Price Index.

Senator PROXMIRE. Well, the one constant element here is that everything is going up, regardless of whether you take the CPI underlying rate; PPI underlying rate; fixed, weighted nonfarm price deflator; fixed, weighted personal consumption, expenditure deflator; or unit labor cost—1976, 1977, 1978, and 1979—the rate is rising each year.

Mr. RUSSELL. That's right, in every case.

Senator PROXMIRE. That is why it is hard for me to be as optimistic as you seem to be that inflation is going to come under control after, say, the first half of next year.

Mr. RUSSELL. I should say that I expect the underlying rate of inflation to be worse in 1980 than it was in 1979.

Senator PROXMIRE. The underlying rate?

Mr. RUSSELL. I don't see any way to avoid a worsening of the underlying rate as workers try to catch up for the lost real income over the past year.

Senator PROXMIRE. And the reason that doesn't contradict your statement that overall inflation will be lower next year is because things like housing costs and so forth will be moderating rather sharply.

Mr. RUSSELL. I expect them to come down, the underlying rate to go up, and the overall rate of inflation to be somewhere close to 10 percent.

Senator PROXMIRE. And you expect energy not to be out of line.

Mr. RUSSELL. That's correct.

Senator PROXMIRE. One more question. When we instituted the new index for all urban consumers, the CPI–U, while continuing the CPI for urban wage earners and clerical workers, the CPI–W, I guess you call it, we did it because of the fear that the new index would be or could be radically different from the old one. And hence, the CPI–U could distort wage agreements and other cost of living indexed items in the economy.

Looking at this month's release and comparing the two indexes, while there's some differences and some identical figures overall, the two come out about the same for the last 12 months.

Over a shorter period of time, the components of the old index seem to have risen at a slightly higher rate than the new one.

Now that you have had considerable experience with both, what can you tell us about how they compare?

The fear of some of the labor groups is that the new index would show a smaller increase when there were increases than the old index. But a casual look at it would indicate that the opposite was taking place.

Mr. RUSSELL, I think that the construction of this new index for all urban consumers confirms what I would have suspected in the first place; namely, that there would not have been a big difference in the two indexes, that the market baskets of urban consumers and urban workers are not so different that we need two different indexes for the two types.

And I think the same is true of retired workers. If we constructed an index for retired persons, I don't think it would be radically different than the overall Consumer Price Index.

I recall a controversy at Harvard, when the faculty was trying to tie its increase to the Consumer Price Index and they thought their cost of living was going up more rapidly than that of the average urban worker.

And so Arthur Smithies, an economist at Havard University, constructed his own index and found out it was going up just almost identically with the overall Consumer Price Index. And this was 20 years ago.

And I don't think that things have changed since then.

Senator PROXMIRE. Well, what you have told us this morning is that the underlying rate of inflation is going to continue perverse for some time and you expect it to worsen in 1980.

However, you expect the overall CPI to improve; at least not to be as bad in the last half of this coming year as it was this year.

And you, I think, have given us a highly competent series of responses to the questions and we are very grateful to you.

Mr. RUSSELL. Thank you, Senator.

[Whereupon, at 11:15 a.m., the committee adjourned, subject to the call of the Chair.]

[The following report was subsequently supplied for the record by Mr. Russell:]

INFLATION UPDATE [1]

INTRODUCTION

All of the conventional macroeconomic data on prices and wages for the first year of the President's anti-inflation program (roughly, the period extending from the third quarter of 1978 to the third quarter of 1979) are now available. This "Inflation Update," therefore, focuses on price and wage trends during this first program year.

During the past year, the inflation rate accelerated to double-digit levels. Yet much of this acceleration is attributable to factors that were not and could not have been controlled by this, or any other, anti-inflation program. In those areas where the price and pay standards were directly applicable, the aggregate data suggest that these standards—by preventing the food and fuel price explosion from being built into the industrial wage and price structure—have kept a very bad situation from being appreciably worse. It should be emphasized, however, that this report is not a comprehensive evaluation of the anti-inflation program. A thorough analysis and evaluation of the effectiveness of the pay and price standards during the first year depends on the availability of data supplied by individual companies on their price and wage changes during the year. These data will be available at the end of the calendar year, and a report of our findings will be published in early 1980.

At the time the program was announced, most economic forecasters were predicting a marked slowdown in the rate of growth of the economy. Indeed, most private forecasters were predicting recession by early 1979. These anticipations should be borne in mind because pay and price standards can be expected to be most effective in moderating wage and price increases in an economy characterized by slack rather than tight market conditions.

With the expected slowdown in the economy, it was also anticipated that the Federal Reserve would be able to relax somewhat its policy of monetary restraint, reversing the two-year climb in interest rates. This was important because, in the short run, restrictive monetary policy has inflationary effects. Interest expenses are costs of doing business, and rising interest rates, therefore, exert upward pressure on prices. Perhaps more importantly, rising mortgage interest rates enter the home-purchase component of the Consumer Price Index (CPI), and they enter with a vengeance because this component, like others in the CPI, measures the increased prices of currently purchased (and, in this case, currently financed) commodities.

Third, the Department of Agriculture predicted food-price inflation of about 7 percent, assuming an average winter.

Finally, on the basis of OPEC pricing plans, expectations of a fourth straight year of relative energy price stability were common.

All of these expectations were proven incorrect. The consequences for the overall rate of inflation are all too well known. As measured by the CPI, inflation reached double-digit rates—12 percent for the entire program year—for the first time since 1974. The various components of the Producer Price Index also

[1] Council on Wage and Price Stability, Nov. 21, 1979.

increased at rates above 10 percent, significantly higher than those recorded in the previous year (except for crude-material prices, which rose by almost 18 percent in both years).

In analyzing price trends (and, at least by implication, the impact of the anti-inflation program), it is essential to distinguish between price increases emanating from exogenous influences and those increases that more accurately represent basic price trends in the industrial and service core of the economy. Such distinctions are developed in some detail throughout the report. For example, rates of price increase for the food, housing, and energy components of the CPI are contrasted with the underlying rate of consumer-price inflation. Possible alternative measures of the underlying rate of inflation are also considered.

Perhaps the major point that emerges from the data is that the underlying rate of inflation, however measured, was significantly below the 12-percent increase in the CPI during the program year (or the rates of increase in the Producer Price Index). The various indices of the underlying rate range from about 7½ to 10 percent.

Labor-cost inflation showed no signs of acceleration during the program year, despite the large increases in the CPI. In fact, most of the measures of wage-rate increases show slight deceleration compared to the previous year. This is true of the wages of both union and nonunion workers, and is reflected in the recent round of major collective-bargaining settlements.

The moderation of wage-rate increases, however, was offset by the dismal productivity performance. A 1.3 percent fall in output per manhour during the program year, together with the 8.8 percent rise in total labor compensation (including employment taxes), resulted in a 10.2 percent increase in unit labor costs.

The productivity collapse, the large increase in social security taxes, and the explosion in energy prices resulted in a significant decline in average real earnings. Nevertheless, labor's share of national income did not deteriorate. This is consistent with one of the equity goals of the anti-inflation program—namely, that the burden of combatting inflation be shared equally.

These points are developed in more detail below.

A. PRICES

1. Consumer prices

The Consumer Price Index (CPI) rose 12 percent during the first program year, a rate of inflation almost 4 percentage points higher than that in Fiscal Year (September to September, hereafter fiscal year) 1978 (see table 1). Since January, consumer prices have been rising at an annual rate of more than 13 percent. Current rates of inflation in consumer prices are almost double those anticipated at the program's inception, based on the assumptions of widespread compliance and no exogenous shocks. Much of the discrepancy can be attributed to changes in the economic environment that were largely outside the program's influence. Escalating prices for energy, food, and home purchase and finance, due largely to exogenous shocks to the economic system and to a more robust economic climate than had been expected, account for much of the acceleration in the rate of price increase.

The following discussion of trends in consumer prices during the first program year attempts to separate price behavior emanating from exogenous influences in sectors of the economy not covered by the basic price standard from rates of inflation that are more representative of price trends in the industrial and service core of the economy. More specifically, rates of price increase for the food, housing, and energy components of consumer prices are contrasted with those in areas covered by the standards as well as with the underlying rate of consumer-price inflation.

a. *Food prices.* After 2 successive years of worse-than-usual weather conditions, food-price inflation was expected to moderate during the program year, thus helping to offset adverse price behavior in other sectors of the economy. Although the rate of increase of food prices fell somewhat—from 10.8 percent in fiscal year 1978 to 10 percent over the program year (roughly equivalent to fiscal year 1979)—the decline was smaller than had been expected.

Most of the escalation of food prices was concentrated in the first two quarters of the program year, when food prices rose at annual rates of 10.2 and 17.7 percent. In January alone, food prices increased 2.1 percent—the largest 1-month change since July 1975. Major factors in the overall rise of food prices during

TABLE 1.—CONSUMER PRICE INDEX

	December 1978 relative importance (percent)	Fiscal year—[1]				Program year—3 mo. ending—[2]			
		1976	1977	1978	1979	Dec.	Mar.	June	Sept.
All items	100.0	5.5	6.6	8.3	12.1	8.5	13.0	13.4	13.2
Food	18.2	2.1	7.1	10.8	10.0	10.2	17.7	7.5	4.2
Food at home	12.6	1.0	6.8	11.4	9.6	10.9	19.2	5.7	2.8
Domestically produced	10.4	−.9	2.8	13.5	9.7	7.7	27.5	7.8	−2.1
Imported	2.2	15.0	32.3	2.5	9.0	5.1	8.6	6.9	15.5
Food away from home	5.5	6.9	7.9	9.6	10.9	8.7	15.6	11.8	7.6
Housing (less fuel)[3]	40.1	5.8	6.6	9.6	12.2	9.6	12.0	13.1	14.1
Home purchase	10.2	4.8	7.0	10.1	14.2	14.3	10.8	15.5	16.5
Finance, insurance, and taxes	9.7	5.9	8.0	15.6	20.1	7.0	25.8	23.1	25.4
Rent	5.5	5.6	6.3	7.1	7.6	7.7	3.6	8.7	10.7
Energy[4]	8.5	5.2	9.2	7.0	35.2	5.8	24.6	70.0	49.1
Transportation (less gasoline)[3,4]	13.6	11.6	5.6	5.8	8.6	8.2	6.6	15.5	5.7
Public transportation	1.0	4.4	4.1	2.2	9.0	1.9	5.9	7.1	22.2
New cars	3.9	6.1	5.1	8.8	8.2	1.0	12.8	12.7	6.9
Apparel and upkeep	5.5	4.7	4.0	3.6	4.9	2.3	8.7	1.5	7.7
Medical	5.0	9.1	9.8	7.9	9.5	10.8	9.4	7.7	9.9
Entertainment	4.0	4.9	5.1	5.1	7.2	9.1	6.8	5.8	7.3
Other goods and services	4.3	5.9	6.1	7.7	7.2	2.2	9.7	5.5	11.5
All items less food	81.8	6.6	6.4	7.8	12.6	8.5	12.0	14.9	15.4
All items less energy	91.5	5.5	6.4	8.5	10.0	7.7	11.6	10.6	10.0
Underlying rate of consumer-price inflation[5]	50.3	6.7	6.0	6.1	7.5	7.2	7.5	7.4	7.9

[1] September to September percentage changes, not seasonally adjusted.
[2] Seasonally adjusted, annual percentage rates of change.
[3] Calculated using growth rates rather than percentage changes.
[4] Not seasonally adjusted.
[5] Consumer Price Index excluding the costs of home purchase, finance, taxes, and insurance; and food, energy, and used cars.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

this period were large increases in the prices of meats, poultry, fish, and eggs. The price index for those commodities rose at an annual rate of 40 percent from December 1978 to March 1979, in large part because of the substantial reduction in the availability of beef. The 4 percent increase in February was the largest 1-month change in the index for meats, poultry, fish, and eggs since July 1975. In addition, the harsh winter, particularly a citrus freeze in Florida, contributed to shortages in fruits and vegetables that resulted in rapid rates of price increase in these commodities during the early months of 1979.

In the final two quarters of the program year, the rate of food-price inflation fell to 7.5 and 4.2 percent, respectively, in large part because of expanded supplies of pork and broilers and a good spring crop of fruits and vegetables. Further moderation might have occurred if favorable developments on the domestic front and not been offset by rapidly increasing prices for imported food, especially coffee. Coffee prices began to rise during the summer in response to a freeze in Brazil that created expectations of significantly reduced coffee supplies during the coming year.

b. *Housing.*—Housing costs advanced significantly during the program year, even after eliminating the effect of rampant increases in home-fuel costs (which are included in the energy index, discussed below). Those housing costs rose by more than 12 percent in fiscal year 1979, compared to 9.6 percent in 1978, and reached annual rates of 13.1 percent and 14.1 percent in the second and third quarters of 1979.

The behavior of housing prices is attributable primarily to increases in purchase prices and the costs of home finance, insurance, and taxes. These components of housing costs are largely investment expenditures, as opposed to outlays for housing services per se, and are affected by speculative buying patterns. Home-purchase prices advanced 14.2 percent during fiscal year 1979, 4 percentage points higher than a year earlier, and reached annual rates in excess of 15 percent in the last 2 quarters of the program year. The costs of housing finance, insurance, and taxes accelerated similarly, rising from an annual rate of 7 percent in the first 3 months of the program year to an annual rate of 25.4 percent in the

final quarter. For the program year as a whole, the index rose more than 20 percent, compared to a 15.6 percent increase in fiscal year 1978.

On the other hand, the rate of increase in rental prices, which do not contain an investment element, rose only slightly, from 7.1 percent in fiscal year 1978 to 7.6 percent during the program year. Over the last 2 quarters of fiscal year 1979, however, the increase in rental prices accelerated to annual rates of 8.7 percent and 10.7 percent, respectively.

c. *Energy prices.*—Although energy expenditures comprise only 8.5 percent of average consumer outlays, increases in the prices of energy commodities and services accounted for about 25 percent of the total CPI increase during the program year. OPEC crude-material price actions were, of course, a major cause of these price increases. In January, the benchmark price for a barrel of crude oil was $13.34; in April, it was raised to $14.55 per barrel. Between April and July, several of the oil-producing countries added surcharges to the benchmark price. By July, prices ranged from $18 to $23.50—plus surcharges. These price actions are reflected in rapid rates of increase in the energy-price index. The index rose 35.2 percent during the program year, a dramatic acceleration from the 7 percent of a year earlier. Moreover, energy prices increased even more rapidly during the last three quarters of fiscal year 1979, rising at annual rates of 24.6, 70, and 49.1 percent, respectively.

d. *The underlying rate of consumer-price inflation.*—A measure of price increases that is more indicative of underlying trends in consumer prices than the overall CPI is constructed by excluding food prices; costs of home purchase, finance, insurance, and taxes; energy costs; and the volatile used-car price index. This measure also provides a rough proxy for price behavior in those sectors of the economy that were covered by the basic price standard. (Agricultural products, crude petroleum, and interest rates are excluded, from the price standard, and gross-margin standards are available for food-processing, petroleum-refining, wholesaling, and retailing activities.) Purchases of commodities included in this measure of the underlying rate of consumer-price inflation comprise slightly more than one-half of the average consumer's expenditures.

While exogenous shocks and speculative demand contributed to the rapid rise in prices in food, housing and energy sectors of the economy, the underlying rate of inflation remained relatively stable, rising from 6.1 percent in fiscal year 1978 to 7.5 percent during the program year. Used-car prices, however, rose only 3.6 percent during the program year, compared to 7.3 percent in fiscal year 1978. Inclusion of used-car purchases (about 3 percent of consumer expenditures) in the underlying-rate calculation would thus yield more favorable results.

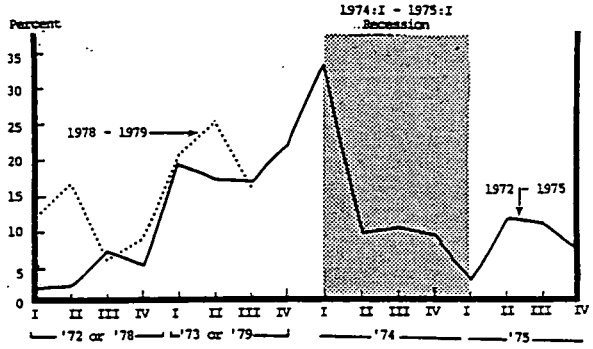
Some of the prices included in the index of the underlying rate of consumer-price inflation accelerated during the program year, while others decelerated. The rates of price increase for new cars and for "other" goods and services decelerated; however, the deceleration in the "other" category occurred only in the goods component, while rates of changes of prices of services accelerated to an annual rate of 10.4 percent in the fourth quarter. Public-transportation costs, and nonfuel prices for transportation generally, rose significantly during fiscal year 1979, increasing at rates of 9 and 8.6 percent, respectively, compared to 2.2 and 5.8 percent a year earlier. Finally, both medical and entertainment prices increased at rates about 2 percentage points higher in fiscal year 1978.

In short, the surges in fuel, housing, and food-price inflation this year have not yet become built into the industrial wage/price structure.

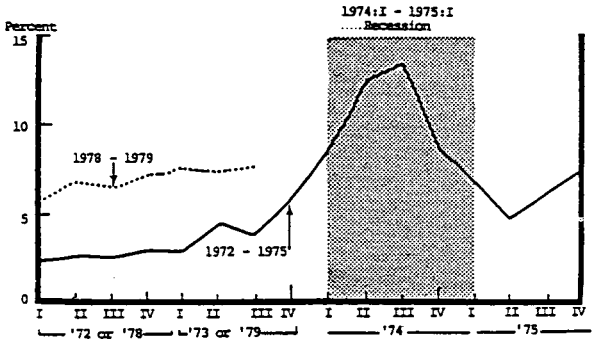
e. *Comparison with 1973–75.*—The economic parallels between 1973–75 and the current period are deeply disturbing (see figure 1).[1] The earlier period was characterized by a similar explosion in food and energy prices, which eventually worked their way into the underlying rate of inflation. By the time the recession began in the first quarter of 1974, the underlying rate of inflation had moved up by 2½ percentage points (from 3 percent in 1972:IV to 5½ percent in 1973:IV). This contrasts with the acceleration in the underlying rate during the past year of about 1½ percentage points (from 6½ percent in 1978:III). Current price

[1] Figure 1 provides a comparison of price and unemployment developments during the periods 1972–75 and 1978–79. The top chart tracks changes in food and energy prices as measured by the Consumer Price Index. The second displays changes in the underlying rate—the Consumer Price Index excluding food; energy; home purchase, finance, insurance, and taxes; and used cars. The final chart shows trends in the unemployment rate for the total civilian labor force. All series are seasonally adjusted. The figures have been constructed by CWPS, using Bureau of Labor Statistics data.

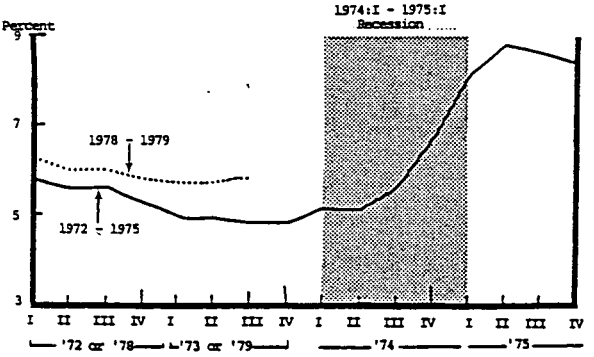
FIGURE 1



FOOD AND ENERGY PRICES (3-month annualized percentage rates of change)



UNDERLYING RATE OF INFLATION (3-month annualized percentage rates of change)



UNEMPLOYMENT RATE (Quarterly Averages)

behavior thus suggests that the voluntary pay and price standards may have been instrumental in preventing an acceleration in the underlying rate in 1979 comparable to that of 1973 (although the difference could be explained by other factors as well, including the fact that inflation developments during the 1973–74 period were affected by the transition from phase II to phases III and IV of the economic stabilization program.)

It must be pointed out, however, that the real explosion in the underlying rate in the previous period did not occur until 1974. Between the fourth quarter of 1973 and the third quarter of 1974, the underlying inflation rate accelerated from 5½ percent to 13 percent. If economic history were to repeat itself, a sharp increase in the underlying rate—well into double-digit levels—could be expected about now.

There is considerable debate as to whether we are now in a recession and, if so, about the effects that a recession might have on the current rate of inflation. Looking at the events of 1973–75, we see no guarantee that the underlying rate of inflation in the present period will be checked even if we are moving into a recession. As Figure 1 indicates, the sharp increase in the underlying rate of inflation in 1974 came about concurrently with the economy's relapse into recession. Between the fourth quarter of 1973 and the third quarter of 1974, the unemployment rate rose from 4.8 percent to 5.6 percent, eventually climbing to 9 percent in early 1975 as the recession deepened. By that time, the underlying inflation rate had abated to about 5 percent.

If our anti-inflation efforts are not successful, therefore, there is the clear danger that we may face both higher unemployment and an exploding underlying rate of inflation.

2. Producer prices

The Producer Price Index (PPI) tracks the cumulative effect of price increases through the stages of production. The PPI shows that finished-goods prices increased by almost 12 percent during the last year. But, over the same period, the intermediate-goods index rose 14½ percent and the index for crude materials jumped about 17½ percent (see table 2). This pattern of attenuation of crude-material price increases through the various stages of production is to be expected so long as prices of other inputs are rising less rapidly than those of crude materials.

a. *Finished goods.*—The 11.8 percent rise in wholesale prices of finished goods during the program year contrasts with an 8.4-percent increase in fiscal year 1978.

TABLE 2.—PRODUCER PRICE INDEX

	December 1978 relative importance (percent)	Fiscal year—[1]				Program year—3 mo. ending—[2]			
		1976	1977	1978	1979	Dec.	Mar.	June	Sept
Finished goods	100.0	2.7	6.6	8.4	11.8	10.5	14.3	7.5	15.0
Consumer goods	70.6	1.6	6.5	8.4	13.3	11.1	16.0	6.7	19.6
Foods	25.4	−4.5	6.7	10.2	8.8	15.3	21.0	−11.3	13.1
Energy	6.4	5.4	10.0	3.9	55.9	22.7	31.4	77.5	106.7
Other	38.8	5.5	5.6	8.1	8.4	6.5	10.0	8.4	8.9
Producer goods	29.4	6.1	6.7	8.4	8.3	8.8	10.3	9.8	4.3
Intermediate goods	100.0	6.4	6.0	7.1	14.6	11.5	14.1	14.4	18.9
Foods and feeds	5.4	−1.9	8.8	16.5	11.4	14.8	13.2	−1.5	20.3
Energy	10.3	6.6	13.5	2.4	35.5	11.6	13.2	56.8	71.2
Other	84.3	7.2	6.0	7.2	12.0	11.1	14.2	10.5	12.4
Crude materials	100.0	−.5	.7	17.8	17.6	20.6	30.1	4.3	17.0
Foods and feeds	58.5	−7.8	−3.7	20.0	13.9	21.2	31.0	−7.1	13.9
Energy [3]	24.8	7.1	21.2	13.5	28.6	12.2	21.6	35.4	48.0
Other	16.7	12.9	−4.4	17.0	18.6	37.0	71.3	.3	−15.9

[1] 12-mo percentage changes, not seasonally adjusted.
[2] Seasonally adjusted, annual percentage rates of change.
[3] Not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Prices of finished consumer goods increased 13.3 percent, as opposed to 8.4 percent a year earlier; and the annual rate of increase in the last 3 months of the program year accelerated to 19.6 percent. The contribution of energy-price increases to these trends is clear: wholesale prices of energy-related consumer goods rose by 55.9 percent during the program year and at an annual rate of more than 100 percent in the last 3 months. The rate of increase of food prices fell from 10.2 percent in fiscal year 1978 to 8.8 percent in 1979, despite a 13.1 percent annual rate of increase in the final 3 months of fiscal year 1979.

Wholesale prices of consumer goods other than food and energy increased 8.4 percent over the program year, slightly above the increase of 8.1 percent in fiscal year 1978. This group of prices constitutes an alternative measure of the underlying rate of inflation (see section 4 below), and includes many of the basic staples in the American home. Price increases of some of these products were modest. For example, the price indices for apparel, household appliances, and floor coverings each rose about 5½ percent for the year. Prices for household furniture and textile home-furnishings rose 6.8 percent and 7.5 percent, respectively. On the other hand, prices of soaps and synthetic detergents rose about 11 percent. Footwear products increased more substantially, rising by 21.6 percent over the program year, reflecting earlier sharp increases in hide prices as a consequence of the substantial reductions in cattle slaughter.

There is an apparent inconsistency between the 6.7 percent increase in the producer price index for passenger cars and the 8.2 percent increase for this component of the CPI. This apparent inconsistency is explained by the fact that the PPI, unlike the CPI, does not include prices of imported cars, which have risen more rapidly than the prices of domestically produced cars because of the devaluation of the dollar vis-a-vis the currencies of many of the countries from which we import automobiles.

Finally, producer pices of capital goods, the "producer goods" segment of the finished-goods index, rose by 8.3 percent in fiscal year 1979. This compares favorably with the 8.4 percent increase of fiscal year 1978.

b. *Intermediate goods.*—The rate of increase of producer prices for intermediate goods more than doubled during the program year rising from 7.1 percent in fiscal year 1978 to 14.6 percent in fiscal year 1979 and reached an annual rate of almost 19 percent in the last 3 months. Again exploding energy prices was the dominant factor as prices of intermediate energy-related goods rose by 35.5 percent during the program year and at an annual rate of 71.2 percent in the last 3 months compared to 2.4 percent over fiscal year 1978. Price increases for foods and feeds decelerated from 16.5 percent in fiscal year 1978 to 11.4 percent in fiscal year 1979 but rose at an annual rate of 20.3 percent between June and September, when the shortfall of world wheat production (mostly in Russia) drove up prices for all grains.

c. *Crude materials.*—Crude-materials prices rose 17.6 percent in fiscal year 1979, as compared with 17.8 percent a year earlier. Much of the decline is attributable to a significantly lower rate of increase in prices for foods and feeds, from 20 percent during fiscal year 1978 to 13.9 percent in fiscal year 1979. However, as in all other stages of processing, the increase in the price of energy products has been dramatic. During fiscal year 1979, the index rose by 28.6 percent, roughly double the 14-percent increase in fiscal year 1978. Further, the acceleration in the rate of increase of crude-energy prices throughout the program year (they rose at an annual rate of almost 40 percent during the last 3 months) suggests that it will be some time before any deceleration will be observed in the rate of increase in energy prices at the intermediate- or finished-goods stages.

3. Crude retail price spreads

Two major sources of inflation during the first program year were rising food and energy prices. Although a large part of these price increases can be attributed to increases in prices for food products at the farm level and crude petroleum, there has also been a concurrent widening of the spread between crude and retail prices. Because farm-price movements primarily reflect volatile supply conditions and since crude-petroleum prices are set in the international marketplace, these prices are not covered by the price standards. Processing and retail margins for food and petroleum products, however, are covered by standards designed specifically for firms in these industries. The expansion in the spreads beween crude and retail prices for these items is examined below.

TABLE 3.—SELECTED COMPONENTS OF GASOLINE AND HOME HEATING OIL PRICES

	Average price (cents per gallon)										Percentage changes	
	Dec. 1978	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[1]	Sept.[1]	Dec. to June	June to Sept.
Gasoline:												
Retail price[2]	68.5	69.5	70.7	73.3	78.0	82.3	88.8	93.0	96.7	99.6	29.6	12.2
Wholesale-retail spread	8.4	8.5	7.5	8.0	10.0	10.8	13.8	14.0	13.9	14.0	64.3	1.4
Home heating oil:												
Retail price	54.5	55.5	57.7	60.5	62.7	65.6	70.9	75.2	80.0	85.2	30.1	20.4
Wholesale-retail spread	14.3	14.7	14.7	15.0	14.9	14.2	14.9	15.8	16.2	17.8	4.2	19.5
Refined petroleum Products:												
Refiners' price	[3] 41.9	43.3	44.6	47.0	49.5	52.5	55.9	60.1	NA	NA	33.4	NA
Crude and Imported Product Cost[4]	[3] 31.1	32.2	32.9	34.3	37.3	39.8	41.2	44.7	NA	NA	32.5	NA
Gross Spread	[3] 10.8	11.1	11.7	12.7	12.2	12.7	14.7	15.4	NA	NA	36.1	NA

[1] Estimated.
[2] Average of premium, leaded regular, and unleaded regular gasoline prices.
[3] Price in 1978:IV.
[4] Does not include purchase of refined product from domestic refiners.

Sources: Department of Labor, Bureau of Labor Statistics; American Petroleum Institute; Department of Energy; and the Council on Wage and Price Stability.

a. *Petroleum-product price spreads.*—Energy prices have been rising rapidly since January 1979. Although retail price data are available through September, refinery prices and spreads are available only to July 1979. From December 1978 to July 1979, retail gasoline prices jumped 24½ cents per gallon—from 68½ to 93 cents—and retail prices for home-heating oil rose 20½ cents per gallon—from 54.4 to 75.2 cents (see table 3). These large retail price increases were caused in part by crude and imported-product cost increases (13½ cents per gallon—from 31 cents to almost 44½ cents) and an expansion of the refiners' spread, essentially refining costs plus refinery profits (up 4.6 cents, from 10.8 to 15.4 cents per gallon). The remainder of the increases in retail prices for gasoline and home-heating oil can be explained by changes in the wholesale/retail price spread and by changes in the margins added by jobbers (who distribute refined products). Wholesale/retail spreads increased 5.6 cents per gallon for gasoline and 1.5 cents per gallon for home-heating oil over this period.

Since July 1979, gasoline and home-heating-oil prices have continued to rise. During the first nine months of 1979, retail gasoline and home-heating-oil prices each rose 31 cents per gallon. The temporal patterns of increases were quite distinct, however; although gasoline and home-heating-oil prices have risen steadily throughout the year, the wholesale/retail margin for gasoline increased substantially during the early months of the year and levelled off in June, whereas most of the increase in the wholesale/retail margin for home-heating oil has occurred since June. These divergent trends are in part due to seasonal factors. Changes in Department of Energy regulations have also played a role. Since February, DOE has permitted more of the cost of producing gasoline to be reflected in its price. However, this change affects retail prices with a lag because of the time it takes for refined products to pass-through the distribution system.

b. *Food-price spreads.*—In the early months of 1979, rises in retail food prices were caused primarily by sharp increases in prices at the farm (rather than the farm/retail spread). Farm-level prices jumped 10½ percent during the first quarter of this year, forcing grocery prices up at a seasonally adjusted annual rate of almost 20 percent. Since March, farm-level food prices have fallen significantly, and grocery-price increases have moderated to a 4.3 percent annual rate (see table 4).

Typically, farm/retail spreads for food are compressed temporarily when farm prices increase rapidly, and these spreads widen somewhat when farm prices decline. The experience in 1979, however, was atypical. The 10½ percent jump in farm-food prices during the first quarter of this year appears to have had little impact on processor and distributor price spreads. The farm/retail spread increased 3.6 percent, compared to 1.1 percent in the previous quarter.

TABLE 4.—RECENT TRENDS IN COMPONENTS OF CONSUMER FOOD PRICES

[Percentage change, not seasonally adjusted]

	3 mo ending—				
	December 1978	March	June	September	Program year [1]
Food at home [2]	2.6	4.5	1.4	0.7	9.6
Domestically produced farm food:					
Retail value	1.9	6.3	1.9	−.5	9.7
Farm value	2.7	10.5	−4.5	−1.8	6.0
Farm-retail spread	1.1	3.6	6.4	.3	12.2
Imported food	1.2	2.1	1.5	3.8	9.0

[1] September 1978 to September 1979.
[2] Seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics, and U.S. Department of Agriculture, Economics, Statistics and Cooperatives Service.

Farm/retail margins continued to increase in the second quarter, advancing 6½ percent as farm-food prices fell 4½ percent. The continued expansion of price spreads heightened food-price inflation during the early months of the year and offset the declines in farm prices during the following months. Between June and September, the expansion of food-price margins moderated significantly and food prices tended to stabilize.

These atypical movements in spreads may be due in part to the design of the percentage-gross-margin standard. By allowing margins to widen (and requiring them to contract) proportionally with the cost of goods purchased, the standard tends to accentuate price swings at farm and wholesale levels.

4. Underlying rates of inflation

The preceding discussion has considered two measures of the "underlying rate of inflation"—one derived from the CPI and the other constructed from the PPI. These indices represent attempts to measure the rate of inflation that would occur in the absence of exogenous shocks to the economy.

In theory, it is possible to distinguish at least three basic components of the overall rate of inflation: the underlying-rate component; the shock component; and the demand-induced component. The underlying rate of inflation essentially measures those price increases necessitated by increases in production costs, assuming that the economy is free of exogenous shocks and that aggregate demand is neither excessive nor deficient. Except for its interest-rate component, the underlying rate also represents that part of the inflationary mechanism that can be influenced by the price and pay standards. The shock rate measures the inflationary impact of events like world oil-price hikes, unfavorable weather, and changes in tax rates or government regulatory policy. The aggregate-demand rate is that part of the overall rate of inflation that can be attributed to excess aggregate demand.

Shock and aggregate-demand effects in any given period, however, may be incorporated into subsequent underlying rates through their influence on inflationary expectations and, thus, on costs of production. Production costs, both capital and labor, are largely a function of price expectations that become embodied in nominal interest rates and wages. In this sense, the underlying rate of inflation reflects the extent to which the economy is effectively indexed. Relatively equal increases in price and labor-cost (evaluated at trend productivity growth) measures of the underlying rate would be evidence of equivalent degrees of protection of labor and property income against inflation. In this case, changes in the underlying rate would thus have relatively little impact on the distribution of income (see section C below).

The underlying-rate concepts employed earlier implement these theoretical distinctions in a rough but serviceable fashion. Neither really attempts to eliminate the influence of aggregate demand from the overall rate of inflation. The CPI-based underlying rate removes from the CPI the largely exogenous effects of increases in the prices of energy and food. It also excludes the costs of home purchase, finance, insurance and taxes, as well as the volatile index of used-car prices. The exclusion of the items relating to the costs of homeownership is based

on the fact that these are primarily household investment expenditures and therefore are not appropriate proxies for the annual costs of housing services for homeowners. The PPI-based underlying rate is the producer price index for finished consumer goods other than food and energy. These wholesale prices correspond to the commodity retail prices included in the CPI-based measure, but do not include services.

Two alternative measures of the underlying rate of inflation are the (fixed weighted) nonfarm gross domestic product (GDP) deflator and the (fixed weighted) personal consumption expenditures (PCE) deflator. These two measures differ from CPI- and PPI-based indices (and from each other) because of different coverage. The nonfarm deflator excludes prices of food at the farm and imported crude-oil prices. The CPI- and PPI-based indices exclude all food prices and energy costs and thus may underestimate the controllable portion of the inflation rate. The PCE deflator encompasses some of the items not in the nonfarm GDP deflator while excluding others. Farm prices and fuel prices are included in the PCE deflator but the prices of investment goods such as new houses are not. That is, both the nonfarm GDP deflator and the PCE deflator include the cost of housing services (which the CPI does not) but the nonfarm GDP deflator includes prices of investment goods, which the PCE deflator does not. Thus, the nonfarm GDP deflator includes the cost of new houses.

The changes in these four measures of the underlying rate of inflation are displayed in table 5 for fiscal year 1976–79, with a quarterly breakdown for the program year. Also included are unit labor costs, another possible measure of the underlying inflation rate (since labor costs account, on average, for about two-thirds of total costs). Figure 2 presents the various indices pictorially.

Perhaps the major point that emerges from these data is that the underlying rate of inflation, however measured, is significantly below the 12 percent increase in the CPI during the program year. The increases in the various measures of the underlying rate during fiscal year 1979 range from a low of 7.5 percent for the CPI-based measure to 10 percent for the nonfarm deflator, the PCE deflator, and unit labor costs. The 8.4-percent increase in the PPI-based index falls within this range.

B. WAGES

1. Overall trends

All measures of labor-cost inflation in the private nonfarm sector reveal acceleration during the year before announcement of the pay standard and either deceleration or virtually no acceleration during the first program year (see table 6).

The three measures of change in the hourly wages paid to production and nonsupervisory workers—average hourly earnings, the average hourly earnings index, and the employment cost index—suggest that wage-rate growth decelerated

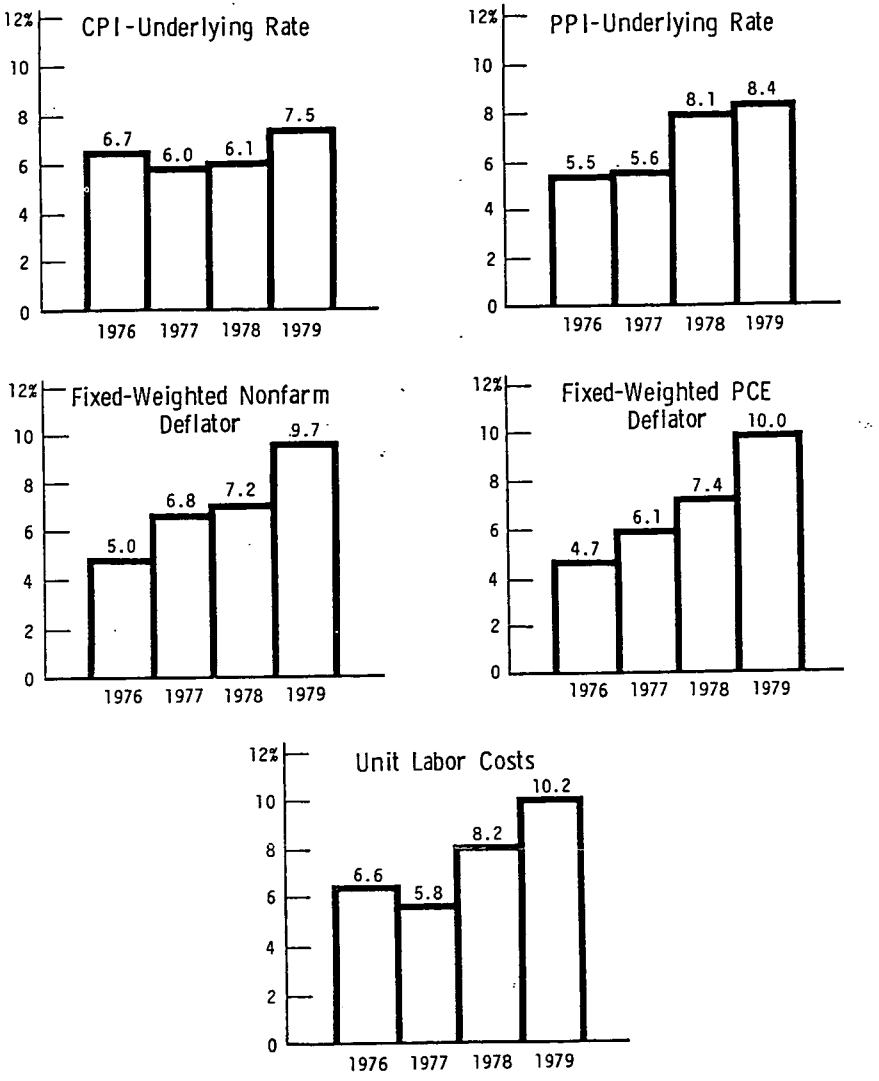
TABLE 5.—SELECTED MEASURES OF THE UNDERLYING RATE OF INFLATION

	Fiscal year				Program year—Change over previous quarter[1]			
	1976	1977	1978	1979	1978:IV	1979:I	1979:II	1979:III
CPI—Underlying rate[2,4]	6.7	6.0	6.1	7.5	7.2	7.5	7.4	7.9
PPI—Underlying rate[3,4]	5.5	5.6	8.1	8.4	6.5	10.0	8.4	8.9
Fixed-weighted nonfarm price deflator[5]	5.0	6.8	7.2	9.7	7.7	8.5	11.3	11.1
Fixed-weighted personal consumption expenditure deflator[5]	4.7	6.1	7.4	10.0	7.4	11.0	10.3	11.4
Unit labor costs[5]	6.6	5.8	8.2	10.2	7.6	14.1	12.8	6.7

[1] Seasonally adjusted, annual percentage rates of change.
[2] Consumer Price Index excluding the costs of home purchase, finance, taxes, and insurance, and food, energy, and used cars.
[3] Producer price index for finished consumer goods excluding food and energy costs.
[4] The CPI and PPI measures of the underlying rate are based on monthly data; annual figures are September-to-September changes and program-year figures measure 3-mo changes during the year.
[5] Fiscal year figures measure 3d-quarter-to-3d-quarter changes in unit labor costs for the nonfarm business sector.

Source: U.S. Department of Labor, Bureau of Labor Statistics, and U.S. Department of Commerce, Bureau of Economic Analysis.

Figure 2
SELECTED MEASURES OF THE UNDERLYING RATE OF INFLATION [1/]
(Percentage Changes for Fiscal Years 1976-1979)



1/ See footnotes at the bottom of Table 5.
Source: U.S. Department of Labor, Bureau of Labor Statistics, and U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 6.—SELECTED MEASURES OF EMPLOYMENT COMPENSATION (PRIVATE NONFARM SECTOR)

[Seasonally adjusted, percentage changes]

	Fiscal year			
	1976	1977	1978	Program year 1979
Average hourly earnings	7.6	7.7	8.6	8.1
Average hourly earnings index	7.4	7.3	8.4	7.9
Employment cost index	7.2	7.2	8.0	7.4
Union	8.5	7.7	7.9	8.1
Nonunion	6.5	6.9	8.0	7.0
Total hourly compensation	8.4	7.9	8.6	8.8
Private hourly compensation	8.1	7.8	8.4	8.5
Wages and salaries per hour	7.4	7.1	8.2	8.1
Fringe benefits per hour	14.7	13.8	10.3	12.1
Employer contribution to social insurance	13.4	9.8	11.6	12.2
Labor productivity	1.7	2.0	.3	−1.3
Unit labor costs	6.6	5.8	8.2	10.2
Real hourly earnings index	1.8	.7	.1	−3.9
Real spendable earnings (weekly)	−.4	4.2	−3.2	−4.3

[1] The employment cost index and all hourly and real-earnings series measure changes from September to September. Hourly compensation, productivity, and unit-labor-cost data measure 3d-quarter-to-3d-quarter changes.

[2] Data are available through June 1979 only; thus, program-year changes reflect annual rates of change for the period September 1978 to June 1979.

Source: U.S. Department of Labor, Bureau of Labor Statistics, U.S. Department of Commerce, Bureau of Economic Analysis and the Council on Wage and Price Stability.

during the first program year. Both average hourly earnings and the average hourly index (which adjusts average hourly earnings to eliminate the effects of changes in manufacturing overtime and inter-industry employment shifts), advanced by about 8 percent over the program year. These increases are one-half of a percentage point below the respective increases in the previous fiscal year.

The rate of increase in the employment-cost index (another measure of straight-time hourly earnings, which corrects for changes in the occupational mix) displayed a similar one-half-percentage-point deceleration, from an 8 percent rate of growth in fiscal year 1978 to approximately 7½ percent during the program year. The slight overall deceleration in the growth of this index was the result of a one-percentage-point deceleration in nonunion-wage growth (from 8 to 7 percent) and a roughly constant rate of growth in union wages (at 8 percent per year).

Because collective bargaining generally follows a three-year cycle—2 years in which contracts covering many workers are negotiated followed by a year in which relatively few large contracts expire—and since deferred increases tend to be smaller than first-year increases, the fiscal year 1979 increase in union wages is more properly compared with the increase in the corresponding years of the previous cycle (fiscal year 1976). Union wages, as mentioned by the employment-cost index, increased 8.1 percent during the program year, about one-half of a percentage point below the rate of growth in fiscal year 1976. This slight deceleration suggests that the major contracts may have provided for slightly lower wage increases in the recent round of settlements. More specific evidence of this tendency is presented in the following discussion of major collective-bargaining agreements.

The most comprehensive measure of labor costs—total hourly compensation, which includes employment taxes and private fringe benefits as well as wages and salaries—increased by 7.9 percent in fiscal year 1977 compared with 8.6 percent during fiscal year 1978, and increased slightly to 8.8 percent during the first program year. While wages and salaries expanded at a slower pace in fiscal year 1979 than in fiscal year 1978, employer contributions for social insurance grew 12.2 percent during the first program year, compared to 11.6 percent in fiscal year 1978. Private fringe benefits also grew at a 12 percent rate during the program year, up from the 10.3 percent growth recorded in fiscal year 1978. Much of the acceleration in social-insurance payments can be attributed to the January 1979 changes in social security taxes—an increase in the rate from 6.05 percent to 6.13 percent and an increase in the maximum taxable income from $17,000 to $22,000 per year.

Moderation in the growth of labor compensation might have been expected to help dampen price inflation. However, a dismal productivity perforance pre-

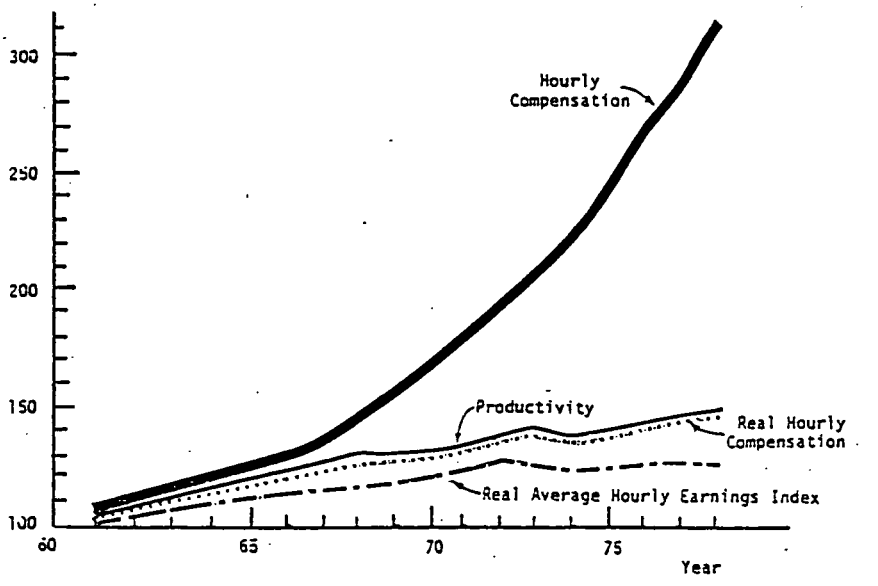
vented this from occurring. Output per manhour fell by 1.3 percent during the program year, driving unit labor costs up 10.2 percent and putting additional upward pressure on prices.

Declining productivity growth provides the primary explanation for the slowdown in recent years in the rate of growth of real earnings (computed by dividing actual hourly earnings by the CPI), which fell almost 4 percent during the program year. Also contributing to this decline is the increasing redistribution of income from the working population to retirees (through growing social security taxes), as well as the redistribution of income from the United States to oil-producing countries. As detailed in the last Inflation Update (June 13, 1979), with relatively constant shares of national income accruing to labor and capital, growth in nominal hourly compensation, in whatever form will not result in growth of real hourly income unless accompanied by productivity growth. Instead, such increases in nominal compensation will be dissipated in increased unit labor costs and increased price inflation. For example, as the growth rate of unit labor costs (the difference between the growth rates of nominal hourly compensation and productivity) accelerated from an average of 1.9 percent between 1948 and 1965 to 4.6 percent from 1965–73 and to 8.1 percent from 1973–78, the inflation rate (as measured by the CPI) accelerated from an average of 1.6 percent to 4.4 percent and to 8 percent over the same periods.

The historical relationship between productivity levels and real hourly compensation levels, and the lack of an historical relationship between nominal hourly compensation and real hourly compensation, can be seen in figure 3

FIGURE 3

PRODUCTIVITY AND HOURLY COMPENSATION



SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. Hourly compensation and productivity series are for the nonfarm business sector. Real hourly compensation and real average hourly earnings are obtained by deflating their nominal counterparts by the CPI.

for the 1960–78 period The figure also depicts the corresponding growth in hourly earnings (exclusive of employer social-insurance taxes and fringe-benefit costs). While trends in real hourly compensation levels closely match productivity gains, the real average-hourly-earning index falls substantially behind over this period. This shortfall reflects substitution of private fringe benefits for wage-rate gains and the rapid increases in employment taxes over this period. As already noted, this trend continued during the current program year. These nonwage increases have driven a wedge between real hourly compensation levels—dominated by productivity growth—and real hourly-earnings levels.

The real spendable earnings series, which adjusts real weekly earnings by removing social-insurance and income-tax payments indicates that real spendable incomes have declined even more dramatically than real hourly earnings. Moreover the almost 4.5 percent drop in real spendable earnings in Fiscal Year 1979 followed a decline of about 3 percent in fiscal year 1978.

At the outset of the first program year a target rate of 7½ percent was set for growth in overall labor compensation (i.e. the 7 percent standard plus slippage due to large employment tax increases and various exemptions and exceptions). The fact that the actual increase was only a little more than 1 percentage point higher is encouraging in light of the severe double-digit inflation encountered during the year. A portion of this slippage can be attributed to the recent increase in the minimum wage. In January 1979 the minimum hourly wage was raised from $2.65 to $2.90—a 9.4 percent increase. This legislated wage hike may have caused more than one-half of a percentage-point slippage as companies not only raised wages of workers covered directly by this clause of the Fair Labor Standards Act but also adjusted the pay of "uncovered" employees near the minimum-wage level in order to maintain equitable distribution of wages within their firms.

2. *Major collective-bargaining agreements*

About 4 million workers are covered by major collective-bargaining agreements signed during the past year. The five contracts summarized in table 7 cover more than 1.6 million workers. Of these five contracts the Oil, Chemical and Atomic Workers (OCAW) agreement is unique in that it is a two-year rather than a 3-year contract and does not have a cost-of-living-adjustment (COLA) clause. The remaining four agreements covering members of the International Brotherhood of Teamsters (IBT) United Rubber Workers (URW) a coalition of electrical industry unions led by the International Union of Electrical Workers (IUE) and the United Auto Workers (UAW) are all for three years and all contain COLA clauses.

The rate of increase in wages (note that fringe benefits are not included in table 7) provided by contracts with COLA clauses is calculated under assumed

TABLE 7.—MAJOR COLLECTIVE-BARGAINING CONTRACTS

[Percentage increase in wages]

	Previous contracts [1]	1979 contracts—Inflation rates		
		6 percent	8 percent	9 percent
Petroleum: [2]				
2-yr term	18.8	13.4	13.4	13.4
Annual rate	9.0	6.5	6.5	6.5
Trucking:				
3-yr increase	30.5	24.0	27.4	29.1
Annual rate	9.3	7.4	8.4	8.9
Rubber:				
3-yr increase	45.5	27.6	33.4	36.4
Annual rate	13.3	8.5	10.1	10.9
Electrical:				
3-yr increase	32.9	20.0	24.5	26.7
Annual rate	9.9	6.3	7.6	8.2
Autos:				
3-yr increase	29.4	24.1	27.9	30.0
Annual rate	9.0	7.5	8.5	9.1

[1] The previous OCAW contract was signed in 1977; all of the others were signed in 1976.
[2] The OCAW contract is a 2-yr agreement with a reopener in the 2d year. Because the contract complied with the pay standard and did not have a COLA, additional increases may be allowed.

rates of inflation. (Varying inflation rates were in fact assumed by the parties to the different agreements.) Problems of comparison are compounded further by differences in the terms of the agreements. In table 7 each of the agreements is evaluated on both an annual and contract-term basis and compared with the actual increases in wages over the lives of the most recent previous agreements. The cost of each of these contracts is in turn shown for three different rates of inflation: the 6 percent rate assumed in measuring compliance with the pay standard and 8 percent rate approximating actual inflation over the period of the 1976 contracts and the 9 percent rate assumed in public descriptions of the contracts by many of the signatories.

Comparison of the actual percentage increases in wages provided by the previous agreements with the increases embodied in the new contracts under a projected 8 percent annual inflation rate shows that the pattern of wage growth established by the 1979 contracts is below that of the previous agreements. This is, of course, also true with the 6 percent compliance rate and even under an assumed inflation rate of 9 percent for all but the auto agreement. This pattern of lower settlements is consistent with the deceleration in the growth of the union employment cost index in fiscal year 1979 compared to fiscal year 1976, described above.

C. INCOME SHARES

The anti-inflation program was designed to ensure that the burden of decelerating wage and price increases falls evenly on wage and property income. At the aggregate level, this implies constant labor and nonlabor income shares. It is possible to monitor the movement of these shares on a very broad basis using the National Income Accounts, which distinguish labor income (compensation of employees), corporate profits, proprietors' income, rental income, and net interest. The traditional analysis of income shares emphasizes labor compensation and corporate profits.

1. *Measuring profits*

In the National Income Accounts, the book profits of corporations—profits on which corporations pay taxes—are referred to as "before-tax profits." The accounts also make two important adjustments to the profits data: the capital-consumption adjustment (CCA) and the inventory-valuation adjustment (IVA). The resulting concept (profits with CCA and IVA) is the appropriate profit definition for discussing income shares, and it is this concept that is used below.

The CCA alters profits by adjusting tax-return-based depreciation costs (the capital-consumption allowance) in two ways. First, it eliminates the influence of changes in depreciation accounting practices. Second, the CCA adjusts book depreciation on a replacement-cost basis. On their books, firms depreciate capital items on the basis of original purchase price rather than on the basis of the current market cost of replacing the capital used up in the production process. During periods of inflation, this accounting practice understates the replacement costs of depreciated capital and therefore shifts the income of capital from depreciation to taxable profits.

The inventory-valuation adjustment to before-tax profits is intended to revalue the recorded acquisition cost of goods taken out of inventory on a replacement-cost basis. On their books, firms may value the cost of goods at their original acquisition cost or on some basis other than at current market prices—the replacement cost of goods taken out of inventories. In periods of inflation, these accounting practices understate the replacement cost of items taken out of inventory and therefore overstate profits from current production.

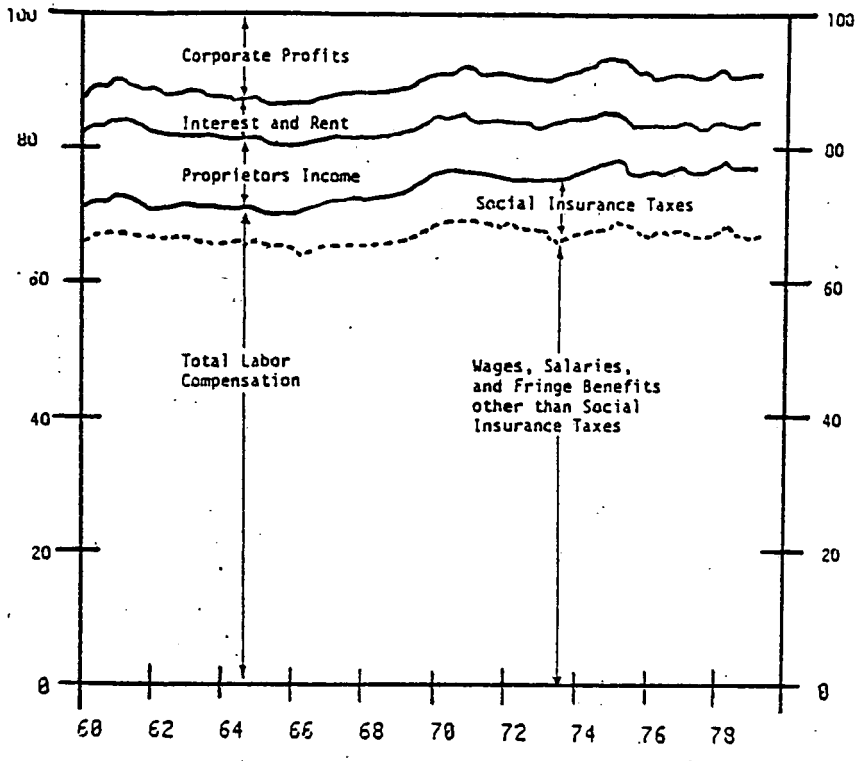
2. *Historical perspective*

Figure 4 shows the income shares of the different components since 1960. Although income shares fluctuate over the business cycle, with labor's share increasing during business slowdowns and the share of corporate profits rising during recoveries, this figure graphically indicates two prevalent trends: corporate profits as a share of national income have declined slightly, and the share accounted for by labor compensation has risen. However, most of the increase in the labor-compensation share is attributable to large increases in social-insurance taxes. Labor's share exclusive of social-insurance taxes has been virtually constant over the past 20 years.

Table 8 fills in some of the detail that might not be clear in the figure. As indicated, labor's share of national income increased significantly between 1965

FIGURE 4

SHARES OF NATIONAL INCOME[1]
QUARTERLY, 1960-1979:I
(PERCENT)



1/ See footnotes at the bottom of Table 8.

SOURCE: Department of Commerce, Bureau of Economic Analysis.

and 1970, regardless of whether social-insurance taxes are included. This increase was balanced by an almost identical reduction in the share of corporate profits, while the rise in the share of interest and rental income was offset by a similar decline in that of proprietors. During the 1970's, the share of total labor compensation has fallen slightly (that of wages, salaries, and fringe benefits declined more significantly, but the social-insurance component rose in relative importance), while the profit share rose by about 1.5 percentage points. The shares of interest and rental income and proprietors' income continued along their respective rising and falling paths described for the 1965–70 period. The decline in the profit share and the rise in labor's share during the 1974 recession confirm the general cyclical pattern noted above.

3. Income shares during the program year

Table 8 also presents a quarterly breakdown of these income shares for 1978 and the first three quarters of 1979. Labor's income share fared somewhat better than the nonlabor shares during the program year. From 1978:III to 1979:III,

TABLE 8.—NATIONAL INCOME SHARES (SELECTED PERIODS)

[In percent]

	Corporate profits [1]	Net interest and rental income [2]	Proprietors income [1]	Labor compensation		
				Total labor compensation	Social insurance taxes	Wages, salaries and fringe benefits [3]
1965	13.6	6.3	10.0	70.1	5.3	64.8
1970	8.5	7.0	8.2	76.3	7.4	68.9
1971	9.0	7.3	7.9	75.8	7.6	68.2
1972	9.7	7.2	8.0	75.1	7.7	67.4
1973	9.3	6.9	8.7	75.1	8.6	66.5
1974	7.4	8.0	7.6	77.1	9.1	68.0
1975	7.9	8.3	7.2	76.6	9.1	67.5
1976	9.3	7.8	6.6	76.3	9.2	67.1
1977	9.8	7.8	6.6	75.8	9.2	66.5
1978	9.7	7.8	6.8	75.7	9.6	66.1
1978:1	8.7	7.8	6.7	76.7	9.7	67.0
1978:2	9.9	7.7	6.7	75.6	9.5	66.1
1978:3	10.0	7.9	6.7	75.4	9.5	65.9
1978:4	10.2	8.0	6.9	75.0	9.4	65.6
1979:1	9.6	8.0	6.9	75.5	9.9	65.6
1979:2	9.3	8.0	6.8	75.9	9.9	66.0
1979:3	9.3	8.1	6.7	75.9	9.8	66.1

[1] With inventory valuation adjustment and capital consumption adjustment.
[2] With capital consumption adjustment.
[3] Fringe benefits include employer payments for private pension, health, and welfare funds, compensation for injuries, directors' fees, and pay of the military reserves.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

the fraction of national income accounted for by total labor compensation rose by one-half of a percentage point. Most of this increase was the result of the growth of social-insurance taxes, whose share rose by 0.3 percentage points; the share of wages, salaries, and private fringe benefits increased by 0.2 percentage points. Net interest and rental income also increased by 0.2 percentage points in relative importance in fiscal year 1979.

The rising shares of labor and interest and rental income were balanced by a 0.7-percentage-point decline in the profit share during the program year. The share of proprietors' income held steady during this period. Corporate profits, however, fell from 10 percent of national income of 1978:III to 9.3 percent in 1979:III, after rising to 10.2 percent in 1978:IV. Although these shifts in income shares are relatively large, several points should be borne in mind: First, when social-insurance taxes are excluded, labor's share remains relatively constant. Second, by the end of 1978, the corporate-profits share had risen by about one-half of a point from its prerecessionary level of 0.7 percent in 1972 (or by close to 1 percentage point from its level of 9.3 percent in 1973). During the same period, the total labor share held relatively steady, and the wages-and-salaries component fell by about 2 percentage points; the share of net interest and rental income increased by almost 1 percentage point; and the proprietor share fell by a slightly greater amount. Third, the statistical discrepancy in the national income accounts for 1979:III was almost $8 billion, compared to a negative $1.3 billion in 1979:II. Subsequent revisions in the data may thus require modification of these conclusions.

MONITORING INFLATION

FRIDAY, DECEMBER 21, 1979

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Parren J. Mitchell (member of the committee) presiding.

Present: Representative Mitchell.

Also present: William R. Buechner and Paul B. Manchester, professional staff members; and Betty Maddox, administrative assistant.

OPENING STATEMENT OF REPRESENTATIVE MITCHELL, PRESIDING

Representative MITCHELL. Good morning. This hearing will now come to order.

Mr. Russell, thank you for being here. I am very much afraid that you're not going to bring us much good news. However, I have learned not to anticipate; it may well be that you do have some good news to bring us.

The Consumer Price Index figures released this morning show that we are still on an inflation treadmill. Prices in November rose 1 percent, the 11th month in a row that inflation has been at or above 1 percent. Half of November's rise is due to higher housing costs, with much of the blame resting on the Federal Reserve Board's high-interest-rate policy.

The only real good news today is that energy prices have begun to moderate and aren't going up as badly as they did during the summer and fall, but the recent OPEC price increases promise to make this lull a short-lived one.

Last month the Consumer Price Index was 12.6 percent higher than the Consumer Price Index in November 1978. This is the worst 12-month rate of inflation in more than 30 years—since the immediate postwar period—when we lifted price controls and had a massive shift of demand from military outlays to consumer spending.

This inflation has been devastating for people across this Nation who must eke out their survival on a fixed income. I'm talking primarily about those who are old and those who are poor. Compared with 1967, the value of today's dollar is exactly 44 cents, and the poverty line income level keeps rising.

I, for one, am very concerned that our primary weapon in the fight against inflation still appears to be a recession. And even though economists' predictions of the date when the recession will begin have been

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wrong, I think this time they probably will be right. It may not begin this quarter, if not, probably next quarter, but high-interest rates, disruptions in oil supplies, and recent price increases by the OPEC countries mean that the recession will be even deeper than previously forecast.

Without objection the press release entitled "The Consumer Price Index—November 1979" will be inserted in the hearing record at this point.

[The press release referred to follows:]

News
United States Department of Labor
Bureau of Labor Statistics Washington, D.C. 20212

Patrick Jackman (202) 523-7827
523-8416
Kathryn Hoyle (202) 523-1913
523-1208

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Friday, December 21, 1979

THE CONSUMER PRICE INDEX--NOVEMBER 1979

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.9 percent before seasonal adjustment in November to 227.5 (1967=100), the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increased 0.9 percent before seasonal adjustment in November to 227.6 (1967=100). The CPI-U was 12.6 percent higher and the CPI-W was 12.8 percent higher than in November 1978.

CPI for All Urban Consumers (CPI-U)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for All Urban Consumers rose 1.0 percent in November, the eleventh consecutive monthly increase of about 1.0 percent. The housing component accounted for a little more than one-half of the increase in the November CPI. Approximately 35 percent of the November increase was due to rising house prices, while about 15 percent was due to increased mortgage interest rates. The transportation component advanced sharply in November, following a moderate increase in October. Other major categories of consumer spending registered price rises similar to those of the previous month.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U)

Expenditure category	Seasonally adjusted: Changes from preceding month, 1979							Seasonally adjusted: Compound annual rate 3-mos. ended Nov. '79	Unadjusted: 12-mos. ended Nov. '79
	May	June	July	Aug.	Sept.	Oct.	Nov.		
All items	1.1	1.0	1.0	1.1	1.1	1.0	1.0	12.9	12.6
Food and beverages	.7	.2	.1	0	.9	.7	.6	9.2	9.7
Housing	1.2	1.3	1.2	1.4	1.2	1.5	1.3	16.7	14.3
Apparel and upkeep	0	-.1	-.1	.7	1.3	.2	.2	6.9	4.6
Transportation	1.8	1.7	1.8	1.5	1.2	.5	1.4	12.9	17.5
Medical care	.6	.7	.7	.8	.9	1.0	.9	11.7	9.3
Entertainment	.5	.1	.7	.7	.3	.6	.6	6.2	7.4
Other goods and services	.5	.5	.5	1.0	1.6	.2	.2	8.5	7.5

(Data for CPI-U are shown in tables 1 through 3.)

The 1.3 percent rise in the housing index in November was the tenth consecutive large monthly increase. In November, home financing costs rose 3.7 percent, reflecting an increase of 1.9 percent in mortgage interest rates and 1.8 percent in house prices. Prices for household fuels declined 1.3 percent, the first decline since November 1978. The index for gas and electricity declined 2.0 percent, reflecting a reduction in charges for both electricity and natural gas. Fuel oil prices rose 0.4 percent; this compares with an average monthly increase of over 4.5 percent during the first 10 months of this year. The index for household furnishings and operations rose 0.9 percent in November compared with 0.6 percent in October, primarily reflecting higher prices for housekeeping supplies and higher charges for housekeeping services.

The 1.4 percent increase in the transportation index for November was substantially larger than in October. Gasoline prices rose 1.7 percent in November, about the same as in October and considerably less than the average monthly increases of about 4.0 percent during the first 9 months of this year. Prices for new cars advanced sharply--up 1.1 percent--following a 1.5 percent decline in October. Used car prices rose 1.3 percent, following seasonal adjustment, the first increase in 9 months. The index for public transportation rose 3.6 percent in November, the fifth consecutive large increase. Airline fares, intercity bus and train fares, intracity mass transit fares, and taxi fares all showed substantial increases.

The food and beverage index rose 0.6 percent in November compared with 0.7 percent in October. Prices for grocery store foods rose 0.5 percent. Prices for dairy products increased 1.1 percent in November, following increases of 0.5 percent in each of the preceding 2 months. Prices of poultry and eggs increased, following declines in October. On the other hand, prices of fruits and vegetables declined 0.9 percent in November as fresh fruit prices declined 5.4 percent. Beef prices declined slightly in November, following 2 months of increases. Prices

in the remaining components of the food and beverage index--restaurant meals and alcoholic beverages--rose 0.7 and 0.8 percent, respectively, compared with increases of 0.9 percent in October.

The index for apparel and upkeep increased 0.2 percent in November, the same as in October. Prices for women's and girls' clothing, reflecting pre-holiday sales, declined in November, although not as much as in October. Prices for other apparel commodities--men's and boys', infants' and toddlers', and footwear--increased in November but by less than in October. Charges for apparel services rose 0.8 percent in November, following increases of 1.0 percent or more in each of the 3 preceding months.

The medical care index rose 0.9 percent in November, about the same as in September and October. Charges for physicians' services and hospital rooms rose 0.4 and 1.3 percent, respectively, following increases of 0.5 and 1.0 percent in October.

The index for entertainment rose 0.6 percent in November, the same as in October. The index for other goods and services rose 0.2 percent for the second month in a row.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers rose 1.0 percent in November, the eleventh consecutive monthly increase of about 1.0 percent. The housing component, primarily reflecting higher mortgage interest rates and house prices, increased 1.3 percent and accounted for a little more than one-half of the increase in the November CPI. The transportation component advanced sharply in November, following a moderate increase in October. Most other major categories of consumer spending also increased in November, but by less than in October.

The 1.3 percent rise in the housing index in November was the tenth consecutive large monthly increase. Rising homeownership costs accounted for most of the increase. In November, home financing costs rose 3.8 percent, reflecting an increase of 2.1 percent in mortgage interest rates and 1.9 percent in house prices. Prices for household fuels declined 1.3 percent, the first decline since November 1978. The index for gas and electricity declined 2.0 percent, reflecting a reduction in charges for both electricity and natural gas. Fuel oil prices rose 0.4 percent, this rise compares with average monthly increases of over 4.5 percent during the first 10 months of this year. The index for household furnishings and operations rose 0.8 percent in November compared with 0.5 percent in October, primarily reflecting higher prices for housekeeping supplies.

The 1.4 percent increase in the transportation index for November was substantially larger than in October. Gasoline prices rose 1.7 percent in November, about the same as in October and considerably less than the average monthly increases of about 4.0 percent during the first 9 months of this year. Prices for new cars advanced sharply--up 1.4 percent--following a 1.5 percent decline in October. Used car prices rose 1.3 percent, following seasonal adjustment, the first increase in 9 months. The index for public transportation rose 3.3 percent in November, the fifth consecutive large increase. Airline fares, intercity bus and train fares, intracity mass transit, and taxi fares all increased substantially.

The food and beverage index rose 0.5 percent in November, compared with 0.7 percent in October. Prices for grocery store foods also increased 0.5 percent. Prices for dairy products increased 1.2 percent in November compared with 0.3 percent in October. Prices of poultry and eggs increased, following declines in October. On the other hand, prices of fruits and vegetables declined 1.3 percent in November as fresh fruit prices declined 7.0 percent. Prices in the remaining components of the food and beverage index--restaurant

meals and alcoholic beverages--rose 0.6 and 0.7 percent, respectively, compared with increases of 0.9 and 1.0 percent in October.

The index for apparel and upkeep was unchanged in November, following an increase of 0.5 percent in October. Prices for women's and girls' and infants' and toddlers' clothing, reflecting pre-holiday sales, declined in November. Prices for other apparel commodities--men's and boys' clothing, and footwear--increased in November but by less than in October. Charges for apparel services rose 0.6 percent in November, following increases of 1.0 percent or more in each of the 2 preceding months.

The medical care index increased 0.8 percent in November, compared with increases of 1.0 percent or more in September and October. Charges for physicians' services and hospital rooms rose 0.4 and 1.1 percent, respectively, following increases of 1.2 and 1.4 percent in October.

The index for entertainment increased 0.5 percent in November, about the same as the average monthly increases during the first 10 months. The index for other goods and services rose 0.2 percent in November, the same as in October.

Table B. Percent changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure category	Seasonally adjusted							Unadjusted
	Changes from preceding month 1979							Compound annual rate 3-mos. ended Nov.'79	12-mos. ended Nov.'79
	May	June	July	Aug.	Sept.	Oct.	Nov.		
All Items	1.0	1.0	1.0	1.0	1.1	0.9	1.0	12.9	12.8
Food and beverages	.4	.3	.2	0	.9	.7	.5	8.8	9.7
Housing	1.3	1.3	1.2	1.4	1.2	1.4	1.3	16.7	14.6
Apparel and upkeep	-.1	-.2	.2	.5	1.0	.5	0	6.1	4.5
Transportation	1.8	1.8	1.7	1.5	1.2	.4	1.4	12.8	17.6
Medical care	.6	.9	.8	.8	1.0	1.1	.8	12.1	9.8
Entertainment	.8	.1	.7	.3	.7	.7	.5	7.8	7.4
Other goods and services	.5	.4	.4	1.2	1.2	.2	.2	6.8	7.3

(Data for CPI-W are shown in tables 4 through 6.)

Technical Notes

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. Effective with the January 1978 index, the Bureau of Labor Statistics began publishing CPI's for two population groups: (1) a new CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total noninstitutional civilian population; and (2) a revised CPI for Urban Wage Earners and Clerical Workers (CPI-W) which represents about half the population covered by the CPI-U. The CPI-U includes, in addition to wage earners and clerical workers, groups which historically have been excluded from CPI coverage, such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Prices are collected in 85 urban areas across the country from over 18,000 tenants, 18,000 housing units for property taxes, and about 24,000 establishments—grocery and department stores, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of food, fuels, and a few other items are obtained every month in all 85 locations. Prices of most other commodities and services are collected every month in the five largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits of the Bureau's trained representatives. Mail questionnaires are used to obtain public utility rates, some fuel prices, and certain other items.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Separate indexes are also published for 28 local areas. Area indexes do not measure differences in the level of prices among cities; they only measure the average change in prices for each area since the base period.

The index measures price changes from a designated reference date—1967—which equals 100.0. An increase of 22 percent, for example, is shown as 122.0. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

For further details see the following: *The Consumer Price Index: Concepts and Content Over the Years*, Report 517, revised edition (Bureau of Labor Statistics, May 1978); *The Revision of the Consumer Price Index*, by W. John Layng, reprinted from the *Statistical Reporter*, February 1978, No. 78-5 (U.S. Dept. of Commerce), and *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978.

A Note About Calculating Index Changes

Movements of the indexes from one month to another are usually expressed as percent changes rather than changes in index points because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example in the accompanying box illustrates the computation of index point and percent changes.

Percent changes for 3-month and 6-month periods are expressed as annual rates and are computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

Index Point Change

CPI	189.8
Less previous index	189.2
Equals index point change:	0.6

Percent Change

Index point difference	0.6
Divided by the previous index	189.2
Equals:	0.003
Results multiplied by one hundred	0.003x100
Equals percent change:	0.3

A Note on Seasonally Adjusted and Unadjusted Data

Because price data are used for different purposes by different groups, the Bureau of Labor Statistics publishes seasonally adjusted as well as unadjusted changes each month.

For analyzing general price trends in the economy, seasonally adjusted changes are usually preferred since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude every year—such as price movements resulting from changing climatic conditions, production cycles, model changeovers, holidays, and sales.

The unadjusted data are of primary interest to consumers concerned about the prices they acutally pay. Unadjusted data are also used extensively for escalation purposes. Many collective bargaining contract agreements and pension plans, for example, tie compensation changes to the Consumer Price Index unadjusted for seasonal variation.

Seasonal factors used in computing the seasonally adjusted indexes are derived by the X-11 Variant of the Census Method II Seasonal Adjustment Program. The updated seasonal data at the end of 1977 replaced data from 1967 through 1977. Subsequent annual updates will replace 5 years of seasonal data, e.g., data from 1974 through 1978 will be replaced at the end of 1978. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components.

24 Hour CPI Mailgram Service

Consumer Price Index data now are available by mailgram within 24 hours of the CPI release. The new service is being offered by the Bureau of Labor Statistics through the National Technical Information Service of the U.S. Department of Commerce.

The CPI MAILGRAM service provides unadjusted and seasonally adjusted data both for the All Urban Consumers (CPI-U) and for the Urban Wage Earners and Clerical Workers (CPI-W) Indexes as shown on the CPI-U sample page below. The unadjusted data include the current month's index and the percent changes from 12 months ago and one month ago. The seasonally adjusted data are the percent changes from one month ago.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U): U.S. CITY AVERAGE (1967=100)

GROUP	UNADJ INDEX MAY 1979	UNADJUSTED % CHG FROM 12 MO AGO	UNADJUSTED % CHG FROM 1 MO AGO	S ADJ % CHG FROM 1 MO AGO
ALL ITEMS	214.1	10.8	1.2	1.1
ALL ITEMS(1957-59=100)	249.0	-	-	-
FOOD AND BEVERAGES	228.2	11.2	.5	.7
FOOD	234.3	11.4	.9	.7
FOOD AT HOME	233.4	11.3	.7	.5
CEREALS AND BAKERY PRODUCTS	216.2	9.5	.8	1.3
MEATS, POULTRY, FISH, AND EGGS	242.2	19.4	.9	.1
DAIRY PRODUCTS	223.8	11.1	.7	.8
FRUITS AND VEGETABLES	225.8	3.4	.1	-.2
FOOD AWAY FROM HOME	241.1	11.7	1.1	1.1
HOUSING	222.4	11.3	1.2	1.2
RENT, RESIDENTIAL	173.8	6.8	1.3	1.3
HOMEOWNERSHIP	259.9	14.6	1.5	1.5
FUEL AND OTHER UTILITIES	272.2	7.7	2.1	2.2
FUEL OIL, COAL, AND BOTTLED GAS	364.3	23.2	4.1	4.5
GAS (PIPED) AND ELECTRICITY	251.6	5.2	2.6	2.6
HOUSEHOLD FURNISHINGS AND OPERATION	169.2	7.5	.3	.4
APPAREL AND UPKEEP	166.1	3.9	.6	.0
TRANSPORTATION	237.7	13.6	2.6	1.8
NEW CARS	155.8	5.7	.9	1.1
USED CARS	223.6	11.3	-.7	-.5
GASOLINE	257.7	29.1	5.5	5.0
PUBLIC TRANSPORTATION	193.3	5.1	.4	.7
MEDICAL CARE	236.3	8.9	.5	.6
MEDICAL CARE SERVICES	254.4	9.4	.5	.6
ENTERTAINMENT	187.8	6.6	.7	.5
OTHER GOODS AND SERVICES	193.9	7.5	.6	.5
PERSONAL CARE 1/	193.9	7.5	.6	.5
COMMODITIES	205.8	10.9	1.2	.9
COMMODITIES LESS FOOD AND BEVERAGES	192.9	10.9	1.5	1.0
NONDURABLES LESS FOOD AND BEVERAGES	195.7	12.0	2.0	1.9
DURABLES	189.2	10.0	1.1	.5
SERVICES	229.5	10.3	1.1	1.3
ALL ITEMS LESS FOOD	203.9	10.5	1.3	1.2
ENERGY 1/	260.5	19.8	4.2	4.2
ALL ITEMS LESS FOOD AND ENERGY	204.1	9.5	.9	.9

1/ NOT SEASONALLY ADJUSTED.

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CPI-U

TABLE 1. Consumer Price Index for all urban consumers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes Oct. 1979	Nov. 1979	Unadjusted percent change to Nov. 1978	Unadjusted percent change to Oct. 1979	Seasonally adjusted percent change from- Aug. to Sept.	Sept. to Oct.	Oct. to Nov.
Expenditure category								
All items	100 000	225.4	227.5	12 6	0.9	1.1	1.0	1.0
All items(1957-59=100)	-	262.2	264.6	-	-	-	-	-
Food and beverages	19.282	232.1	233.1	9.7	.4	.9	.7	.6
Food	18.161	238.2	239.1	9.8	.4	.9	.8	.5
Food at home	12.616	235.4	236.0	9.2	.3	1.1	.7	.5
Cereals and bakery products	1.583	227 0	228.7	10.7	.7	.5	.5	.6
Meats, poultry, fish, and eggs	4.363	230.3	230.2	7.6	.0	.7	1.0	.9
Dairy products	1.683	213.3	216.0	11.8	1.3	.5	.5	1.1
Fruits and vegetables	1.757	232.0	229.5	9.1	-1.1	2.7	.5	-.9
Sugar and sweets	.480	283.1	283.2	7.4	.0	1.0	.4	.3
Fats and oils	.367	231.9	232.3	7.1	.2	.3	-.2	.2
Nonalcoholic beverages 1/	1.418	372.1	374.3	9.8	.6	1.6	1.2	.6
Other prepared foods	1.045	213.4	215.3	10 1	.9	1.0	.0	.3
Food away from home	5.545	249.6	251.3	11.2	.7	.6	.9	.7
Alcoholic beverages	1.080	176.0	177.4	8.2	.8	.6	.9	.8
Housing	46.258	237.7	240.8	10.3	1.3	1 2	1.5	1.3
Shelter	29.827	251.5	255.9	16.3	1.7	1.3	1.8	1.8
Rent, residential	5.535	181.4	182.1	8.1	.4	.8	1.3	.4
Other rental costs	.735	241.6	243.1	13.0	.6	.8	1.2	1.2
Homeownership	23.557	276.7	282.4	18.3	2.1	1.4	1 9	2.1
Home purchase	10.166	233.4	237.3	15.9	1.7	1.1	1.9	1.8
Financing, taxes, and insurance	9.686	330.5	340.1	23.8	2.9	1.8	2.3	2.9
Maintenance and repairs	3.705	264.7	266.4	9.9	.6	1.0	.9	.8
Maintenance and repair services	2.846	287.0	288.8	10.3	.6	.6	.9	.8
Maintenance and repair commodities	.859	212.5	214.0	8.8	.7	2.1	.7	.8
Fuel and other utilities	6.326	252.9	252.0	15.3	-.4	1.7	-.7	-.6
Fuels	4.231	310.3	307.0	22.5	-1.1	2.4	1.2	-1.3
Fuel oil, coal, and bottled gas	.879	470.8	477.4	56.0	1.4	5.6	1.5	.6
Gas (piped) and electricity	3.352	272.5	267.3	13 8	-1.9	1.3	1.1	-2.0
Other utilities and public services	2.096	158.8	161.0	.8	1.4	-.1	-.5	1.1
Household furnishings and operation	8.105	193.3	195.1	6.6	.9	.4	.6	.9
Housefurnishings	4.957	165.2	166.6	5.2	.8	.1	.7	.8
Housekeeping supplies	1.542	229.8	228.3	7.7	1.6	.4	.4	1.4
Housekeeping services	2.106	258.6	256.6	8.9	.8	.8	.6	.9
Apparel and upkeep	5.486	171.0	171.7	4.6	.4	1.3	.2	.2
Apparel commodities	4.819	165.2	165.9	3.7	.4	1.2	.2	.2
Men's and boys' apparel	1.532	164.2	165.4	3.3	.7	.9	.7	.2
Women's and girls' apparel	1.891	155 5	155.1	.6	-.3	1.5	-1.2	-.7
Infants' and toddlers' apparel	.118	224.8	226.3	2.4	.7	.7	.6	.5
Footwear	.698	182.6	183.8	8.7	.7	1.0	1.2	.5
Other apparel commodities	.580	175.5	177.8	8.8	1.3	1.8	1.4	1.1
Apparel services 1/	.666	212.5	214.2	12.0	.8	1.2	1.1	.8
Transportation	17.806	222.7	224.9	17.5	1.0	1.2	.5	1.0
Private transportation	16.782	223.1	225.0	17.7	.9	1.2	.4	1.2
New cars	3.934	167.5	170.6	7.6	1.9	.4	-1.5	1.1
Used cars	3.148	199.9	198.4	1.9	-.8	-.9	-.1	1.3
Gasoline	4.183	303.8	306.9	50.8	1.0	3.5	1.8	1.7
Maintenance and repair	1.515	249.1	250.8	9.9	.7	.6	.9	.7
Other private transportation	4.001	203.7	205 5	8.7	.9	.5	.6	.6
Other private trans. commodities	.719	182.0	183.4	12.6	.8	.9	1.9	1.1
Other private trans. services	3.288	211.4	212.4	7.9	.9	.5	.3	.6
Public transportation	1.024	209.1	216.5	14.1	3.5	1.6	1.7	3.6
Medical care	4.959	245.9	248.0	9.3	.9	.9	1.0	.9
Medical care commodities	.845	156.6	157.8	7.3	.8	.6	.6	.8
Medical care services	4.115	265.3	267.6	9.6	.9	1.0	1.1	.9
Professional services 1/	1.982	231.6	233.0	8.1	.6	.6	.6	.6
Other medical care services	2.133	306.2	309.5	11.1	1.1	1.3	1.6	1.1
Entertainment	5.963	192.0	192.8	7.4	.4	.3	.6	.4
Entertainment commodities	2.330	193.1	194.0	7.8	.5	.4	.8	.7
Entertainment services	1.633	190.8	191.5	6.8	.4	.2	.4	.5
Other goods and services	4.287	202.3	202.9	7.5	.3	1.6	.2	.2
Tobacco products	1.152	191.3	191.5	5 9	.1	.6	.1	-.2
Personal care 1/	1.707	199.8	200.9	7.5	.6	.8	.4	.6
Toilet goods and personal care appliances 1/	.762	192.5	193.1	6.6	.3	.9	.6	.3
Personal care services 1/	945	207.0	208.5	8.3	.7	.7	.3	.7
Personal and educational expenses	1.427	224.0	224.2	8.6	.1	3.3	.2	.3
School books and supplies	.183	202.3	202.3	7.7	.0	8.2	-3.5	-.2
Personal and educational services	1.245	229.4	229.6	8.8	.1	3.2	.8	.4
Commodity and service group								
All items	100.000	225 4	227.5	12 6	0.9	1.1	1.0	1.0
Commodities	59.213	215.6	217.4	12.7	.8	1.1	.8	.9
Food and beverages	19.282	232.1	233.1	9.7	.4	.9	.7	.6
Commodities less food and beverages	39.972	208.9	206.9	14 1	1.0	1.2	.8	1.1
Nondurables less food and beverages	16.671	214.9	216.6	19.6	.8	1.7	.8	.7
Apparel commodities	4.819	165.2	165.9	3.7	.4	1.2	.2	.1
Nondurables less food, beverages, and apparel 1/	11.852	248.3	246.4	26.1	.9	2.1	.9	.9
Durables	23.301	196.0	198.4	10.2	1.2	.7	.7	1.5
Services	40.787	243.6	246.2	12.6	1.1	1.1	1.2	1.1
Rent, residential	5.535	181.4	182.1	8.1	.4	.8	1.3	.4
Household services less rent	20 820	280.7	284.6	16.2	1.4	1.3	1.5	1.4
Transportation services	5.828	218.5	221.5	9.5	1.4	.7	.7	1.1
Medical care services	4.115	265.3	267.6	9.6	.9	1.0	1.1	.9
Other services	4.489	205.7	206.5	8.4	.4	1.3	.6	.5
Special indexes:								
All items less food	81.839	221.8	224.1	13.3	1.0	1.2	1.0	1.1
All items less shelter	70.173	217.4	218.6	11 1	.6	1.0	.6	.7
All items less mortgage interest costs 1/	92.728	218.3	219.8	11 1	.7	.9	.7	.7
All items less medical care	95.041	224.1	226.2	12.8	.9	1.1	.9	1.0
Commodities less food	41.052	203.4	205.4	13.9	1.0	1.2	.8	1.1
Nondurables less food	17.751	211.3	212.9	18.9	.8	1.8	.7	.8
Nondurables less food and apparel 1/	12.932	238.8	236.8	29.6	.9	1.9	.9	.9
Nondurables 1/	35.912	224.5	225.8	14.3	.6	1.2	.6	.6
Services less rent	35.252	255.1	258.2	13.3	1.2	1.1	1.2	1.2
Services less medical care 1/	36.672	239.6	242.3	13.0	1.1	1.3	1.2	1.1
Energy 1/	8.502	307.5	307.8	36.3	.1	2.7	1.1	.1
All items less energy 1/	91.498	219.2	221.8	10.6	1.0	.9	.9	1.0
All items less food and energy 1/	73.337	213.6	216.1	10.7	1.2	1.0	1.0	1.2
Commodities less food and energy	35.902	189.6	191.4	8.6	.9	.6	.6	1.0
Energy commodities 1/	5.150	329.0	332.5	51.0	1.1	3.9	1.1	1.1
Services less energy	37.435	241.3	244.6	12.5	1.4	1.1	1.2	1.4
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.444	$.440	-11.1	-.9	-.9	-.9	-.9
1957-59=$1.00 1/	-	.381	.378	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-U

TABLE 2. Consumer Price Index for all urban consumers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for- 3 months ending in				6 months ending in	
	Aug. 1979	Sept. 1979	Oct. 1979	Nov. 1979	Feb. 1979	May 1979	Aug. 1979	Nov. 1979	May 1979	Nov. 1979
					Expenditure category					
All items	-	-	-	-	11.3	13.6	12.7	12.9	12.4	12.8
Food and beverages	229.0	231.1	232.8	234.1	17.1	11.0	1.4	9.2	14.0	5.2
Food	235.0	237.1	238.9	240.2	17.3	11.3	1.2	9.1	14.3	5.1
Food at home	232.3	234.8	236.4	237.6	19.5	10.6	-2.0	9.4	14.9	3.5
Cereals and bakery products	225.5	226.7	227.9	229.2	8.8	8.6	19.2	6.7	8.7	12.8
Meats, poultry, fish, and eggs	225.5	227.1	229.4	231.4	37.9	22.0	-28.1	10.9	29.7	-10 7
Dairy products	210.7	211.7	212.7	215.1	15.1	10.0	13.4	8.6	12.5	11.0
Fruits and vegetables	233.1	239.5	240.7	238.6	14.9	-8.9	23.5	9.8	2.3	16.5
Sugar and sweets	281.6	284.3	285.4	286.3	1.1	12.4	9.6	6.8	6.6	8.2
Fats and oils	230.1	230.8	230.3	230.7	8.4	12.4	6.7	1.0	10.4	3.8
Nonalcoholic beverages 1/	361.8	367.7	372.1	374.3	8.3	1.7	15.1	14.6	5.0	14.8
Other prepared foods	211.8	213.9	214.0	214.7	12.2	12.1	10.5	5.6	12.1	8.0
Food away from home	246.0	247.4	249.6	251.3	14.1	13.1	8.7	8.9	13.6	8.8
Alcoholic beverages	173.3	174.4	176.0	177.4	10.4	8.1	4.8	9.8	9.2	7.2
Housing	231.6	234.3	237.7	240.7	10.0	13.8	17.0	16.7	11.9	16.8
Shelter	243.6	246.8	251.2	255.7	11.6	15.1	17.2	21.4	13.3	19.3
Rent, residential	177.7	179.2	181.6	182.3	5.3	7.2	9.3	10.8	6.3	10.0
Other rental costs	236.3	238.3	241.1	244.1	19.2	8.8	10.5	13.9	13.9	12.1
Homeownership	267.3	271.0	276.2	282.1	12.8	17.3	19.4	24.1	15.0	21.7
Home purchase	226.7	229.3	233.6	237.8	12 0	12.5	18.2	21.1	12.2	19.6
Financing, taxes, and insurance	316.1	321.7	329.2	338.7	14.3	25.8	23.9	31.8	19.9	27.8
Maintenance and repairs	259.1	261.6	263.9	266.0	9.2	9.0	10.5	11.1	9.1	10.8
Maintenance and repair services	281.2	283.0	285.6	287.9	10.0	10.4	10.9	9.9	10.2	10.4
Maintenance and repair commodities	207.3	211.7	213.1	214.9	6.9	4.7	8.7	15.5	5.8	12.1
Fuel and other utilities	248.1	252.2	254.0	252.4	6.9	18.2	30.6	7.1	12.4	18.3
Fuels	301.3	308.5	312.3	308.1	11.4	27.2	45.8	9.3	19.1	26.3
Fuel oil, coal, and bottled gas	443.9	468.6	475.6	478.4	18.8	68.1	119.5	34.9	41.3	72.1
Gas (piped) and electricity	267.3	270.9	273.9	268.4	9.1	17.8	28.4	1.7	13.4	14.3
Other utilities and public services	159.8	159.6	158.8	160.5	-.5	.8	1.3	1.8	.1	1.5
Household furnishings and operation	191.5	192.2	193.4	195.1	7.4	6.4	5.2	7.7	6.9	6.4
Housefurnishings	163.7	163.9	165.0	166.3	6.8	4 8	3.2	6.5	5.8	4.9
Housekeeping supplies	223.6	224.5	225.3	228.5	8.8	7.2	5.7	9.1	8.0	7.4
Housekeeping services	251.6	253.7	255.1	257.4	8.6	8.2	9.4	9.5	8.4	9.5
Apparel and upkeep	166.8	168.9	169.3	169.6	2.0	8.4	1.9	6.9	5.1	4.4
Apparel commodities	161.1	163.1	163 4	163.5	.5	7.6	1.0	6.1	4.0	3.5
Men's and boys' apparel	160.6	162.1	163.2	163.6	-1.5	3.3	3.8	7.7	.9	5.7
Women's and girls' apparel	151.8	154.1	152.3	151.3	-1.1	11.4	-5.6	-1.3	5.0	-3.5
Infants' and toddlers' apparel	220.5	222.1	223.5	224.7	-6.9	10.8	-.9	7.8	1.6	3.4
Footwear	177.9	179.7	181.9	182.9	3.6	10.8	9.0	11.7	7.1	10.4
Other apparel commodities	169.6	172.6	175.1	177.1	6.3	4.4	6.1	18.9	5.4	12.3
Apparel services 1/	207.7	210.2	212.5	214.2	13.1	12.3	9.4	13.1	12.7	11.2
Transportation	218.1	220.7	221.8	224.8	13.8	21.8	22.1	12.9	17.8	17.4
Private transportation	218.7	221.3	222.2	224.9	14.1	22.8	22.5	11.8	18.4	17.0
New cars	169.1	169.8	167.2	169.1	10.6	13.3	7.4	.0	11.9	3.6
Used cars	198.7	197.0	196.9	199.4	19.9	-5.2	-6.4	1.4	6.7	-2.6
Gasoline	287.1	297.1	302.3	307.5	25.0	77.6	77.0	31.6	49.0	52.6
Maintenance and repair	245.9	247.3	249.6	251.3	8.3	12.0	10.4	9.1	10.1	9.7
Other private transportation	201.8	202.8	204.1	205.4	5.8	10.6	11.5	7.3	8.2	9.4
Other private trans. commodities	176.0	177.5	180.9	182.9	12.9	11.2	9.9	16.6	12.0	13.2
Other private trans. services	210.6	211.6	212.2	213.4	4.1	10.8	11.6	5.4	7.4	8.5
Public transportation	201.4	204.6	208.1	215.6	4.3	7.8	15.0	31.3	6.0	22.9
Medical care	241.5	243.7	246.2	248.3	9.3	7.2	8.9	11.7	8.3	10.3
Medical care commodities	155.0	156.0	156.9	158.1	7.8	5.4	7.8	8.2	6.6	8.0
Medical care services	260.2	262.8	265.6	267.9	10.0	7.4	9.3	12.4	8.7	10.8
Professional services 1/	228.9	230.3	231.6	233.0	10.0	6.7	8.5	7.4	8.3	7.9
Other medical care services	298.1	302.0	306.8	310.1	9.5	8.2	9.8	17.1	8.9	13.4
Entertainment	190.3	190.9	192.1	193.2	7.8	9.0	6.3	6.2	8.4	6.3
Entertainment commodities	191.0	191.8	193.3	194.6	9.4	6.2	7.9	7.8	7.8	7.8
Entertainment services	189.6	190.0	190.8	191.7	5.9	12.9	3.9	4.5	9.3	4.2
Other goods and services	198.1	201.2	201.7	202.2	6.7	6.4	7.8	8.5	6.6	8.2
Tobacco products	190.3	191.5	191.7	191.3	8.5	5.3	7.9	2.1	6.9	5.0
Personal care 1/	197.5	199.0	199.8	200.9	7.9	7.6	7.6	7.1	7.7	7.4
Toilet goods and personal care appliances 1/	189.7	191.4	192.5	193.1	7.0	6.9	5.2	7.4	7.0	6.3
Personal care services 1/	205.0	206.4	207.0	208.5	8.4	8.4	9.5	7.0	8.4	8.2
Personal and educational expenses	214.1	221.2	221.6	222.3	5.0	6.5	7.4	16.2	5.8	11.7
School books and supplies	197.3	205.6	198.5	198.1	13.0	7.1	9.2	1.6	10.0	5.4
Personal and educational services	218.5	225.4	227.1	228.0	3.7	6.2	7.3	18.6	4.9	12.8
					Commodity and service group					
All items	-	-	-	-	11.3	13.6	12.7	12.9	12.4	12.8
Commodities	211.4	213.8	215.5	217.5	13.3	13.9	11.6	12.1	13.6	11.8
Food and beverages	229.0	231.1	232.8	234.1	17.1	11.0	1.4	9.2	14.0	5.2
Commodities less food and beverages	200.3	202.7	204.4	206.7	11.5	15.2	17.0	13.4	13.4	15.2
Nondurables less food and beverages	208.8	212.4	214.0	215.5	10.8	26.0	29.1	13.5	18.2	21.0
Apparel commodities	161.1	163.1	163.4	163.5	.5	7.6	1.0	6.1	4.0	3.5
Nondurables less food, beverages, and apparel 1/	237.3	242.2	244.3	246.4	14.0	33.9	42.5	16.2	23.6	28.7
Durables	192.8	194.1	195.4	198.4	11.6	7.8	9.2	12.1	9.7	10.7
Services	237.8	240.4	243.4	246.1	8.3	13.2	14.1	14.7	10.7	14.4
Rent, residential	177.7	179.2	181.6	182.3	5.3	7.2	9.3	10.8	6.3	10.0
Household services less rent	272.6	276.1	280.2	284.2	10.9	17.3	18.6	18.1	14.0	18.4
Transportation services	215.9	217.4	218.9	221.4	5.5	10.6	11.9	10.6	8.0	11.3
Medical care services	260.2	262.8	265.6	267.9	10.0	7.4	9.3	12.4	8.7	10.8
Other services	201.3	203.9	205.1	206.2	6.9	9.9	6.8	10.1	8.4	8.5
Special indexes:										
All items less food	216.7	219.2	221.4	223.9	10.3	14.1	15.4	14.0	12.2	14.7
All items less shelter	213.7	215.9	217.2	218.7	11 2	13.1	10.6	9.7	12.1	10.1
All items less mortgage interest costs 1/	214.7	216.7	218.3	219.8	9.2	13.3	12.0	9.8	11.2	10.9
All items less medical care	219.3	221.8	223.9	226.2	11.7	13.9	12.8	13.2	12.8	13.0
Commodities less food	198.9	201.3	202.9	205.2	11.6	15.1	16.6	13.3	13.3	14.9
Nondurables less food	205.4	209.0	210.5	211.8	10.7	25.0	27.2	13.1	17.7	19.9
Nondurables less food and apparel 1/	228.3	232.7	234.8	236.8	13.7	31.7	39.2	15.7	22.4	26.9
Nondurables 1/	220.4	223.1	224.5	225.8	13.8	18.4	15.1	10.2	16.1	12.6
Services less rent	249.0	251.8	254.8	257.9	8.7	14.1	15.1	15.1	11.4	15.1
Services less medical care 1/	233.6	236.7	239.6	242.3	8.7	12.0	15.6	15.8	10.3	15.7
Energy 1/	296.3	304.3	307.5	307.8	17.1	51.7	66.6	16.5	33.3	39.3
All items less energy 1/	215.4	217.3	219.2	221.4	9.9	11.2	9.2	11.6	10.5	10.4
All items less food and energy 1/	209.4	211.5	213.6	216.1	7.4	11.1	10.8	13.4	9.2	12.1
Commodities less food and energy	186.6	187.8	189.0	190.8	9.9	7 8	7.6	9.3	8.8	8.5
Energy commodities 1/	314.5	325.3	329.0	332.5	21.3	76.6	94.2	24.9	46.4	55.8
Services less energy	235.5	238.1	241.0	244.3	8.1	12.8	12.8	15.8	10.5	14.3

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-U

TABLE 3. Consumer Price Index for all urban consumers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes Aug. 1979	Sept. 1979	Oct. 1979	Nov. 1979	Percent change to Nov. 1979 from- Nov. 1978	Sept. 1979	Oct. 1979	Percent change to Oct. 1979 from- Oct. 1978	Aug. 1979	Sept. 1979
U.S. city average			221.1	223.4	225.8	227.5	12.6	1.8	0.9	12.2	1.9	0.9
Chicago, Ill.-Northwestern Ind.	M		218.6	221.3	221.8	225.9	14.0	2.1	1.8	13.5	1.5	.2
Detroit, Mich.	M		222.2	223.7	227.2	231.3	14.5	3.4	1.8	13.1	2.3	1.6
L.A.-Long Beach, Anaheim, Calif.	M		217.5	220.7	221.8	224.2	13.2	1.6	1.1	12.1	2.0	.5
N.Y., N.Y.-Northeastern N.J.	M		215.4	218.1	219.9	221.3	10.2	1.5	.6	9.8	2.1	.8
Philadelphia, Pa.-N.J.	M		217.7	219.5	220.1	222.4	11.4	1.3	1.0	10.9	1.1	.3
Anchorage, Alaska	1	10/67	-	213.2	-	213.7	9.8	.2	-	-	-	-
Baltimore, Md.	1		-	224.9	-	227.2	11.9	1.0	-	-	-	-
Boston, Mass.	1		-	218.1	-	222.7	11.5	2.1	-	-	-	-
Cincinnati, Ohio-Ky.-Ind.	1		-	229.0	-	233.4	12.8	1.9	-	-	-	-
Denver-Boulder, Colo.	1		-	240.8	-	245.9	16.3	2.1	-	-	-	-
Miami, Fla.	1	11/77	-	117.4	-	119.4	11.2	1.7	-	-	-	-
Milwaukee, Wis.	1		-	226.0	-	229.8	15.5	1.7	-	-	-	-
Northeast Pennsylvania	1		-	215.4	-	220.0	11.6	2.1	-	-	-	-
Portland, Oreg.-Wash.	1		-	232.2	-	236.6	14.2	1.9	-	-	-	-
St. Louis, Mo.-Ill.	1		-	222.2	-	225.7	13.2	1.6	-	-	-	-
San Diego, Calif.	1		-	240.4	-	247.8	10.1	3.1	-	-	-	-
Seattle-Everett, Wash.	1		-	222.6	-	227.5	11.8	2.2	-	-	-	-
Washington, D.C.-Md.-Va.	1		-	222.9	-	225.4	10.5	1.1	-	-	-	-
Atlanta, Ga.	2		216.9	-	220.8	-	-	-	-	11.2	1.8	-
Buffalo, N.Y.	2		218.6	-	218.7	-	-	-	-	10.4	1.9	-
Cleveland, Ohio	2		221.8	-	224.7	-	-	-	-	12.8	1.5	-
Dallas-Fort Worth, Tex.	2		222.9	-	228.2	-	-	-	-	14.2	2.4	-
Honolulu, Hawaii	2		207.2	-	210.5	-	-	-	-	11.5	1.6	-
Houston, Tex.	2		240.6	-	244.2	-	-	-	-	13.6	1.5	-
Kansas City, Mo.-Kans.	2		224.6	-	229.9	-	-	-	-	16.7	2.4	-
Minneapolis-St.Paul, Minn.-Wis.	2		227.0	-	231.2	-	-	-	-	12.1	1.9	-
Pittsburgh, Pa.	2		219.1	-	226.0	-	-	-	-	11.5	3.1	-
San Francisco-Oakland, Calif.	2		218.3	-	221.5	-	-	-	-	9.0	1.5	-
Region 3/												
Northeast	2	12/77	116.2	-	118.7	-	-	-	-	11.1	2.2	-
North Central	2	12/77	120.3	-	122.6	-	-	-	-	13.1	1.9	-
South	2	12/77	119.4	-	121.6	-	-	-	-	12.2	1.8	-
West	2	12/77	119.9	-	121.9	-	-	-	-	12.6	2.1	-
Population size class 3/												
A-1	2	12/77	117.2	-	119.8	-	-	-	-	11.5	1.9	-
A-2	2	12/77	119.1	-	121.3	-	-	-	-	12.0	1.8	-
B	2	12/77	119.8	-	122.3	-	-	-	-	12.9	2.1	-
C	2	12/77	119.6	-	122.2	-	-	-	-	12.6	2.2	-
D	2	12/77	118.7	-	121.2	-	-	-	-	12.5	2.1	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	115.0	-	117.3	-	-	-	-	10.3	2.0	-
North Central/A	2	12/77	121.0	-	123.2	-	-	-	-	13.3	1.8	-
South/A	2	12/77	118.7	-	120.7	-	-	-	-	12.0	1.7	-
West/A	2	12/77	118.7	-	120.8	-	-	-	-	11.5	1.8	-
Northeast/B	2	12/77	117.3	-	120.2	-	-	-	-	12.3	2.5	-
North Central/B	2	12/77	120.5	-	122.3	-	-	-	-	13.0	1.5	-
South/B	2	12/77	120.1	-	122.8	-	-	-	-	12.6	1.9	-
West/B	2	12/77	120.9	-	123.6	-	-	-	-	13.7	2.2	-
Northeast/C	2	12/77	120.2	-	123.0	-	-	-	-	13.3	2.3	-
North Central/C	2	12/77	119.0	-	121.9	-	-	-	-	13.0	2.4	-
South/C	2	12/77	119.9	-	122.1	-	-	-	-	12.0	1.8	-
West/C	2	12/77	119.5	-	122.2	-	-	-	-	12.7	2.3	-
Northeast/D	2	12/77	116.9	-	119.2	-	-	-	-	11.4	2.0	-
North Central/D	2	12/77	119.5	-	122.0	-	-	-	-	12.8	2.1	-
South/D	2	12/77	118.5	-	120.6	-	-	-	-	12.1	1.8	-
West/D	2	12/77	118.8	-	122.8	-	-	-	-	14.3	3.4	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 4,000,000.
A-2	1,250,000 to 4,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

CPI-W

TABLE 4. Consumer Price Index for urban wage earners and clerical workers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes Oct. 1979	Nov. 1979	Unadjusted percent change to Nov. 1979 from- Nov. 1978	Oct. 1979	Seasonally adjusted percent change from- Aug. to Sept.	Sept. to Oct.	Oct. to Nov.
Expenditure category								
All items	100.000	225.6	227.6	12.8	0.9	1.1	0.9	1.0
All items(1957-59=100)	-	262.4	264.7	-	-	-	-	-
Food and beverages	20.986	232.3	233.1	9.7	.3	.9	.7	.5
Food	19.777	238.3	239.1	9.8	.3	.9	.7	.5
Food at home	13.899	239.8	235.4	9.0	.3	1.1	.6	.5
Cereals and bakery products	1.715	227.9	229.7	10.6	.8	.8	.5	.6
Meats, poultry, fish, and eggs	4.862	229.7	230.0	7.5	.1	1.0	.8	.9
Dairy products	1.856	214.0	216.3	11.8	1.1	.6	.3	1.2
Fruits and vegetables	1.818	230.2	226.7	8.9	-1.5	2.1	.7	-1.3
Sugar and sweets	.872	282.2	281.9	7.0	-.1	.9	.5	.2
Fats and oils	.398	231.9	232.8	7.2	.4	-.3	.2	.5
Nonalcoholic beverages 1/	1.615	368.2	370.7	9.1	.7	1.4	.9	.7
Other prepared foods	1.163	213.4	215.7	10.3	1.1	.9	.1	.6
Food away from home	5.877	251.3	252.7	11.8	.6	.5	.9	.6
Alcoholic beverages	1.169	176.9	178.0	8.3	.6	.7	1.0	.7
Housing	40.957	237.7	240.7	14.6	1.3	1.2	1.4	1.3
Shelter	26.969	252.4	256.9	16.8	1.8	1.4	1.8	1.9
Rent, residential	5.238	181.2	181.9	8.0	.4	.9	1.2	.5
Other rental costs	.504	241.3	242.6	12.9	.5	.8	1.3	1.2
Homeownership	21.227	278.3	284.1	19.0	2.1	1.5	1.9	2.2
Home purchase	8.921	233.6	237.7	16.2	1.8	1.2	1.9	1.9
Financing, taxes, and insurance	8.987	333.5	343.5	24.7	3.0	1.9	2.4	3.1
Maintenance and repairs	3.320	265.3	266.5	11.0	.5	.8	.8	.6
Maintenance and repair services	2.351	289.4	290.3	11.9	.3	.8	.8	.5
Maintenance and repair commodities	.969	211.9	213.6	8.8	.8	1.1	.8	.8
Fuel and other utilities	6.221	253.4	252.4	15.4	-.4	1.7	.7	-.7
Fuels	4.215	310.1	306.9	22.4	-1.0	2.4	1.2	-1.3
Fuel oil, coal, and bottled gas	.875	471.7	478.2	56.1	1.4	5.7	1.5	.6
Gas (piped) and electricity	3.340	272.2	267.1	13.7	-1.9	1.3	1.1	-2.0
Other utilities and public services	2.006	158.9	160.9	.8	1.3	-.1	-.4	.9
Household furnishings and operation	7.767	191.7	193.2	6.3	.8	.3	.5	.8
House furnishings	4.571	164.4	165.5	5.1	.7	.0	.4	.6
Housekeeping supplies	1.601	223.9	226.7	7.4	1.3	.5	.6	1.3
Housekeeping services	1.596	253.9	255.9	8.8	.8	.8	.8	.9
Apparel and upkeep	5.528	170.0	171.3	4.5	.3	1.0	.5	.0
Apparel commodities	4.886	165.3	165.7	3.6	.2	1.0	.4	-.1
Men's and boys' apparel	1.531	164.4	165.3	3.0	.5	.4	.5	.1
Women's and girls' apparel	1.927	154.8	154.5	.5	-.2	.9	-.4	-.8
Infants' and toddlers' apparel	.131	228.7	228.7	4.4	.0	.6	1.0	-.1
Footwear	.735	181.9	183.2	8.8	.7	1.1	1.1	.5
Other apparel commodities	.562	178.7	179.8	9.2	.6	2.9	1.9	.4
Apparel services 1/	.637	210.8	212.0	10.9	.6	1.0	1.0	.6
Transportation	20.045	223.4	225.7	17.6	1.0	1.2	.4	1.4
Private transportation	19.121	223.7	225.7	17.9	.9	1.2	.4	1.3
New cars	4.154	167.4	170.9	8.1	2.1	.5	-1.5	1.4
Used cars	4.019	199.9	198.4	1.9	-.8	-.9	-.1	1.3
Gasoline	4.769	305.2	308.3	51.4	1.0	3.5	1.8	1.7
Maintenance and repair	1.665	249.4	251.1	9.9	.7	.7	.8	.7
Other private transportation	4.519	208.0	206.3	8.9	-.1	.6	.4	.9
Other private trans. commodities	.804	181.6	183.9	10.9	1.3	.8	1.1	1.7
Other private trans. services	3.710	211.9	214.3	8.4	1.1	.6	.2	.7
Public transportation	.924	207.3	214.0	12.4	3.2	1.1	1.4	3.3
Medical care	4.169	247.2	249.1	9.8	.8	1.0	1.1	.8
Medical care commodities	.771	157.4	158.5	7.4	.7	.4	.4	.8
Medical care services	3.717	266.8	268.8	10.3	.7	1.2	1.2	.7
Professional services 1/	1.900	234.9	235.9	9.4	.4	.9	.8	.8
Other medical care services	1.817	305.1	309.3	11.3	1.1	1.4	1.7	1.0
Entertainment	3.794	191.4	192.0	7.4	.3	.7	.7	.5
Entertainment commodities	2.396	190.7	191.3	7.1	.3	.8	.5	.5
Entertainment services	1.398	193.5	194.3	8.1	.4	.5	.9	.6
Other goods and services	4.245	201.4	202.0	7.3	.3	1.2	.2	.2
Tobacco products	1.392	191.2	191.4	5.9	.1	.5	.1	-.2
Personal care 1/	1.762	199.4	200.5	7.6	.6	.4	.5	.6
Toilet goods and personal care appliances 1/	.838	191.6	192.4	6.5	.4	.4	.3	.4
Personal care services 1/	.924	207.3	208.6	8.5	.6	.4	.7	.6
Personal and educational expenses	1.091	224.2	224.4	8.6	.1	3.3	.0	.4
School books and supplies	.163	205.8	205.9	8.5	.0	4.8	-3.6	.0
Personal and educational services	.929	229.0	229.3	8.6	.1	3.0	.7	.4
Commodity and service group								
All items	100.000	225.6	227.6	12.8	0.9	1.1	0.9	1.0
Commodities	62.074	215.8	217.4	12.7	.7	1.0	.7	.9
Food and beverages	20.986	232.3	233.1	9.7	.3	.9	.7	.5
Commodities less food and beverages	41.128	205.0	206.9	14.2	.9	1.2	.7	1.1
Nondurables less food and beverages	17.651	216.6	218.1	20.4	.7	1.6	.8	.6
Apparel commodities	4.886	165.3	165.7	3.6	.2	1.0	.4	-.1
Nondurables less food, beverages, and apparel 1/	12.765	245.9	248.0	26.9	.9	2.1	.9	.9
Durables	23.477	194.8	196.9	9.5	1.1	.5	.6	1.4
Services	37.926	244.0	246.7	13.0	1.1	1.1	1.2	1.1
Rent, residential	5.238	181.2	181.9	8.0	.4	.9	1.2	.5
Household services less rent	18.784	282.3	286.3	17.0	1.4	1.4	1.5	1.5
Transportation services	6.299	218.6	221.5	9.4	1.3	.7	.6	1.1
Medical care services	3.717	266.8	268.8	10.3	.7	1.2	1.2	.7
Other services	3.888	206.4	207.3	8.8	.4	1.1	.8	.6
Special indexes:								
All items less food	80.223	222.0	224.2	13.5	1.0	1.2	1.0	1.1
All items less shelter	73.031	217.9	219.1	11.4	.6	1.0	.6	.6
All items less mortgage interest costs 1/	93.132	218.7	220.1	11.3	.6	.9	.7	.6
All items less medical care	95.511	224.2	226.2	12.9	.9	1.1	.9	1.0
Commodities less food	42.297	203.5	205.4	14.0	.9	1.2	.7	1.1
Nondurables less food	18.820	212.9	214.4	19.6	.7	1.6	.8	.6
Nondurables less food and apparel 1/	13.934	236.3	238.2	25.3	.8	2.0	.9	.8
Nondurables 1/	38.597	225.3	226.5	14.6	.5	1.2	.6	.5
Services less rent	32.689	255.7	258.0	13.8	1.2	1.2	1.2	1.2
Services less medical care 1/	34.209	239.9	242.6	13.3	1.1	1.3	1.3	1.1
Energy 1/	9.085	310.2	310.7	37.5	.2	2.7	1.0	.2
All items less energy 1/	90.915	218.8	221.0	10.4	1.0	.8	.8	1.0
All items less food and energy 1/	71.138	213.0	215.4	10.5	1.1	1.0	.9	1.1
Commodities less food and energy	36.552	188.7	190.4	8.2	.9	.5	.5	.9
Energy commodities 1/	5.745	330.2	333.8	51.4	1.1	3.4	1.1	1.1
Services less energy	34.586	241.7	245.1	12.9	1.4	1.1	1.2	1.4
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	8.443	8.439	-11.5	-.9	-.9	-.9	-.9
1957-59=$1.00 1/	-	.381	.378	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 5. Consumer Price Index for urban wage earners and clerical workers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in				6 months ending in	
	Aug. 1979	Sept. 1979	Oct. 1979	Nov. 1979	Feb. 1979	May 1979	Aug. 1979	Nov. 1979	May 1979	Nov. 1979
Expenditure category										
All items	-	-	-	-	12.2	13.5	12.7	12.9	12.9	12.8
Food and beverages	229.2	231.2	232.9	238.1	17.9	10.3	1.9	8.8	14.0	5.3
Food	235.2	237.3	238.9	240.2	18.5	10.4	1.7	8.8	14.4	5.2
Food at home	231.8	234.3	235.7	236.9	20.1	9.5	-1.9	9.1	14.7	3.5
Cereals and bakery products	225.9	227.7	228.8	230.2	8.1	8.0	19.2	7.8	8.0	13.4
Meats, poultry, fish, and eggs	228.7	226.9	228.8	230.9	38.7	19.9	-28.0	11.5	28.9	-10.4
Dairy products	211.2	212.4	213.1	215.7	15.6	10.0	13.3	8.8	12.7	11.0
Fruits and vegetables	232.4	237.2	238.8	235.7	17.1	-10.2	26.8	5.8	2.5	15.8
Sugar and sweets	280.7	283.2	284.5	285.0	1.5	11.2	9.3	6.3	6.3	7.8
Fats and oils	230.5	229.8	230.3	231.4	9.4	10.0	8.2	1.6	9.7	8.8
Nonalcoholic beverages 1/	360.0	365.0	368.2	370.7	8.7	1.6	14.0	12.4	5.1	13.2
Other prepared foods	211.7	213.7	214.0	215.3	12.2	11.6	10.5	7.0	11.9	8.7
Food away from home	247.8	249.1	251.3	252.7	15.9	13.0	10.3	8.1	14.5	9.2
Alcoholic beverages	173.6	174.9	176.7	178.0	9.3	8.9	4.7	10.5	9.1	7.6
Housing	231.6	238.4	237.6	240.7	10.5	14.5	17.0	16.7	12.5	16.8
Shelter	244.3	247.6	252.0	256.8	12.4	15.7	17.4	22.1	14.0	19.7
Rent, residential	177.5	179.1	181.2	182.1	5.3	7.2	9.0	10.8	6.3	9.9
Other rental costs	235.7	237.6	240.6	243.6	19.2	7.7	10.7	14.1	13.3	12.4
Homeownership	268.6	272.5	277.8	283.9	13.7	18.2	19.7	24.8	15.9	22.2
Home purchase	226.8	229.5	233.8	238.2	12.2	12.7	18.4	21.7	12.5	20.1
Financing, taxes, and insurance	318.4	324.3	332.2	342.5	14.9	26.5	24.2	33.9	20.5	29.0
Maintenance and repairs	260.3	262.5	264.6	266.2	12.4	11.3	11.0	9.4	11.8	10.2
Maintenance and repair services	283.6	285.8	288.0	289.4	13.8	14.5	11.0	8.4	14.2	9.7
Maintenance and repair commodities	208.6	210.8	212.5	214.2	9.2	3.6	11.1	11.2	6.4	11.1
Fuel and other utilities	248.6	252.8	254.5	252.8	7.3	18.2	30.0	6.9	12.6	18.3
Fuels	301.8	308.5	312.1	308.0	11.3	27.0	46.9	9.1	18.9	26.2
Fuel oil, coal, and bottled gas	441.3	469.5	476.5	479.2	18.8	68.4	119.1	35.3	41.4	72.2
Gas (piped) and electricity	267.3	270.7	273.6	268.2	8.9	17.5	28.8	1.4	13.1	14.3
Other utilities and public services	159.8	159.6	158.9	160.4	.0	.8	1.0	1.5	.4	1.3
Household furnishings and operation	190.1	190.7	191.7	193.2	7.0	6.9	4.5	6.7	6.9	5.6
Housefurnishings	163.5	163.5	164.2	165.2	6.5	6.4	3.2	4.2	6.5	3.7
Housekeeping supplies	221.8	223.0	224.3	227.2	9.2	6.2	4.4	10.1	7.7	7.2
Housekeeping services	250.1	252.4	254.8	256.7	7.1	8.1	9.6	10.5	7.6	10.0
Apparel and upkeep	166.6	168.3	169.1	169.1	3.0	6.8	2.2	6.1	4.9	4.1
Apparel commodities	161.2	162.8	163.5	163.3	1.8	5.9	1.5	5.3	3.8	3.4
Men's and boys' apparel	161.9	162.5	163.3	163.5	-.3	2.8	5.4	4.0	1.3	4.7
Women's and girls' apparel	151.8	152.4	151.8	150.6	.5	7.4	-4.6	-1.1	3.9	-2.9
Infants' and toddlers' apparel	223.5	224.9	227.1	226.9	-.2	10.9	1.1	6.2	5.2	3.6
Footwear	177.3	179.2	181.2	182.1	2.7	15.0	6.6	11.3	8.7	8.9
Other apparel commodities	170.0	178.9	178.3	179.1	9.9	-1.2	6.1	23.2	4.2	14.3
Apparel services 1/	206.7	208.7	210.8	212.0	12.5	12.3	8.3	10.7	12.4	9.5
Transportation	218.9	221.6	222.5	225.6	15.0	21.5	22.0	12.8	18.2	17.3
Private transportation	219.3	221.9	222.8	225.7	15.0	22.2	22.6	12.2	18.6	17.3
New cars	168.8	169.4	167.1	167.1	10.9	12.8	8.0	1.4	11.8	4.6
Used cars	198.7	197.0	196.9	199.4	19.9	-5.2	-6.4	1.4	6.7	-2.6
Gasoline	288.4	298.4	303.7	308.9	25.4	78.6	78.0	31.6	49.7	53.0
Maintenance and repair	246.2	248.0	249.9	251.6	8.8	11.6	10.2	9.1	10.2	9.6
Other private transportation	202.3	203.6	204.4	206.3	5.8	10.4	11.4	8.1	8.1	9.8
Other private trans. commodities	177.0	178.5	180.5	183.5	11.1	7.7	9.3	15.5	9.4	12.4
Other private trans. services	211.1	212.3	212.8	214.3	4.5	11.0	12.0	6.2	7.7	9.1
Public transportation	214.2	220.3	220.3	213.1	4.1	8.2	12.4	25.8	6.1	18.9
Medical care	242.3	244.8	247.4	249.3	8.9	7.8	10.6	12.1	8.4	11.3
Medical care commodities	156.2	156.9	157.6	158.8	7.8	5.7	9.2	6.8	6.7	8.0
Medical care services	260.8	263.8	267.0	269.0	9.3	8.3	10.8	13.2	8.8	12.0
Professional services 1/	231.1	233.1	234.9	235.9	10.0	8.2	10.7	8.6	9.1	9.6
Other medical care services	297.2	301.3	306.5	309.6	8.0	8.3	11.4	17.8	8.1	14.5
Entertainment	188.9	190.2	191.5	192.5	7.8	9.3	8.6	7.8	8.5	8.2
Entertainment commodities	188.4	189.9	190.9	191.9	8.5	7.6	8.4	7.6	8.1	8.0
Entertainment services	190.9	191.8	193.5	194.7	7.1	12.3	5.2	8.2	9.7	6.7
Other goods and services	198.1	200.4	200.9	201.4	8.1	6.2	8.1	6.8	7.2	7.4
Tobacco products	190.5	191.5	191.6	191.2	9.6	4.9	7.9	1.5	7.2	4.7
Personal care 1/	197.6	198.4	199.4	200.5	9.1	7.1	8.3	6.0	8.1	7.1
Toilet goods and personal care appliances 1/	190.2	191.0	191.6	192.4	9.4	6.7	5.4	4.7	8.0	5.1
Personal care services 1/	205.0	205.8	207.3	208.6	8.8	7.3	10.8	7.2	8.1	9.0
Personal and educational expenses	214.5	221.6	221.7	222.5	5.4	6.7	7.4	15.8	6.1	11.5
School books and supplies	199.8	209.4	201.8	201.9	13.5	7.7	8.9	4.3	10.6	6.5
Personal and educational services	218.6	225.2	226.7	227.7	3.9	6.6	7.1	17.7	5.2	12.3
Commodity and service group										
All items	-	-	-	-	12.2	13.5	12.7	12.9	12.9	12.8
Commodities	211.7	213.9	215.5	217.5	14.2	13.7	11.8	11.4	13.9	11.6
Food and beverages	229.2	231.2	232.9	238.1	17.9	10.3	1.9	8.8	14.0	5.3
Commodities less food and beverages	200.5	202.9	204.4	206.7	12.3	15.4	17.0	13.0	13.8	14.9
Nondurables less food and beverages	215.5	218.1	215.7	217.0	11.8	27.0	30.9	12.9	19.1	21.6
Apparel commodities	161.2	162.8	163.5	163.3	1.8	5.9	1.5	5.3	3.8	3.4
Nondurables less food, beverages, and apparel 1/	238.9	243.8	245.9	248.0	14.7	35.4	44.0	16.1	24.6	29.3
Durables	192.1	193.1	194.2	196.9	11.4	8.0	8.3	10.4	9.7	9.3
Services	238.2	240.8	243.8	246.5	8.5	13.6	14.6	14.7	11.0	14.7
Rent, residential	177.5	179.1	181.2	182.1	5.3	7.2	9.0	10.8	6.3	9.9
Household services less rent	273.9	277.6	281.8	286.0	11.2	18.5	19.1	18.9	14.8	19.0
Transportation services	216.4	217.9	219.1	221.5	5.9	10.5	11.7	9.8	8.2	10.7
Medical care services	260.8	263.8	267.0	269.0	9.3	8.3	10.8	13.2	8.8	12.0
Other services	201.9	204.2	205.9	207.1	7.6	9.8	7.5	10.7	8.7	9.1
Special indexes:										
All items less food	216.9	219.4	221.6	224.0	10.8	14.6	15.6	13.8	12.7	14.6
All items less shelter	214.3	216.4	217.7	219.1	12.1	13.0	11.0	9.3	12.6	10.1
All items less mortgage interest costs 1/	215.3	217.2	218.7	220.1	10.1	13.7	12.4	9.2	11.9	10.8
All items less medical care	219.5	222.0	224.0	226.2	12.5	13.9	12.8	12.8	13.2	12.8
Commodities less food	199.1	201.4	202.9	205.1	12.3	15.3	16.6	12.6	13.8	14.6
Nondurables less food	207.0	210.4	212.1	213.3	11.7	25.7	29.1	12.7	18.5	20.6
Nondurables less food and apparel 1/	229.7	234.2	236.3	238.2	14.2	32.9	40.4	15.6	23.2	27.4
Nondurables 1/	221.3	223.9	225.3	226.5	14.7	18.1	16.1	9.7	16.4	12.9
Services less rent	249.5	252.4	255.5	258.6	9.1	14.7	15.4	15.4	11.8	15.4
Services less medical care 1/	233.9	236.9	239.9	242.6	9.3	12.6	15.5	15.7	10.9	15.6
Energy 1/	298.8	307.0	310.2	310.7	17.5	54.2	68.7	16.9	34.6	40.4
All items less energy 1/	215.3	217.0	218.8	221.0	10.6	11.2	8.8	11.0	10.9	9.9
All items less food and energy 1/	209.0	211.0	213.0	215.4	7.4	11.6	10.2	12.8	9.4	11.5
Commodities less food and energy	186.2	187.1	188.1	189.8	9.9	8.0	6.9	8.0	9.0	7.5
Energy commodities 1/	315.8	324.5	330.2	333.8	21.5	77.7	98.8	24.8	47.0	55.9
Services less energy	235.8	238.5	241.4	244.9	8.6	13.4	13.0	16.4	11.0	14.7

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 6. Consumer Price Index for urban wage earners and clerical workers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes Aug. 1979	Sept. 1979	Oct. 1979	Nov. 1979	Percent change to Nov. 1979 from- Nov. 1978	Sept. 1979	Oct. 1979	Percent change to Oct. 1979 from- Oct. 1978	Aug. 1979	Sept. 1979
U.S. city average			221.5	223.7	225.6	227.6	12.8	1.7	0.9	12.4	1.9	0.8
Chicago, Ill.-Northwestern Ind.	M		218.2	220.6	221.7	225.6	14.2	2.3	1.8	13.6	1.6	.5
Detroit, Mich.	M		222.6	223.5	226.0	230.8	14.4	3.3	1.7	13.1	1.9	1.5
L.A.-Long Beach, Anaheim, Calif.	M		219.6	223.0	224.0	225.8	14.3	1.3	.8	13.6	2.0	.4
N.Y., N.Y.-Northeastern N.J.	M		215.3	217.8	219.3	220.7	10.5	1.3	.6	10.1	1.9	.7
Philadelphia, Pa.-N.J.	M		218.1	220.3	221.3	223.8	11.6	4.6	1.1	11.3	1.5	.5
Anchorage, Alaska	1	10/67	-	210.9	-	211.8	8.7	.4	-	-	-	-
Baltimore, Md.	1		-	224.9	-	227.9	12.3	1.3	-	-	-	-
Boston, Mass.	1		-	217.9	-	222.5	11.7	2.1	-	-	-	-
Cincinnati, Ohio-Ky.-Ind.	1		-	230.8	-	235.6	13.5	2.1	-	-	-	-
Denver-Boulder, Colo.	1		-	243.6	-	248.6	16.8	2.1	-	-	-	-
Miami, Fla.	1	11/77	-	118.7	-	120.5	11.7	1.5	-	-	-	-
Milwaukee, Wis.	1		-	228.7	-	232.5	15.8	1.7	-	-	-	-
Northeast Pennsylvania	1		-	217.1	-	221.1	11.8	1.8	-	-	-	-
Portland, Oreg.-Wash.	1		-	232.6	-	236.7	13.9	1.8	-	-	-	-
St. Louis, Mo.-Ill.	1		-	222.5	-	226.3	14.5	1.7	-	-	-	-
San Diego, Calif.	1		-	237.7	-	244.8	17.4	3.0	-	-	-	-
Seattle-Everett, Wash.	1		-	221.0	-	225.5	11.6	2.0	-	-	-	-
Washington, D.C.-Md.-Va.	1		-	229.8	-	226.7	10.8	1.0	-	-	-	-
Atlanta, Ga.	2		219.0	-	223.5	-	-	-	-	12.7	2.1	-
Buffalo, N.Y.	2		215.3	-	218.6	-	-	-	-	10.5	1.5	-
Cleveland, Ohio	2		222.6	-	225.5	-	-	-	-	12.5	1.3	-
Dallas-Fort Worth, Tex.	2		223.0	-	228.0	-	-	-	-	13.9	2.2	-
Honolulu, Hawaii	2		207.2	-	211.1	-	-	-	-	11.9	1.9	-
Houston, Tex.	2		239.0	-	241.8	-	-	-	-	13.1	1.2	-
Kansas City, Mo.-Kans.	2		223.1	-	227.9	-	-	-	-	15.6	2.2	-
Minneapolis-St.Paul, Minn.-Wis.	2		228.5	-	233.0	-	-	-	-	13.1	2.0	-
Pittsburgh, Pa.	2		220.0	-	226.1	-	-	-	-	12.2	2.8	-
San Francisco-Oakland, Calif.	2		218.6	-	220.8	-	-	-	-	9.0	1.0	-
Region 3/												
Northeast	2	12/77	116.4	-	118.7	-	-	-	-	11.4	2.0	-
North Central	2	12/77	120.6	-	122.8	-	-	-	-	13.2	1.8	-
South	2	12/77	119.6	-	121.6	-	-	-	-	12.3	1.7	-
West	2	12/77	119.8	-	122.3	-	-	-	-	13.0	2.1	-
Population size class 3/												
A-1	2	12/77	117.5	-	119.6	-	-	-	-	12.0	1.8	-
A-2	2	12/77	119.9	-	121.5	-	-	-	-	12.3	1.8	-
B	2	12/77	120.1	-	122.5	-	-	-	-	13.1	2.0	-
C	2	12/77	119.8	-	122.1	-	-	-	-	12.6	1.9	-
D	2	12/77	119.1	-	121.4	-	-	-	-	12.4	1.9	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	115.1	-	117.3	-	-	-	-	10.7	1.9	-
North Central/A	2	12/77	121.2	-	123.3	-	-	-	-	13.5	1.7	-
South/A	2	12/77	119.3	-	121.2	-	-	-	-	12.1	1.6	-
West/A	2	12/77	119.0	-	121.1	-	-	-	-	12.3	1.8	-
Northeast/B	2	12/77	117.2	-	119.9	-	-	-	-	12.3	2.3	-
North Central/B	2	12/77	121.5	-	123.3	-	-	-	-	13.3	1.5	-
South/B	2	12/77	120.1	-	122.2	-	-	-	-	12.6	1.7	-
West/B	2	12/77	121.2	-	124.2	-	-	-	-	14.0	2.5	-
Northeast/C	2	12/77	120.7	-	123.0	-	-	-	-	13.3	1.9	-
North Central/C	2	12/77	118.7	-	121.2	-	-	-	-	12.5	2.1	-
South/C	2	12/77	120.1	-	122.2	-	-	-	-	12.5	1.7	-
West/C	2	12/77	119.9	-	122.6	-	-	-	-	12.6	2.3	-
Northeast/D	2	12/77	117.6	-	120.1	-	-	-	-	12.0	2.1	-
North Central/D	2	12/77	120.1	-	122.2	-	-	-	-	12.5	1.7	-
South/D	2	12/77	118.4	-	120.4	-	-	-	-	11.5	1.7	-
West/D	2	12/77	119.5	-	123.4	-	-	-	-	14.6	3.3	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

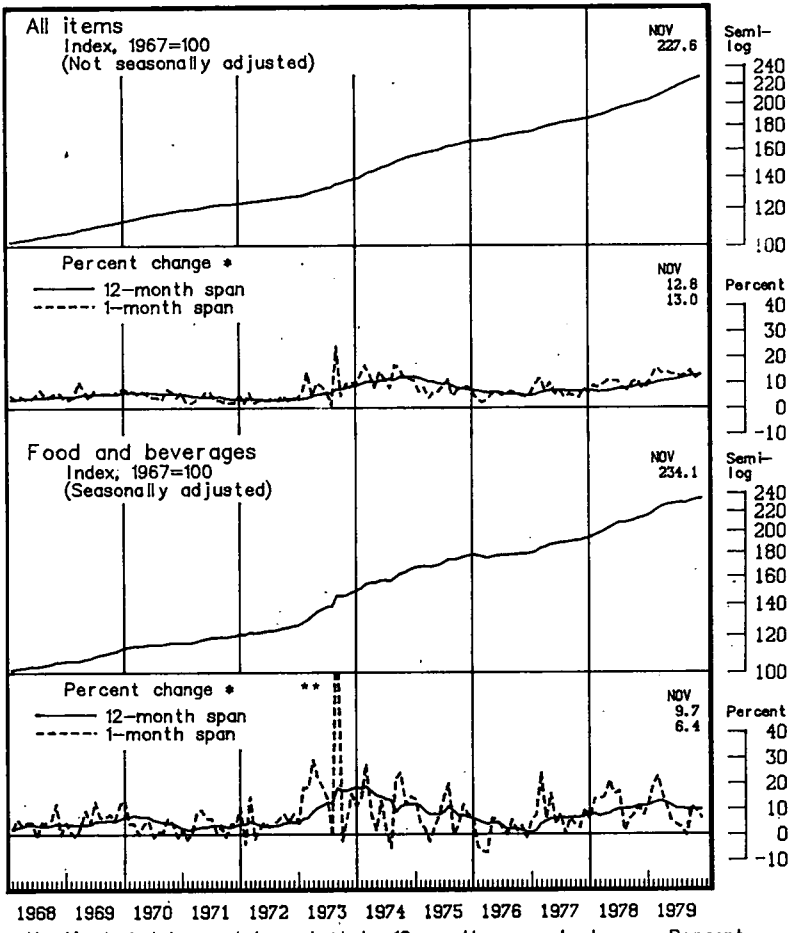
3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 4,000,000.
A-2	1,250,000 to 4,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

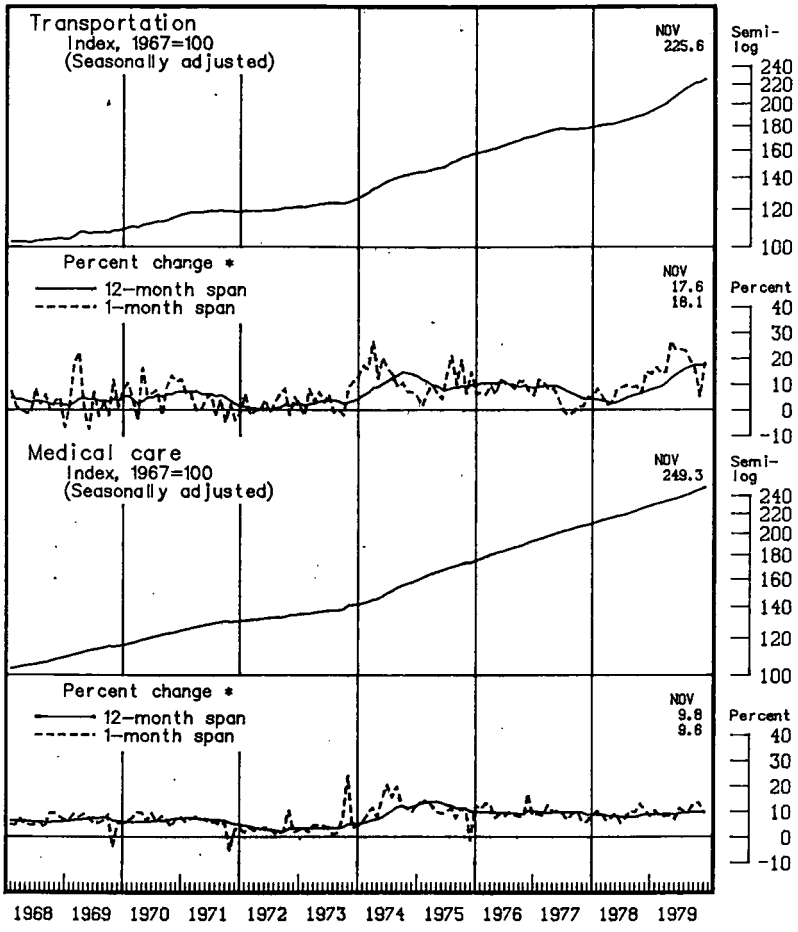
CHART 1: CPI for Urban Wage Earners and Clerical Workers
All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

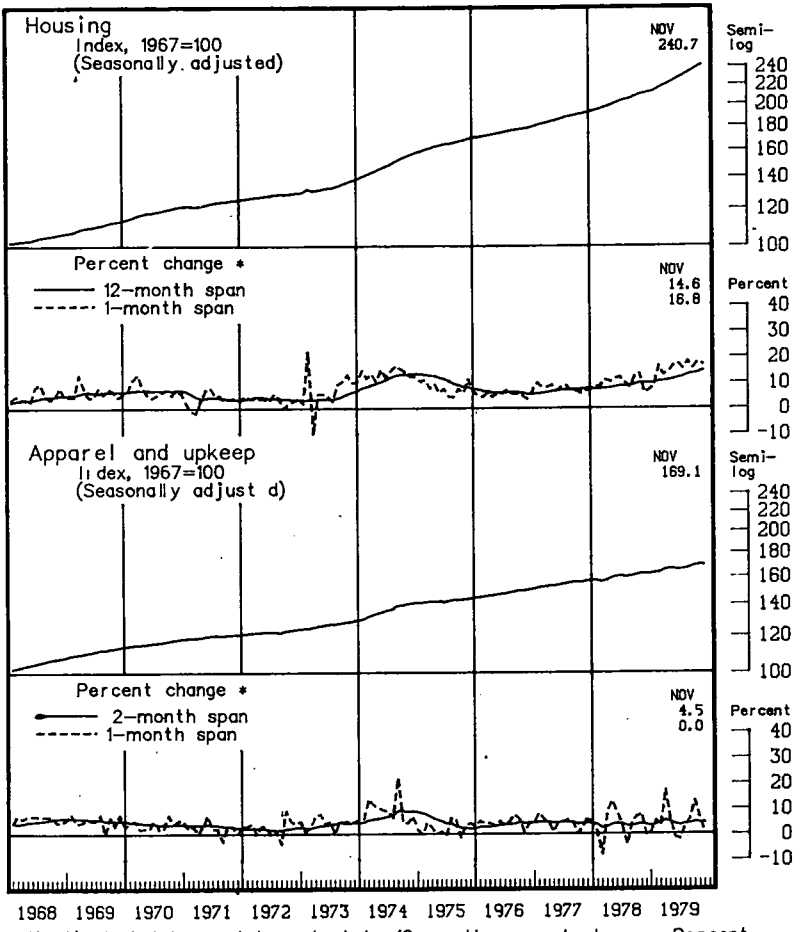
** August 1972 = 92 percent

CHART 2: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



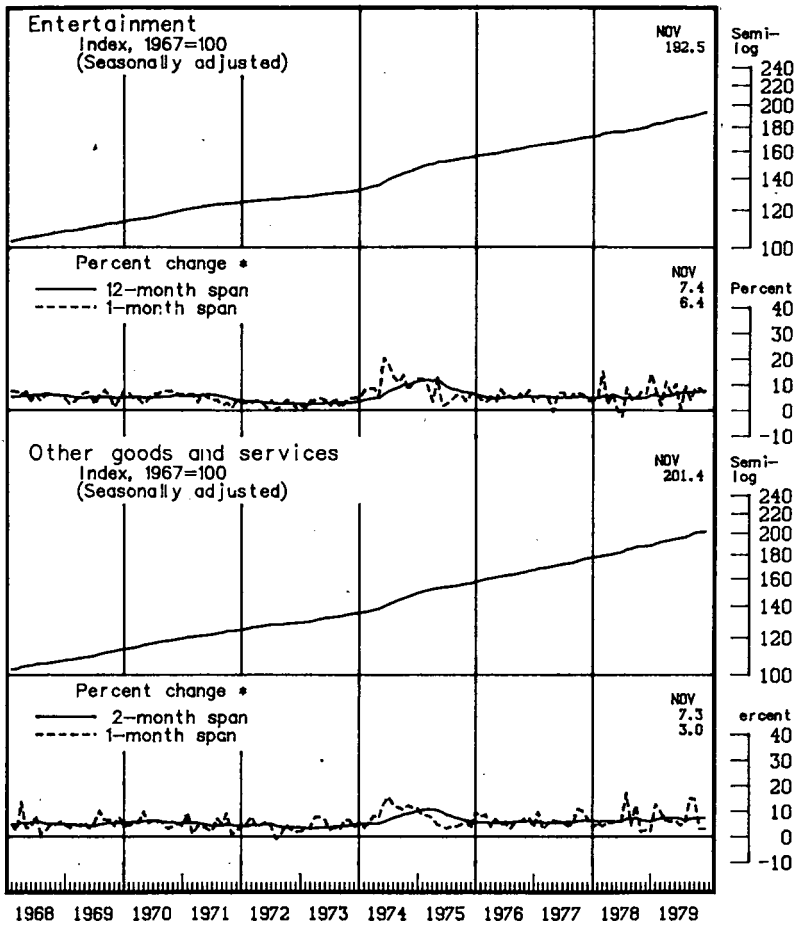
* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 3: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 4: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

Representative MITCHELL. And with that cheerful holiday introductory statement, I would now like to hear from you, Mr. Russell.

STATEMENT OF R. ROBERT RUSSELL, DIRECTOR, COUNCIL ON WAGE AND PRICE STABILITY

Mr. RUSSELL. Certainly, you're not turning to me for any cheer.

I'll spend about 2 or 3 minutes going over a table that I have handed out to you and then give you the opportunity to ask questions.

Table 1 that I have handed out to you tells the story of both the last year and the story of the last month. You have alluded already to the fact that over the last year, November to November, the increase in the CPI was 12.6 percent, well in the double-digit range.

However, the real story lies primarily in two problem areas that account for the substantial portion of this inflation and for the great majority of the acceleration. These two areas are, of course, energy and home mortgage financing costs.

The energy price increases over the last year, as can be seen from the November to November column of table 1, were 36 percent. This is attributable in large part to an increase of about 70 percent in international crude oil prices, which is, in turn, due to an excess demand in the market for international crude oil.

These energy price increases can also be attributed in large part to expanded margins of domestic refiners and domestic distributors of refined petroleum products. The 36-percent increase in energy prices over the last year accounts for over one-fourth of the total increase in the CPI, despite the fact that energy accounts for only 8.5 percent of the typical consumer's budget.

Moreover, the direct impact of the higher energy costs on the CPI understates it significantly. Energy costs show up in many other areas as well. For example, you can see from this table that public transportation costs, which have been stable for years, went up in fiscal 1978 by only 2 percent; they have accelerated sharply, going up by 14 percent over the last year and in the last 3 months at a 31-percent annual rate.

So these rapidly accelerating public transportation costs, which again hit the poorest the hardest, are directly attributable to the higher energy costs. If we were to abstract from these higher energy costs, the increase in the CPI would be much lower.

The third line from the bottom of table 1 indicates that over the last year, the increase in the CPI for all items except energy would have been 10.5 percent. This is not great, but it is still 2 full percentage points below the actual increase in the CPI. Over the last 11 months, it would have been 11.6 percent.

The other important aspect of this inflation is the higher interest costs. The ironic aspect of restrictive monetary policy is that in the very short run it is inflationary, although in the intermediate run it is anti-inflationary.

It is inflationary in the short run because interest rate expenses are a cost of doing business, and higher interest expenses get passed through in the form of higher prices.

In addition, the higher interest costs enter the CPI directly through the home purchase component of the CPI, and they enter that component with a vengeance because of the way the CPI is calculated.

Housing costs over the last year have gone up 13.5 percent, and the great bulk of this increase can be attributed to a 33.1-percent increase in mortgage interest costs over the last year.

During the last 3 months, mortgage interest costs have gone up at an annual rate of about 43 percent. And in November we began to feel the effect of the October 6 increase in interest rates by the Federal Reserve.

And mortgage interest costs for homeowners went up by 3.7 percent in 1 month alone. We have yet to feel the full impact of that Federal Reserve action; in December we can expect yet another big increase in this component of the CPI.

If we eliminate mortgage interests costs from the CPI, we can see from the second line from the bottom of the table that the increase in the CPI over the last year would have been 11.1 percent, about a point and a half lower than the actual increase in the CPI.

If we were to eliminate both energy and mortgage interest costs from the CPI to find out how much inflation there is in the other sectors, accounting for the great bulk of consumer expenditures, the increase in the CPI over the last year would only have been 7.5 percent. That 7.5 percent is barely above the increases in the CPI of previous years.

Therefore, almost all of the acceleration in the consumer prices during this past year can be attributed to the explosion in energy prices and to the need to boost interest rates in our effort to control inflation in the long run. Eliminating those two components alone would give us an increase of 8.4 percent; if we eliminated all homeownership costs and food and energy, then the increase would be 7.5 percent.

This is what we refer to as the "underlying rate," which accelerated by about 1 percentage point over a year earlier.

I have other tables which you may wish to allude to, but rather than take you through them, I will just say that table 2 breaks the food price increases down into components. The main story there is that finally the increase in the farm-retail spread, which is the cost added to food products by food processors and food distributers, has started to moderate, so we are getting some relief in food prices in recent months, although the relief in farm prices began clear last spring.

Table 3 breaks down the increase in energy prices into that attributable to the increased cost of crude and imported product cost. And of the 35-cent increase in gasoline prices from the fourth quarter of 1978 to the fourth quarter of 1979, only 21 cents, approximately, can be attributed to the increased cost of imported products in crude oil.

Seven cents of that 35-cent increase can be attributed to the expanded margins of wholesalers and retailers, and about 6.5 cents can be attributed to expanded margins of refiners. A similar story can be told for home heating oil. So a substantial part of the energy problem is right here at home where margins have been expanding very rapidly.

Table 4 goes over some measures of wage inflation, and it can be seen from an examination of this table that wages have remained remarkably stable, despite the soaring increases in the cost of living.

How long this stability in wage inflation can persist in the face of such rapid increases in the cost of living is problematic at best.

I fear that we are on the verge now of an explosion in wage rate inflation as workers try to catch up with inflation; as they try to recoup their losses in their standard of living, which would lead to a spread of the food and fuel price explosion into the other sectors of the economy.

And the principal challenge that we have in the year ahead when we can expect another big increase in energy costs is to prevent these extraneous shocks from getting built into the industrial wage-price structure, ratcheting it up another notch so that the underlying inflation rate becomes higher and it will take us that much longer to get it under control.

With that, I would like to stop and ask for questions.

[The tables referred to follow:]

TABLE 1.—CONSUMER PRICE INDEX

[Seasonally adjusted, percentage changes]

	December 1978 relative importance (percent)	Program year [1]	November to November	Last 3 mo [2]	October to November
All items	100.0	12.1	12.6	12.9	1.0
Food	18.2	10.0	9.8	9.1	.5
Food at home	(12.6)	9.6	9.2	9.4	.5
Domestically produced	(10.4)	9.7	9.0	1.8	.2
Imported	(2.2)	9.0	9.6	11.2	.4
Food away from home	(5.5)	10.9	11.2	8.9	.7
Housing (less fuel) [3]	40.1	12.2	13.5	17.3	1.6
Home purchase	(10.2)	14.2	15.9	21.1	1.8
Mortgage interest costs [4]	(7.3)	28.3	33.1	42.6	3.7
Rent	(5.5)	7.6	8.1	10.8	.4
Energy [4]	8.5	35.2	36.3	16.5	.1
Transportation (less gasoline) [3]	13.6	8.6	8.8	7.8	1.3
Public transportation	(1.0)	9.0	14.1	31.3	3.6
New cars	(3.9)	8.2	7.6	0	1.1
Apparel and upkeep	5.5	9.9	4.6	6.9	.2
Medical	5.0	9.5	9.3	11.7	.9
Entertainment	4.0	7.2	7.4	6.2	.6
Other goods and services	4.3	7.2	7.5	8.5	.2
All items less energy	19.5	10.0	10.5	11.6	1.0
All items less mortgage interest costs [4]	92.7	10.8	11.1	9.8	.7
Underlying rate of consumer-price inflation [5]	50.3	7.5	7.5	8.0	.8

[1] September to September percentage changes, not seasonally adjusted.
[2] Seasonally adjusted, annual percentage rates of change.
[3] Calculated using growth rates rather than percentage changes.
[4] Not seasonally adjusted.
[5] Consumer Price Index excluding the costs of home purchase, finance, taxes, and insurance; and food, energy, and used cars.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 2.—RECENT TRENDS IN COMPONENTS OF CONSUMER FOOD PRICES

[Percentage change, seasonally adjusted]

	December 1978 relative importance (percent)	3 mo ending—			
		January	April	July	October
Food	100.0	3.0	3.7	1.0	1.7
Food at home	69.5	3.3	3.9	.3	1.5
Domestically produced farm food:					
Retail value [1]	(57.1)	4.0	4.3	1.6	−.8
Farm value [1]	(22.6)	7.9	4.3	−4.6	−3.1
Farm/retail spread [1]	(34.5)	1.4	4.2	5.8	.6
Imported food [1]	(12.4)	1.9	1.6	2.1	3.5
Food away from home	30.5	2.7	3.3	2.6	2.1

[1] Not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics, and U.S. Department of Agriculture, Economics, Statistics and Cooperatives Service.

TABLE 3.—SELECTED COMPONENTS OF GASOLINE AND HOME-HEATING OIL PRICES

[In cents, except percent]

	Quarterly averages (cents per gallon) [1]					1978:IV to 1979:IV	
Product	1978:IV	1979:I	1979:II	1979:III	1979:IV	Cents change	Percent change
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Gasoline:							
Retail price [2]	67.7	71.2	82.3	96.4	102.7	35.0	51.7
Wholesale/retail spread	7.2	7.7	11.1	14.0	14.3	7.1	98.6
Home heating oil:							
Retail price	53.3	57.9	66.4	80.0	87.1	33.8	63.4
Wholesale/retail spread	13.9	14.8	14.8	19.1	18.5	4.6	33.1
Refined petroleum products:							
Refiner's price	41.9	45.0	52.6	63.5	69.3	27.4	65.9
Crude and imported product cost [3]	31.1	33.3	39.4	46.4	51.9	20.8	66.9
Domestic crude	26.9	27.7	30.2	36.3	40.7	13.8	51.3
Imported crude	35.1	37.9	44.4	56.6	68.3	33.2	94.6
Imported product	33.8	40.0	50.7	56.6	60.7	26.9	79.6
Refinery spread	10.8	11.7	13.2	17.1	17.4	6.6	61.1

[1] Figures in cols. (1) to (3) are determined from weighted averages; figures in cols. (4) and (5) are determined from simple averages.
[2] Averages of premium, leaded-regular, and unleaded-regular gasoline prices.
[3] Does not include purchase of refined product from domestic refiners.

Source: Department of Energy and the Council on Wage and Price Stability.

TABLE 4.—SELECTED MEASURES OF EMPLOYMENT COMPENSATION (PRIVATE NONFARM SECTOR)

[Seasonally adjusted, percentage changes]

	Fiscal year [1]—			
	1976	1977	1978	Program year 1979
Average hourly earnings	7.6	7.7	8.6	8.1
Average hourly earnings index	7.4	7.3	8.4	7.9
Employment cost index	7.2	7.2	8.0	7.7
Union	8.5	7.7	7.9	8.4
Nonunion	6.5	6.9	8.0	7.5
Total hourly compensation	8.4	7.9	8.6	8.9
Private hourly compensation	8.1	7.8	8.4	8.5
Wages and salaries per hour	7.4	7.1	8.2	8.1
Fringe benefits per hour	14.7	13.8	10.3	12.1
Employer contribution to social insurance	13.4	9.8	11.6	12.2
Labor productivity	1.7	2.0	.3	−1.6
Unit labor costs	6.6	5.8	8.2	10.6
Real hourly earnings index	1.8	.7	.1	−3.9
Real spendable earnings (weekly)	−.4	4.2	−3.2	−4.3

[1] The employment cost index and all hourly and real-earnings series measure changes from September to September. Hourly compensation, productivity, and unit-labor-cost data measure 3d-quarter-to-3d-quarter changes.

Source: U.S. Department of Labor, Bureau of Labor Statistics, U.S. Department of Commerce, Bureau of Economics Analysis, and the Council on Wage and Price Stability.

Representative MITCHELL. Thank you very much. I think you're quite right with reference to a wage rate explosion. I just don't think the guidelines are going to be able to hold much longer. I think it is unfair to ask workers to continue to bear an extra brunt of pressure holding their wages pretty steady while inflation is just rampant.

I could not help but think in my mind as you were talking that this is Christmas, and I was thinking about "We Three Kings of Orient Are." And there is a line in there that goes: "Myrrh is mine, its bitter perfume."

And that's what you offer us this morning, not any burnished silver, but bitter myrrh. And that's what I think this Nation has to face up to.

You talked recently at the National Economists Club conference, I believe.

Mr. RUSSELL. I may have; I forget which talks I've given.

Representative MITCHELL. You indicated that the impact of the Fed's October tightening of the money supply didn't show up in the October CPI, and that it had some impact on the November CPI; but it would show up "with a vengeance" in the December CPI.

Now, I'm not asking you to make a specific forecast, but can you give us a ballpark estimate of what the CPI figure for December might show if other costs continue to rise at recent rates and the higher interest rates show up with a vengeance? Can you give us an estimate on that?

Mr. RUSSELL. I don't see any hope for moderation in the Consumer Price Index in the month of December for 2 reasons, one of which you mentioned.

One, because the higher interest rates get built into the CPI with a lag because of the reporting process to the BLS from the FHA, primarily, they get spread out 2 months, typically, after a Federal Reserve action.

And I would expect that in December we'll see an increase in mortgage interest costs not at all dissimilar to what we saw in November. The increase in November is a little higher than I thought, so I think we've already felt a very large portion of the impact of that action by the Federal Reserve.

And the increase in December should not therefore be substantially larger than what we have seen in November.

However, we can't expect another month of energy price stability in December because the recent increase in gasoline prices—although they also enter somewhat with about a 1-month lag—should show up, I think, in large part in the December CPI.

So energy, which was very stable this time, primarily because of decreases in many utility rates, should show another fairly big increase in December.

So another 1 percent month for the CPI in December is perhaps about the best we can look for.

Representative MITCHELL. One percent?

Mr. RUSSELL. I don't see any reason for it to be lower.

Representative MITCHELL. That's your minimum forecast?

Mr. RUSSELL. That's right. The underlying rate has been steady anywhere from 0.6 to 0.8 month after month.

Representative MITCHELL. As a high would you project a 2-percent increase?

Mr. RUSSELL. No, no.

Representative MITCHELL. As the staff and the members of the Joint Economic Committee know, since I have been on this committee I have been worrying and fretting about recession.

In a recent editorial, the New York Times stated:

> To arrest inflation, policymakers—and that's the Congress and the executive branch and the Federal Reserve—are now creating a recession.
>
> And one thing is certain: In recessions, real incomes fall, which means real pain, objective and subjective pain; destroying the village in order to save it is not economic wisdom.

It says in essence that the policies Congress and the executive branch are now pursuing will create a recession.

What are your comments on this, Mr. Russell?

Mr. RUSSELL. I think that factually the statement is correct. The restrictive monetary and fiscal policy of the last year or two designed to slow down the economy and reduce inflation along with the energy price increases, is likely to result in a mild recession in 1980.

The question is, Is it worth the cost? Right now, I think it is still the case that inflation, not unemployment, is our No. 1 economic problem. Inflation hits the poor just as unemployment hits the poor very hard.

Since it is so socially divisive and hits hardest those who are least able to bear the brunt of it, bringing inflation under control ought to be our highest priority.

I don't think, however, that we should pursue policies that are so restrictive that they throw us into a very deep recession causing a large amount of unemployment.

Moreover, I think restrictive fiscal and monetary policies have got to be complemented by other policies, such as guidelines and other policies that make this fiscal and monetary restraint work as much as possible toward lowering the inflation rate and as little as possible toward throwing people out of work.

We have estimated, using the Federal Reserve MIT model that to use fiscal and monetary restraint alone to try to cure the inflation problem involves some very perverse tradeoffs; in particular, in order to lower the inflation rate by just 1 percentage point, using fiscal and restrictive monetary policy alone, we have to throw a million people out of work for 2 years.

That's why we think the other policies we are pursuing are better.

Representative MITCHELL. I continue to resist the notion that we have just one problem, one major problem, and that is inflation. I agree that that is a major problem, but from my perspective, unemployment ranks equally as high. It is always difficult when I say that, because for white adult America, there is not an unemployment problem. But I simply would ask you to review the data on black unemployment across the board, not just black youth unemployment.

We're dealing with an enormous problem when you consider the cost of each 1 percent of unemployment.

I've been talking about recession on this committee, and yet the Speaker in the meeting the other morning and others continued to advise me that the unemployment rate has not yet risen.

The Conference Board's index of "help wanted" advertising has increased by more than 8 percent in the past 4 months, and by more than 20 percent since early 1978.

Some analysts have suggested that this apparent increase in the demand for certain types of labor in today's economy suggests that, No. 1, there are serious labor shortages in some areas; and they further suggest that these shortages may have been caused by wage guidelines.

What is your thinking on that? Is there a correlation between existing wage guidelines and the "shortage of labor in certain areas"?

Mr. RUSSELL. First, let me go back to your previous statement and say that I agree very much that a 5 percent—5.8-percent unemployment rate is not good enough, particularly when you look at the distribution of the unemployment rates across different parts of the population.

What I would like to emphasize, however, is: Using fiscal and monetary stimulus now to try to lower the unemployment rate would probably be futile, and that further stimulus would probably result in greater inflation and very little decrease in the unemployment rate.

And in order to solve this structural unemployment problem, I think we need new training programs, and that sort of thing, to make more employable many of those segments of the work force that have so much trouble finding a job.

As for shortages, yes, there are some shortages, particularly for some highly skilled occupations. Engineers are in short supply around the country.

I do not believe, however, that the pay standard is causing any of these shortages. As a matter of fact, we built into our pay standard an explicit exception for what we call acute labor shortages. If it can be demonstrated that the holding down of wages is causing a shortage of supply in any particular occupation in a labor market, than we provide an exemption for that market, and we have provided some of these exemptions in the first program year.

So we took that into account in designing the standards, and I don't think they're causing any shortages.

Representative MITCHELL. For the first time this morning I'm in full agreement with you; I don't think that the labor shortages can be correlated with the wage guidelines. I think that the shortages may have been caused by the educational objectives of the last 10 or 15 years, and similar factors.

Over the last 3 months, the Producer Price Index for finished consumer goods has risen at an annual rate of 16 percent. The PPI for intermediate—semifinished—goods has gone up at an annual rate of 18 percent. And the PPI for crude goods has risen at an annual rate of 25 percent.

With figures such as 16, 18, and 25 percent, does this suggest to you that the Consumer Price Index is likely to rise even more rapidly over the next few months?

Mr. RUSSELL. Right. I don't think that these big increases in the PPI in recent months necessarily portend big increases in the CPI in future months. The Producer Price Index, of course, measures a different thing than does the Consumer Price Index. Services are left out of the PPI, and service prices tend to be much more stable, less volatile than are the prices of the commodities that are measured in the Producer Price Index.

In addition, the Producer Price Index is itself much more volatile because the samples are not as good as those in the Consumer Price Index.

And short-run movement in the PPI should not be taken, in my opinion, as seriously as short-run movements in the CPI. This is——

Representative MITCHELL. May I interrupt for a moment. The data that I suggested to you was over a 3-month period.

Mr. RUSSELL. But we're talking——

Representative MITCHELL. Do you call that short run?

Mr. RUSSELL. No; not at all. I thought—more recently it's been going up at a more rapid rate than it was earlier.

The biggest reason for the increase in the PPI is again energy commodities. If you take energy commodities out of the PPI and take food commodities out, which have not been going up all that much above the average, then you get an increase in the PPI over the last year of less than 10 percent. I believe that the number is 8.5 percent.

So almost all that problem is energy. The energy price increases show up much more dramatically in the PPI than they do in the CPI. Now, all this is already reflected in the CPI. Finally, let me say that if you're looking at a year's time, most of those increases in the PPI have already been built into the CPI. There's not a year's lag between the PPI and the CPI. So if you're looking at the past year, I don't think that this portends big increases in the CPI at all.

Representative MITCHELL. Thank you for your response. I live in Baltimore central city, and I drive over every day and I drive back every night in a six-cylinder Ford Granada. I had a very traumatic experience recently because someone suggested a gasoline tax of 50 cents per gallon would be useful in our energy conservation efforts.

Is the administration likely to propose this?

What is your personal view on this hefty increase of 50 cents per gallon in order to facilitate our energy conservation?

Mr. RUSSELL. First, let me say that I don't know whether the administration will propose such a tax. I do know of course that the administration is considering a number of measures for encouraging conservation and increased supply of petroleum products and other energy sources and reducing our dependence on foreign oil.

As for whether I personally believe that a 50-cent increase in the price of gasoline makes sense, I must say that as an economist I remain to be convinced that that makes any sense at all.

I do think that we ought to at least eventually decontrol crude oil and refined product prices in order to allow the prices to rise to the equilibrium level to encourage expanded production and conservation of energy and to reduce our dependence of foreign oil. We must stop pretending that the price of a barrel of oil is $12 or $15 when really it's costing us $24 to buy a barrel of oil on the international market.

However, one would have to make some very extreme arguments about the social cost of consumption of gasoline to justify a 50-cent tax on a gallon of gasoline.

And I don't see that the social costs are anywhere near that high.

Representative MITCHELL. I think that if such a proposition is sent to the Congress from any source, it wouldn't even get into a subcommittee, much less get out. I think the entire Congress would be up in arms against any horrendous increase of that nature.

It just doesn't make sense to do it because it seems to me that in and of itself it is inflationary. In addition to that, it doesn't make sense to do it because by so doing we would once again place an extra burden on people who are already overburdened, and that is the working poor and the poor of this Nation.

So for whatever it is worth, I think there would be a maximum, harmonious, bipartisan posture on the part of the Congress against a proposal for a 50-cent increase per gallon tax on gas.

I'm not quite sure in my own mind what the real relationship is between the cost of gold and our whole problem of inflation. I do know that we got pretty close to $500 an ounce for gold; I think it dropped a little bit as of last night or yesterday.

But is the price of gold of major significance to our economy, or is it something that is given maximum exposure in the press, and in so doing its importance is overstated?

Mr. RUSSELL. I think the most straightforward answer to your question is that gold is not one of the most important commodities in our economy, and therefore changes in the price of gold, per se, should not be seen as very important.

However, what the selling price of gold reflects is a lot of speculation in precious metals because of the uncertainty about inflation worldwide and about the values of various foreign currencies.

And when the price of gold soars, it typically means—it reflects a lack of confidence in the dollar; a lack of confidence in the dollar can result in runs on the dollar, which in turn forces the Federal Reserve to move to bolster the dollar on international markets.

And the way that it does this is through even more restrictive monetary policy and higher interest rates which wreck havoc, as you pointed out, on the economy.

So it is something to be concerned about, primarily because it symbolizes something more fundamental; namely, the viability of the dollar in international markets.

Representative MITCHELL. You mentioned that obviously the price affects policies of the Federal Reserve Board.

With reference to those policies, let me go back to the major changes that were made as of October 6 this year.

As a result of those changes, we saw the prime rate go up to about 15.5 percent. The Federal Reserve governors and other economists suggested that that was only a very temporary situation and that there would be a decline in the prime interest rates.

Well, indeed there has been some slight decline in those rates, but a recent forecast says that the recent decline in the prime interest rate is only temporary, and those rates will begin to go up again, maybe to the 16 to 17 percent range.

What is your thinking on the reversal of the slight decline in prime rates and the possibility of their movement back upward to a 16 or 17 percent range?

Mr. RUSSELL. Well, if I could forecast accurately what interest rates would do, I would not be in the Government, but would rather be outside the Government speculating and making a fortune on that.

But since I am not, with that caveat, let me say that I don't see that much higher interest rates are in the cards. They're already at

record levels. High interest rates are as much a reflection of high inflation rates as anything. And over the next year, barring some crisis that is even worse than anything we can forsee, the inflation rate should abate a little, particularly as we move into a recession and both product and labor markets soften.

As that happens, the Federal Reserve can afford to take its foot off the brakes a little bit, and I think that interest rates should start to moderate over the next year. So I don't see increases in the interest rate unless there should be another serious crisis with respect to the dollar on international markets. That is the only scenario under which I see yet higher interest rates.

Representative MITCHELL. You can't have a forum like this without voicing your major concerns, and I must say, as I have said 20 times or more in this committee, that I think this country is in serious difficulty, not just because of its economic condition, per se, but because we have permitted unemployment to remain devastatingly high for far too many years for far too many people.

I remember a meeting in July when Mr. Kahn expressed his concern and the President's concern about structural unemployment.

He talked about incentives and expanded programs to deal with this. I listened and I was encouraged, but I have been hearing this for the last 15 years.

But there have been no major changes, it seems to me, in this Nation's posture vis-a-vis minority-black unemployment. I read a very fascinating statistic the other day that stated that since the end of World War II, the black rate of unemployment in America has always been at least twice as high as the white rate of unemployment, in good times and bad times.

In my opinion, I don't think we have made any progress at all in changing that, and frankly I'm not optimistic that we're going to make any significant changes.

What the Congress has done and what the President has done in the budget is to anticipate an increase in unemployment. It seems to me that that is going to fall disproportionately on the backs of black people and other minorities who are already disproportionately unemployed.

You spoke to this briefly before, suggesting that it is a major area of concern. I am reinforcing your statement, but I must confess that I am not at all sanguine about this Nation, this Congress, really doing anything significant to reduce a problem that is equally as threatening from my perspective as is the problem of inflation.

Thank you for being here. Are you planning to go home early and enjoy your family?

From all of us here in the hearing this morning, a Merry Christmas, whatever that means, with inflation being double-digit and unemployment moving back up again.

But for whatever it is worth, Merry Christmas and thank you very much for being here.

[Whereupon, at 10:34 a.m., the committee adjourned, subject to the call of the Chair.]

MONITORING INFLATION

FRIDAY, JANUARY 25, 1980

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 6226, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Present: Senator Bentsen.

Also present: John M. Albertine, executive director; William R. Buechner, professional staff member; Betty Maddox, administrative assistant; and Stephen J. Entin and Mark R. Policinski, minority professional staff members.

OPENING STATEMENT OF SENATOR BENTSEN, CHAIRMAN

Senator BENTSEN. This hearing will come to order.

Mr. Kahn, we are delighted to have you here this morning. I can't help but state my deep concern about the numbers I'm looking at because what we're being told is that the administration is confirming what Americans have been suspecting; that this has been the worst year for the American pocketbook in almost 35 years, that we're talking about an inflation rate of some 13.3 percent. You have to go back almost 35 years to see something comparable. I can recall about 5 years ago, in 1974, we were looking at a rate of 12.2 percent and we thought we'd never have to see a repetition of that, but now we have exceeded it.

What really worries me is that we have ended the year worse than we started the year. We didn't have 1 month that I can recall that inflation wasn't 1 percent or higher in 1979. We saw gasoline go up 52 percent from a year ago. Heating oil was up 57 percent. The price of a new home jumped up 16 percent, and the cost of financing that home went up 27.5 percent. Gas and electricity rose 15 percent. Prices were 10 percent more for food than a year ago. Real take-home pay was down 5.3 percent.

The only thing I can see that has gone down is the value of the dollar. Compared to when we first started collecting the current Consumer Price Index figures back in 1967, we have now seen the value of the dollar go all the way down to 43 cents.

I hear people tell me that high inflation is endemic to this country. I don't believe that. I think we can turn it around and that we absolutely have to turn it around. We're looking at a situation where the Japanese, as I recall, had their inflation rate up to some 22 percent at one point and they now have it down to just over 3 percent. One of

the major reasons for that, I'm sure, is because of the increase in productivity in Japan. That means we have to make some major or substantive changes in some of our economic programs, in some of our tax incentives, to try to increase productivity in this country.

I think it's one of the deepest concerns that we have and one that we are going to have to move on. We are going to have to move on it in a way much more substantively than we have and it demands our earliest attention.

Before proceeding and without objection, the press release entitled "The Consumer Price Index—December 1979," will be made a part of the hearing record at this point.

[The press release referred to follows:]

News
United States Department of Labor
Bureau of Labor Statistics Washington, D.C. 20212

Patrick Jackman (202) 523-7827
523-8416
Kathryn Hoyle (202) 523-1913
523-1208

USDL-80-46
TRANSMISSION OF MATERIAL IN THIS RELEASE
IS EMBARGOED UNTIL 9:00 (EST)
Friday, January 25, 1980

THE CONSUMER PRICE INDEX--DECEMBER 1979

The Consumer Price Index for All Urban Consumers (CPI-U) rose 1.1 percent before seasonal adjustment in December to 229.9 (1967=100), the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) also increased 1.1 percent before seasonal adjustment in December to 230.0 (1967=100). The CPI-U was 13.3 percent higher and the CPI-W was 13.4 percent higher than in December 1978.

CPI for All Urban Consumers (CPI-U)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for All Urban Consumers rose 1.2 percent in December, somewhat more than the average monthly increase during 1979. The increase in the food and beverage index in December, 1.3 percent, was the largest monthly rise since February. The housing component accounted for somewhat less than one-half of the 1.2 percent December CPI increase. Approximately one-fourth of the 1.2 percent CPI increase was due to rising house prices and mortgage interest rates. The transportation and medical care components also rose substantially. Other major categories of consumer spending registered more moderate increases.

Table A. Percent Changes in CPI for All Urban Consumers (CPI-U)

Expenditure category	Seasonally adjusted							Unadjusted
	Changes from preceding month 1979							Compound annual rate 3-mos. ended Dec. '79	12-mos. ended Dec. '79
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		
All items	1.0	1.0	1.1	1.1	1.0	1.0	1.2	13.5	13.3
Food and beverages	.2	.1	0	.9	.7	.6	1.3	10.8	10.0
Housing	1.3	1.2	1.4	1.2	1.5	1.3	1.2	17.0	15.2
Apparel and upkeep	- .1	-.1	.7	1.3	.2	.2	.8	4.8	5.5
Transportation	1.7	1.8	1.5	1.2	.5	1.4	1.6	14.5	18.2
Medical care	.7	.7	.8	.9	1.0	.9	1.2	13.3	10.1
Entertainment	.1	.7	.7	.3	.6	.6	.2	5.8	6.9
Other goods and services	.5	.5	1.0	1.6	.2	.2	.6	4.4	7.9

(Data for CPI-U are shown in tables 1 through 3.)

Prices of grocery store foods increased 1.4 percent in December. The index for meats, poultry, fish, and eggs rose 3.2 percent and accounted for about three-fourths of the increase. Prices for beef, pork, and poultry all advanced sharply in December. Egg prices rose substantially for the second consecutive month. The index for cereal and bakery products also rose sharply in December. On the other hand, most other grocery store foods showed moderate increases in December. Prices of the other two components of the food and beverage index--restaurant meals and alcoholic beverages--rose 1.0 and 0.3 percent, respectively, in December.

The rise in the housing index in December (1.2 percent), due primarily to rising homeownership costs, was the eleventh consecutive large monthly increase. Home financing costs slowed from 3.7 percent in November to 2.9 percent in December. Mortgage interest rates rose 1.8 percent in December, about the same as in November, whereas, house prices rose less. (The 12-month percent changes for 5 experimental measures of housing costs can be found at the end of this release.) Prices for household fuels increased 1.3 percent in December following a 1.3 percent decline in November. Fuel oil prices rose 1.4 percent, compared with 0.4 percent in November and average monthly increases of over 4.5 percent during the first 10 months of 1979. Charges for both gas and electricity rose in December, following declines in November.

About one-half of the 1.6 percent increase in the transportation index for December was due to an increase of 2.7 percent in gasoline prices. For the year 1979, gasoline prices rose 52.2 percent. Used car prices rose 2.3 percent in December, following seasonal adjustment, the second consecutive large monthly increase. Prices for new cars declined 0.1 percent in December, following seasonal adjustment, after increasing 1.1 percent in November. Higher concessions on larger 1980 model cars and large discounts on the remaining 1979 models were largely responsible for the decline. The index for public transportation rose 3.1 percent in December, the sixth consecutive large monthly increase.

The medical care index rose 1.2 percent in December. Professional services rose 1.2 percent as fees for dental services increased 1.7 percent and physicians' services advanced 0.7 percent. Charges for hospital rooms increased 1.1 percent in December, the third consecutive large increase. The index for medical care commodities rose 0.8 percent, the same as in November.

The index for apparel and upkeep rose 0.8 percent in December, compared with increases of 0.2 percent in both October and November. Prices for women's and girls' clothing, following seasonal adjustment, increased in December after declines in both October and November. Prices for other apparel commodities--men's and boys', infants' and toddlers', and footwear--showed larger increases in December than in the previous month. Charges for apparel services rose 1.1 percent in December, compared with 0.8 percent in November and increases of 1.0 percent or more in each of the 3 preceding months.

The index for entertainment rose 0.2 percent in December, following increases of 0.6 percent in each of the 2 preceding months. The index for other goods and services rose 0.6 percent, following increases of 0.2 percent in both October and November.

Summary of Annual Changes--CPI-U

For the 12 months ended in December 1979, the CPI-U rose 13.3 percent, compared with 9.0 percent in 1978. This was larger than the 12.2 percent rise in 1974 and the largest December-to-December increase since the 18.2 percent rise in 1946. The acceleration in 1979 was due primarily to the housing and transportation components, which rose steadily throughout 1979 and accounted for about three-fourths of the increase in the CPI. Home financing costs, which rose 34.7 percent, and house prices, which rose 15.8 percent, accounted for about a third of the overall increase. Energy costs--fuel oil, coal and bottled gas, natural gas and electricity, and gasoline and motor oil and coolant--rose 37.4 percent and accounted for almost one-quarter of the change in the CPI. The index for food and beverages rose 10.0 percent in 1979, somewhat less than in 1978. Large increases in beef and veal prices,

particularly early in the year, were partially offset by declines in pork and poultry. Other food components showed similar price behavior, increasing about 10.0 percent over the year. All other major categories of consumer spending registered price increases moderately larger than in 1978.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers rose 1.1 percent in December, the twelfth consecutive monthly increase of about 1.0 percent. The increase in the food and beverage index in December, 1.3 percent, was the largest monthly rise since February. The housing and transportation components, primarily reflecting higher homeownership and energy costs, continued to increase substantially and accounted for over two-thirds of the December increase. The medical care component also rose substantially in December. The indexes for apparel and upkeep and other goods and services registered moderate increases in December, while the index for entertainment declined 0.4 percent.

Prices of grocery store foods increased 1.4 percent in December. The index for meats, poultry, fish, and eggs rose 3.2 percent and accounted for about three-fourths of the increase. Prices for beef, pork, and poultry all advanced sharply in December. Egg prices rose substantially for the second consecutive month. The index for cereal and bakery products also rose sharply in December. On the other hand, most other grocery store foods showed moderate increases in December.

The 1.2 percent rise in the housing index in December was the eleventh consecutive large monthly increase. Rising homeownership costs accounted for over three-fourths of the increase. Home financing costs rose 2.8 percent, following an increase of 3.8 percent in November. Mortgage interest rates rose 1.6 percent and house prices 1.0 percent in December compared with increases in November of 2.1 and 1.9 percent, respectively. Prices for household fuels increased 1.3 percent in December following a 1.3 percent decline in November. Fuel oil prices rose 1.5 percent, compared with 0.4 percent in November and average

monthly increases of over 4.5 percent during the first 10 months of 1979. The index for gas and electricity rose 1.2 percent, following a 2.0 percent decline in November.

About one-half of the 1.6 percent increase in the transportation index in December was due to an increase of 2.8 percent in gasoline prices. Used car prices rose 2.3 percent, following seasonal adjustment, the second consecutive increase. Prices for new cars declined 0.2 percent in December, following seasonal adjustment, after increasing 1.4 percent in November. The index for public transportation rose 2.5 percent in December, the sixth consecutive large monthly increase.

The medical care index rose 1.2 percent in December. Professional services rose 1.0 percent as fees for dental services increased 1.5 percent and physicians' services advanced 0.4 percent. Charges for hospital rooms increased 1.3 percent in December, the third consecutive large increase. The index for medical care commodities rose 0.9 percent, about the same as in November.

The index for apparel and upkeep rose 0.5 percent in December, following no change in November. Prices for most clothing items showed moderate increases in December following declines or small increases in November. Charges for apparel services rose 0.7 percent in December compared with 0.6 percent in November.

The index for entertainment declined 0.4 percent in December, following an increase of 0.5 percent in November. The index for other goods and services rose 0.5 percent, following increases of 0.2 percent in both October and November.

Table B. Percent changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure category	Seasonally adjusted								Unadjusted
	Changes from preceding month							Compound annual rate 3-mos. ended	12-mos. ended
	1979								
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Dec. '79	Dec. '79
All items	1.0	1.0	1.0	1.1	0.9	1.0	1.1	12.9	13.4
Food and beverages	.3	.2	0	.9	.7	.5	1.3	10.6	10.1
Housing	1.3	1.2	1.4	1.2	1.4	1.3	1.2	16.6	15.3
Apparel and upkeep	-.2	.2	.5	1.0	.5	0	.5	4.1	5.0
Transportation	1.8	1.7	1.5	1.2	.4	1.4	1.6	14.4	18.2
Medical care	.9	.8	.8	1.0	1.1	.8	1.2	12.8	10.4
Entertainment	.1	.7	.3	.7	.7	.5	-.4	3.4	5.8
Other goods and services	.4	.4	1.2	1.2	.2	.2	.5	4.3	7.7

(Data for CPI-W are shown in tables 4 through 6.)

Technical Notes

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. Effective with the January 1978 index, the Bureau of Labor Statistics began publishing CPI's for two population groups: (1) a new CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total noninstitutional civilian population; and (2) a revised CPI for Urban Wage Earners and Clerical Workers (CPI-W) which represents about half the population covered by the CPI-U. The CPI-U includes, in addition to wage earners and clerical workers, groups which historically have been excluded from CPI coverage, such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Prices are collected in 85 urban areas across the country from over 18,000 tenants, 18,000 housing units for property taxes, and about 24,000 establishments—grocery and department stores, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of food, fuels, and a few other items are obtained every month in all 85 locations. Prices of most other commodities and services are collected every month in the five largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits of the Bureau's trained representatives. Mail questionnaires are used to obtain public utility rates, some fuel prices, and certain other items.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Separate indexes are also published for 28 local areas. Area indexes do not measure differences in the level of prices among cities; they only measure the average change in prices for each area since the base period.

The index measures price changes from a designated reference date—1967—which equals 100.0. An increase of 22 percent, for example, is shown as 122.0. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

For further details see the following: *The Consumer Price Index: Concepts and Content Over the Years*, Report 517, revised edition (Bureau of Labor Statistics, May 1978); *The Revision of the Consumer Price Index*, by W. John Layng, reprinted from the *Statistical Reporter*, February 1978, No. 78-5 (U.S. Dept. of Commerce), and *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978.

A Note About Calculating Index Changes

Movements of the indexes from one month to another are usually expressed as percent changes rather than changes in index points because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example in the accompanying box illustrates the computation of index point and percent changes.

Percent changes for 3-month and 6-month periods are expressed as annual rates and are computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

Index Point Change

CPI	189.8
Less previous index	189.2
Equals index point change:	0.6

Percent Change

Index point difference	0.6
Divided by the previous index	189.2
Equals:	0.003
Results multiplied by one hundred	0.003x100
Equals percent change:	0.3

A Note on Seasonally Adjusted and Unadjusted Data

Because price data are used for different purposes by different groups, the Bureau of Labor Statistics publishes seasonally adjusted as well as unadjusted changes each month.

For analyzing general price trends in the economy, seasonally adjusted changes are usually preferred since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude every year—such as price movements resulting from changing climatic conditions, production cycles, model changeovers, holidays, and sales.

The unadjusted data are of primary interest to consumers concerned about the prices they acutally pay. Unadjusted data are also used extensively for escalation purposes. Many collective bargaining contract agreements and pension plans, for example, tie compensation changes to the Consumer Price Index unadjusted for seasonal variation.

Seasonal factors used in computing the seasonally adjusted indexes are derived by the X-11 Variant of the Census Method II Seasonal Adjustment Program. The updated seasonal data at the end of 1977 replaced data from 1967 through 1977. Subsequent annual updates will replace 5 years of seasonal data, e.g., data from 1974 through 1978 will be replaced at the end of 1978. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components.

24 Hour CPI Mailgram Service

Consumer Price Index data now are available by mailgram within 24 hours of the CPI release. The new service is being offered by the Bureau of Labor Statistics through the National Technical Information Service of the U.S. Department of Commerce.

The CPI MAILGRAM service provides unadjusted and seasonally adjusted data both for the All Urban Consumers (CPI-U) and for the Urban Wage Earners and Clerical Workers (CPI-W) indexes as shown on the CPI-U sample page below. The unadjusted data include the current month's index and the percent changes from 12 months ago and one month ago. The seasonally adjusted data are the percent changes from one month ago.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U): U.S. CITY AVERAGE (1967=100)

GROUP	UNADJ INDEX MAY 1979	UNADJUSTED PER CHG FROM 12 MO AGO	UNADJUSTED PER CHG FROM 1 MO AGO	S ADJ PER CHG FROM 1 MO AGO
ALL ITEMS	216.1	10.8	1.2	1.1
ALL ITEMS(1957-59=100)	249.0	-	-	-
FOOD AND BEVERAGES	228.2	11.2	.8	.7
FOOD	234.3	11.4	.9	.7
FOOD AT HOME	233.4	11.3	.7	.5
CEREALS AND BAKERY PRODUCTS	219.2	9.5	.8	1.0
MEATS, POULTRY, FISH, AND EGGS	242.2	19.4	.9	.1
DAIRY PRODUCTS	223.3	11.1	.7	.6
FRUITS AND VEGETABLES	226.8	3.4	.1	-.2
FOOD AWAY FROM HOME	241.1	11.7	1.1	1.1
HOUSING	222.4	11.3	1.2	1.2
RENT, RESIDENTIAL	173.5	5.8	1.3	1.3
HOMEOWNERSHIP	254.9	14.5	1.3	1.3
FUEL AND OTHER UTILITIES	292.2	7.7	2.1	2.2
FUEL OIL, COAL, AND BOTTLED GAS	364.3	23.2	4.1	4.3
GAS (PIPED) AND ELECTRICITY	251.6	6.2	2.6	2.6
HOUSEHOLD FURNISHINGS AND OPERATION	189.2	7.5	.3	.4
APPAREL AND UPKEEP	166.1	3.9	.4	.0
TRANSPORTATION	207.7	13.6	2.4	1.8
NEW CARS	155.8	8.7	.9	1.1
USED CARS	225.4	11.3	2.7	-.5
GASOLINE	247.7	29.1	5.5	5.2
PUBLIC TRANSPORTATION	193.3	5.1	.4	.7
MEDICAL CARE	236.3	8.9	.5	.6
MEDICAL CARE SERVICES	254.4	9.4	.5	.6
ENTERTAINMENT	187.8	6.6	.7	.5
OTHER GOODS AND SERVICES	193.9	7.5	.4	.5
PERSONAL CARE 1/	193.9	7.5	.6	.6
COMMODITIES	205.8	10.7	1.2	.9
COMMODITIES LESS FOOD AND BEVERAGES	192.9	10.7	1.5	1.0
NONDURABLES LESS FOOD AND BEVERAGES	195.7	12.0	2.0	1.9
DURABLES	189.2	13.3	1.1	.5
SERVICES	229.5	10.3	1.1	1.3
ALL ITEMS LESS FOOD	205.9	10.5	1.3	1.2
ENERGY 1/	260.3	19.3	4.2	4.2
ALL ITEMS LESS FOOD AND ENERGY	204.1	9.5	.9	.9

1/ NOT SEASONALLY ADJUSTED.

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TABLE 1. Consumer Price Index for all urban consumers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes Nov. 1979	Dec. 1979	Unadjusted percent change to Dec. 1979 from- Dec. 1978	Nov. 1979	Seasonally adjusted percent change from- Sept. to Oct.	Oct. to Nov.	Nov. to Dec.
Expenditure category								
All items	100.000	227.5	229.9	13.3	1.1	1.0	1.0	1.2
All items(1957-59=100)	-	264.6	267.4	-	-	-	-	-
Food and beverages	19.242	233.1	235.5	10.0	1.0	.7	.6	1.3
Food	18.161	239.1	241.7	10.2	1.1	.8	.5	1.3
Food at home	12.816	236.0	238.7	9.5	1.1	.7	.5	1.4
Cereals and bakery products	1.583	228.7	231.6	11.4	1.3	.5	.6	1.1
Meats, poultry, fish, and eggs	4.363	230.2	235.5	8.8	2.3	1.0	.9	3.2
Dairy products	1.683	216.0	216.9	10.4	.4	.5	1.1	.3
Fruits and vegetables	1.757	229.5	230.2	9.8	.3	.5	-.9	.1
Sugar and sweets	.440	283.2	284.6	7.4	.5	.4	.3	.8
Fats and oils	.367	232.3	233.0	7.1	.3	-.2	.2	.5
Nonalcoholic beverages 1/	1.418	374.3	375.4	9.9	.3	1.2	.6	.3
Other prepared foods	1.045	215.3	217.4	9.9	1.0	.0	.3	.7
Food away from home	5.545	251.3	253.4	11.4	.8	.9	.7	1.0
Alcoholic beverages	1.080	177.4	178.0	8.0	.3	.9	.8	.3
Housing	44.258	240.8	243.6	15.2	1.2	1.5	1.3	1.2
Shelter	29.827	255.9	259.4	17.4	1.4	1.8	1.8	1.5
Rent, residential	5.535	182.1	182.9	7.9	.4	1.3	.4	.3
Other rental costs	.735	243.1	244.9	13.1	.7	1.2	1.2	1.2
Homeownership	23.557	282.4	286.9	19.8	1.6	1.9	2.1	1.7
Home purchase	10.100	237.3	239.9	15.8	1.1	1.9	1.8	1.1
Financing, taxes, and insurance	9.686	340.1	348.3	27.5	2.4	2.3	2.9	2.6
Maintenance and repairs	3.705	266.4	268.5	10.3	.7	.9	.8	1.0
Maintenance and repair services	2.846	288.8	290.4	10.6	.6	.9	.8	1.0
Maintenance and repair commodities	.859	214.0	216.6	9.2	1.2	.7	.8	1.1
Fuel and other utilities	6.328	252.0	255.1	16.0	1.2	.7	.6	1.1
Fuels	4.231	307.0	311.8	23.4	1.6	1.2	-1.3	1.3
Fuel oil, coal, and bottled gas	.879	477.4	488.0	56.5	2.2	1.5	.6	1.5
Gas (piped) and electricity	3.352	267.3	270.8	14.6	1.3	1.1	-2.0	1.2
Other utilities and public services	2.098	161.0	161.9	1.1	.6	-.5	1.1	.6
Household furnishings and operation	8.105	195.1	195.8	6.4	.4	.6	.9	.5
Housefurnishings	4.457	166.6	166.9	5.2	.2	.7	.8	.4
Housekeeping supplies	1.542	228.3	229.2	7.2	.4	.4	1.4	.3
Housekeeping services	2.106	256.6	258.1	8.4	.6	.6	.9	.7
Apparel and upkeep	5.886	171.7	172.2	5.5	.3	.2	.2	.8
Apparel commodities	4.819	165.9	166.1	4.5	.1	.2	.1	.7
Men's and boys' apparel	1.532	165.4	165.4	3.2	.0	.7	.2	.4
Women's and girls' apparel	1.891	155.1	154.6	1.9	-.3	-1.2	-.7	.5
Infants' and toddlers' apparel	.118	226.3	227.1	3.6	.4	.6	.5	1.0
Footwear	.698	183.8	184.3	6.7	.3	1.2	.5	.6
Other apparel commodities	.580	177.8	180.9	11.7	1.7	1.4	1.1	1.9
Apparel services 1/	.666	214.2	216.6	12.5	1.1	1.1	.8	1.1
Transportation	17.806	224.9	227.7	18.2	1.2	.5	1.4	1.6
Private transportation	16.782	225.0	227.5	18.2	1.1	.4	1.2	1.5
New cars	3.938	170.6	171.7	7.4	.6	-1.5	1.1	.1
Used cars	3.148	198.4	198.2	2.2	-.1	-.1	1.3	2.3
Gasoline	4.183	306.9	313.9	52.2	2.3	1.8	1.7	2.7
Maintenance and repair	1.515	250.8	252.6	10.2	.7	.9	.7	.8
Other private transportation	4.001	205.5	207.5	8.9	1.0	.6	.6	.9
Other private trans. commodities	.719	183.4	185.6	13.0	1.2	1.9	1.1	1.3
Other private trans. services	3.288	213.4	215.3	8.0	.9	.3	.6	.8
Public transportation	1.024	216.5	223.0	17.9	3.0	1.7	3.6	3.1
Medical care	4.959	248.0	250.7	10.1	1.1	1.0	.9	1.2
Medical care commodities	.845	157.8	159.2	7.6	.9	.6	.8	.8
Medical care services	4.115	267.6	270.7	10.6	1.2	1.1	.9	1.3
Professional services 1/	1.982	233.0	235.9	9.3	1.2	.6	.6	1.2
Other medical care services	2.133	309.5	312.8	11.8	1.1	1.6	1.1	1.5
Entertainment	3.963	192.8	193.4	6.9	.3	.6	.6	.2
Entertainment commodities	2.330	194.0	195.2	7.7	.6	.8	.7	.4
Entertainment services	1.633	191.5	191.1	5.8	-.2	.4	.5	-.2
Other goods and services	4.287	202.9	204.0	7.9	.5	.2	.2	.6
Tobacco products	1.152	191.5	192.1	6.2	.3	.1	-.2	.1
Personal care 1/	1.707	200.9	203.0	8.4	1.0	.4	.6	1.0
Toilet goods and personal care appliances 1/	.762	193.1	195.8	8.2	1.4	.6	.3	1.4
Personal care services 1/	.945	208.5	210.0	8.4	.7	.3	.7	.7
Personal and educational expenses	1.427	224.2	224.6	8.7	.2	.2	.3	.4
School books and supplies	.183	202.3	202.5	7.9	.1	-3.5	-.2	.6
Personal and educational services	1.245	229.6	229.9	8.8	.1	.8	.4	.4
Commodity and service group								
All items	100.000	227.5	229.9	13.3	1.1	1.0	1.0	1.2
Commodities	59.213	217.4	219.4	13.0	.9	.8	.9	1.1
Food and beverages	19.242	233.1	235.5	10.0	1.0	.7	.6	1.3
Commodities less food and beverages	39.972	206.9	208.8	14.5	.9	.8	1.1	1.1
Nondurables less food and beverages	16.671	216.6	219.0	20.3	1.1	.8	.7	1.2
Apparel commodities	4.819	165.9	166.1	4.5	.1	.2	.1	.7
Nondurables less food, beverages, and apparel 1/	11.852	246.4	250.0	26.8	1.5	.9	.9	1.5
Durables	23.301	198.4	199.8	10.3	.7	.7	1.5	.9
Services	40.787	246.2	249.3	13.7	1.3	1.2	1.1	1.3
Rent, residential	5.535	182.1	182.9	7.9	.4	1.3	.4	.3
Household services less rent	20.820	284.6	289.2	18.0	1.6	1.5	1.4	1.8
Transportation services	5.828	221.5	224.2	10.3	1.2	.7	1.1	1.3
Medical care services	4.115	267.6	270.7	10.6	1.2	1.1	.9	1.3
Other services	4.489	206.5	207.1	8.1	.3	.6	.5	.3
Special indexes:								
All items less food	81.839	224.1	226.4	14.0	1.0	1.0	1.1	1.2
All items less shelter	70.173	218.6	220.6	11.5	.9	.6	.7	1.1
All items less mortgage interest costs 1/	92.728	219.8	221.7	11.6	.9	.7	.7	.9
All items less medical care	95.041	226.2	228.6	13.4	1.1	.9	1.0	1.2
Commodities less food	41.052	205.4	207.2	14.3	.9	.8	1.1	1.1
Nondurables less food	17.751	212.9	215.2	19.6	1.1	.7	.6	1.3
Nondurables less food and apparel 1/	12.932	236.8	240.1	25.2	1.4	.9	.9	1.4
Nondurables 1/	35.912	225.8	228.2	14.8	1.1	.6	.6	1.1
Services less rent	35.252	258.2	261.6	14.6	1.3	1.2	1.2	1.5
Services less medical care 1/	36.672	242.2	245.3	14.1	1.2	1.1	1.1	1.2
Energy 1/	8.502	307.8	313.7	37.4	1.9	1.1	.1	1.9
All items less energy 1/	91.498	221.4	223.6	11.1	1.0	.9	1.0	1.0
All items less food and energy 1/	73.337	216.1	218.1	11.3	.9	1.0	1.2	.9
Commodities less food and energy	35.902	191.4	192.6	8.8	.6	.6	1.0	.8
Energy commodities 1/	5.150	332.5	340.0	52.3	2.3	1.1	1.1	2.3
Services less energy	37.435	244.6	247.6	13.0	1.2	1.2	1.4	1.4
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.440	$.435	-11.8	-1.1	-.9	-.9	-1.1
1957-59=$1.00 1/	-	.378	.374	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

Table 1A. Consumer Price Index for All Urban Consumers:
U.S. city average, by expenditure category and commodity and service group
1967=100

Group	Annual average 1978	Annual average 1979	Percent change from 1978 to 1979
Expenditure category			
All items	195.4	217.4	11.3
All items(1957-59=100)	227.3	252.9	-
Food and beverages	206.3	228.5	10.8
Food	211.4	234.5	10.9
Food at home	210.2	232.9	10.8
Cereals and bakery products	199.9	220.1	10.1
Meats, poultry, fish, and eggs	204.3	234.2	14.6
Dairy products	185.6	207.1	11.6
Fruits and vegetables	212.9	230.0	8.0
Sugar and sweets	257.5	277.6	7.8
Fats and oils	209.6	226.3	8.0
Nonalcoholic beverages	340.8	357.8	5.0
Other prepared foods	189.4	208.5	10.1
Food away from home	218.4	242.9	11.2
Alcoholic beverages	159.8	172.4	7.9
Housing	202.8	227.6	12.2
Shelter	210.4	239.7	13.9
Rent, residential	164.0	176.0	7.3
Other rental costs	207.8	233.9	12.6
Homeownership	227.2	262.4	15.5
Home purchase	196.7	223.1	13.4
Financing, taxes, and insurance	257.8	308.9	19.8
Maintenance and repairs	233.0	256.8	10.0
Maintenance and repair services	251.4	277.8	10.5
Maintenance and repair commodities	190.2	206.5	8.6
Fuel and other utilities	216.0	239.3	10.8
Fuels	247.4	286.4	15.8
Fuel oil, coal, and bottled gas	298.3	403.1	35.1
Gas (piped) and electricity	232.6	257.8	10.8
Other utilities and public services	158.3	159.5	.8
Household furnishings and operation	177.7	190.3	7.1
Housefurnishings	154.3	163.1	5.7
Housekeeping supplies	206.3	222.1	7.7
Housekeeping services	226.3	248.9	10.0
Apparel and upkeep	159.6	166.6	4.4
Apparel commodities	155.7	161.1	3.5
Men's and boys' apparel	157.3	160.8	2.2
Women's and girls' apparel	148.3	151.9	1.7
Infants' and toddlers' apparel	216.5	220.9	2.0
Footwear	163.8	176.7	7.9
Other apparel commodities	158.2	169.9	7.4
Apparel services	185.2	205.7	11.1
Transportation	185.5	212.0	14.3
Private transportation	185.0	212.3	14.8
New cars	153.8	166.0	7.9
Used cars	186.5	201.0	7.8
Gasoline	196.3	265.6	35.3
Maintenance and repair	220.6	242.6	10.0
Other private transportation	184.6	198.6	7.6
Other private trans. commodities	159.3	174.4	9.5
Other private trans. services	193.2	207.0	7.1
Public transportation	187.8	200.3	6.7
Medical care	219.4	239.7	9.3
Medical care commodities	143.5	153.8	7.2
Medical care services	235.4	258.3	9.7
Professional services	208.8	226.8	8.6
Other medical care services	267.6	296.4	10.8
Entertainment	176.6	188.5	6.7
Entertainment commodities	177.7	189.3	6.5
Entertainment services	175.4	187.6	7.0
Other goods and services	183.3	196.7	7.3
Tobacco products	177.3	187.9	6.0
Personal care	182.0	195.8	7.6
Toilet goods and personal care appliances	176.6	188.7	6.9
Personal care services	187.3	202.7	8.2
Personal and educational expenses	198.0	213.8	8.0
School books and supplies	182.9	195.1	6.7
Personal and educational services	202.0	218.6	8.2
Commodity and service group			
All items	195.4	217.4	11.3
Commodities	187.1	208.4	11.4
Food and beverages	206.3	228.5	10.8
Commodities less food and beverages	175.7	196.4	11.8
Nondurables less food and beverages	176.3	201.6	14.4
Apparel commodities	155.7	161.1	3.5
Nondurables less food, beverages, and apparel	190.2	226.0	18.8
Durables	173.9	191.1	9.9
Services	210.9	234.2	11.0
Rent, residential	164.0	176.0	7.3
Household services less rent	234.7	267.2	13.8
Transportation services	197.4	212.8	7.8
Medical care services	235.4	258.3	9.7
Other services	184.7	199.8	8.2
Special indexes:			
All items less food	191.2	213.0	11.4
All items less shelter	191.3	210.8	10.2
All items less mortgage interest costs	192.2	211.4	10.0
All items less medical care	194.0	216.1	11.4
Commodities less food	174.7	195.1	11.7
Nondurables less food	174.3	198.7	14.0
Nondurables less food and apparel	185.0	218.2	17.9
Nondurables	192.0	215.9	12.4
Services less rent	219.4	244.9	11.6
Services less medical care	206.9	230.1	11.2
Energy	220.4	275.9	25.2
All items less energy	193.8	213.1	10.0
All items less food and energy	188.7	207.0	9.7
Commodities less food and energy	170.8	185.1	8.4
Energy commodities	212.8	287.0	34.9
Services less energy	209.2	232.4	11.1
Purchasing power of the consumer dollar:			
1967=$1.00	$ .512	$ .461	-10.0
1957-59=$1.00	.440	.396	-

CPI-U

TABLE 2. Consumer Price Index for all urban consumers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in				6 months ending in	
	Sept. 1979	Oct. 1979	Nov. 1979	Dec. 1979	Mar. 1979	June 1979	Sept. 1979	Dec. 1979	June 1979	Dec. 1979
					Expenditure category					
All items	-	-	-	-	13.0	13.4	13.2	13.5	13.2	13.4
Food and beverages	231.1	232.8	234.1	237.1	17.6	7.5	4.3	10.8	12.4	7.5
Food	237.1	238.9	240.2	243.4	17.7	7.5	4.2	11.1	12.5	7.6
Food at home	234.8	236.4	237.6	241.0	19.2	5.7	2.8	11.0	12.3	6.8
Cereals and bakery products	226.7	227.9	229.2	231.8	8.5	10.2	17.8	9.3	9.3	13.5
Meats, poultry, fish, and eggs	227.1	229.4	231.4	238.8	40.3	2.7	-20.5	22.3	20.0	-1.4
Dairy products	211.7	212.7	215.1	215.8	12.9	9.9	11.3	8.0	11.4	9.6
Fruits and vegetables	239.5	240.7	238.6	238.8	12.7	.5	29.8	-1.2	6.4	13.2
Sugar and sweets	284.3	285.4	286.3	288.1	1.4	12.0	11.6	5.5	6.5	8.5
Fats and oils	230.8	230.3	230.7	231.8	8.4	9.9	8.2	1.7	9.2	4.9
Nonalcoholic beverages 1/	367.7	372.1	374.3	375.4	6.5	3.9	21.3	8.6	5.2	14.8
Other prepared foods	213.9	214.0	214.7	216.3	10.6	13.9	10.6	4.6	12.2	7.5
Food away from home	247.4	249.6	251.3	253.9	15.6	11.8	7.6	10.9	13.7	9.3
Alcoholic beverages	174.4	176.0	177.4	178.0	11.4	6.0	5.9	8.5	8.7	7.2
Housing	234.3	237.7	240.7	243.7	12.0	15.5	16.1	17.0	13.8	16.6
Shelter	246.8	251.2	255.7	259.5	14.3	15.9	17.6	22.2	15.1	19.9
Rent, residential	179.2	181.6	182.3	182.9	3.6	8.7	10.7	8.5	6.1	9.6
Other rental costs	238.3	241.1	244.1	247.1	15.1	10.1	11.7	15.6	12.5	13.6
Homeownership	271.0	276.2	282.1	287.0	16.7	18.0	19.3	25.8	17.3	22.5
Home purchase	229.3	233.6	237.8	240.4	10.8	15.5	16.5	20.8	13.1	18.6
Financing, taxes, and insurance	321.7	329.2	338.7	347.6	25.8	23.1	25.4	36.3	24.5	30.7
Maintenance and repairs	261.6	263.9	266.0	268.7	8.3	10.9	10.6	11.3	9.6	10.9
Maintenance and repair services	283.0	285.6	287.9	290.7	9.8	12.4	8.8	11.3	11.1	10.1
Maintenance and repair commodities	211.7	213.1	214.9	217.3	3.5	5.5	17.3	11.0	4.5	14.1
Fuel and other utilities	252.2	254.0	252.4	255.1	9.6	27.3	23.8	4.7	18.1	13.8
Fuels	308.5	312.3	308.1	312.0	16.1	41.1	35.2	4.6	28.0	18.9
Fuel oil, coal, and bottled gas	468.6	475.6	478.4	485.6	36.7	89.4	100.9	15.3	60.9	52.2
Gas (piped) and electricity	270.9	273.9	268.4	271.6	10.7	29.9	18.9	1.0	19.9	9.6
Other utilities and public services	159.6	158.8	160.5	161.4	-2.0	1.8	.3	4.6	-.1	2.4
Household furnishings and operation	192.2	193.4	195.1	196.0	6.9	5.4	5.4	8.1	6.2	6.8
Housefurnishings	163.9	165.0	166.3	166.9	6.7	4.0	2.7	7.5	5.4	5.1
Housekeeping supplies	224.5	225.3	228.5	229.2	7.9	7.0	5.1	8.6	7.4	6.9
Housekeeping services	253.7	255.1	257.4	259.1	5.8	8.3	10.8	8.8	7.1	9.8
Apparel and upkeep	168.9	169.3	169.6	170.9	8.7	1.5	7.7	4.8	5.0	6.2
Apparel commodities	163.1	163.4	163.5	164.6	7.6	.0	7.2	3.7	3.7	5.4
Men's and boys' apparel	162.1	163.2	163.6	164.3	-.5	3.3	4.8	5.5	1.4	5.2
Women's and girls' apparel	154.1	152.3	151.3	152.0	14.1	-7.1	7.6	-5.3	3.0	.9
Infants' and toddlers' apparel	222.1	223.5	224.7	226.9	-3.8	9.5	.5	8.9	2.7	4.7
Footwear	179.7	181.9	182.9	184.3	4.8	12.4	7.0	10.6	8.5	8.8
Other apparel commodities	172.6	175.1	177.1	180.5	13.8	1.0	13.3	19.6	7.2	16.4
Apparel services 1/	210.2	212.5	214.2	216.6	16.5	10.0	11.0	12.7	13.2	11.9
Transportation	220.7	221.8	224.8	228.3	14.6	24.4	19.5	14.5	19.4	17.0
Private transportation	221.3	222.2	224.9	228.2	14.8	25.8	19.2	13.1	20.2	16.1
New cars	169.8	167.2	169.1	169.0	12.8	12.7	6.9	-1.9	12.7	2.4
Used cars	197.0	196.9	199.4	203.9	9.1	-4.6	-8.8	14.8	2.0	2.3
Gasoline	297.1	302.3	307.5	315.8	35.6	90.8	63.1	27.7	60.8	44.3
Maintenance and repair	247.3	249.6	251.3	253.4	9.9	11.3	9.1	10.2	10.6	9.6
Other private transportation	202.8	204.1	205.4	207.2	5.1	10.6	10.9	9.0	7.8	10.0
Other private trans. commodities	177.5	180.9	182.9	185.2	11.7	10.6	11.3	18.5	11.2	14.9
Other private trans. services	211.6	212.2	213.4	215.1	3.5	10.8	10.9	6.8	7.0	8.8
Public transportation	204.6	208.1	215.6	222.3	5.9	7.1	22.2	39.4	6.5	30.5
Medical care	243.7	246.2	248.3	251.4	9.4	7.7	9.9	13.3	8.6	11.6
Medical care commodities	156.0	156.9	158.1	159.4	6.9	6.2	8.1	9.0	6.6	8.5
Medical care services	262.8	265.6	267.9	271.5	10.1	8.0	10.5	13.9	9.1	12.2
Professional services 1/	230.3	231.6	233.0	235.9	11.2	7.4	8.4	10.1	9.3	9.2
Other medical care services	302.0	306.8	310.1	314.7	8.5	8.8	12.3	17.9	8.6	15.0
Entertainment	190.9	192.1	193.2	193.6	8.9	5.5	7.2	5.8	7.2	6.5
Entertainment commodities	191.8	193.3	194.6	195.4	11.0	2.8	9.3	7.7	6.8	8.5
Entertainment services	190.0	190.8	191.7	191.3	6.8	9.5	4.1	2.8	8.1	3.4
Other goods and services	201.2	201.7	202.2	203.4	8.5	5.7	12.6	4.4	7.1	8.5
Tobacco products	191.5	191.7	191.3	191.5	11.8	3.7	9.7	.0	7.7	4.8
Personal care 1/	199.0	199.8	200.9	203.0	10.7	6.2	8.5	8.3	8.4	8.4
Toilet goods and personal care appliances 1/	191.4	192.5	193.1	195.8	12.0	3.9	7.7	9.5	7.9	8.6
Personal care services 1/	206.4	207.0	208.5	210.0	9.0	8.5	9.0	7.2	8.8	8.1
Personal and educational expenses	221.2	221.6	222.3	223.1	5.4	6.3	20.6	3.5	5.8	11.7
School books and supplies	205.6	198.5	198.1	199.3	13.6	6.7	26.4	-11.7	10.1	5.6
Personal and educational services	225.4	227.1	228.0	228.8	3.9	6.2	19.7	6.2	5.0	12.7
					Commodity and service group					
All items	-	-	-	-	13.0	13.4	13.2	13.5	13.2	13.4
Commodities	213.8	215.5	217.5	220.0	14.5	13.3	12.3	12.1	13.9	12.2
Food and beverages	231.1	232.8	234.1	237.1	17.6	7.5	4.3	10.8	12.4	7.5
Commodities less food and beverages	202.7	204.4	206.7	209.0	12.9	16.2	16.3	13.0	14.5	14.6
Nondurables less food and beverages	212.4	214.0	215.5	218.1	17.1	27.2	26.4	11.2	22.1	18.6
Apparel commodities	163.1	163.4	163.5	164.6	7.6	.0	7.2	3.7	3.7	5.4
Nondurables less food, beverages, and apparel 1/	242.2	244.3	246.4	250.0	19.1	41.8	34.7	13.5	30.0	23.7
Durables	194.1	195.4	198.4	200.2	10.0	9.1	8.7	13.2	9.6	10.9
Services	240.4	243.4	246.1	249.3	10.6	13.8	14.3	15.7	12.2	15.0
Rent, residential	179.2	181.6	182.3	182.9	3.6	8.7	10.7	8.5	6.1	9.6
Household services less rent	276.1	280.2	284.2	289.2	15.7	18.5	17.7	20.4	17.1	19.0
Transportation services	217.4	218.9	221.4	224.2	5.8	10.1	12.5	13.1	7.9	12.8
Medical care services	262.8	265.6	267.9	271.5	10.1	8.0	10.5	13.9	9.1	12.2
Other services	203.9	205.1	206.2	206.9	8.0	8.2	10.4	6.0	8.1	8.2
Special indexes:										
All items less food	219.2	221.4	223.9	226.5	12.0	14.9	15.4	14.0	13.4	14.7
All items less shelter	215.9	217.2	218.7	221.1	12.2	12.5	11.3	10.0	12.4	10.6
All items less mortgage interest costs 1/	216.7	218.3	219.8	221.7	11.3	14.2	11.3	9.6	12.8	10.4
All items less medical care	221.8	223.9	226.2	228.9	13.3	13.7	13.5	13.4	13.5	13.5
Commodities less food	201.3	202.9	205.2	207.4	12.9	15.8	16.2	12.7	14.4	14.4
Nondurables less food	209.0	210.5	211.8	214.6	16.5	25.8	25.7	11.2	21.1	18.2
Nondurables less food and apparel 1/	232.7	234.8	236.8	240.1	18.5	38.6	32.2	13.3	28.1	22.4
Nondurables 1/	223.1	224.5	225.8	228.2	17.3	18.1	14.4	9.5	17.7	11.9
Services less rent	251.8	254.8	257.9	261.7	11.7	14.5	15.1	16.7	13.1	15.9
Services less medical care 1/	236.7	239.6	242.3	245.3	11.2	13.7	16.2	15.3	12.5	15.8
Energy 1/	304.3	307.5	307.8	313.7	24.6	70.0	49.1	12.9	45.5	29.7
All items less energy 1/	217.3	219.2	221.4	223.6	11.6	10.6	10.0	12.1	11.1	11.0
All items less food and energy 1/	211.5	213.6	216.1	218.1	9.3	11.2	11.5	13.1	10.3	12.3
Commodities less food and energy	187.8	189.0	190.8	192.4	9.8	7.3	8.0	10.2	8.5	9.1
Energy commodities 1/	325.3	329.0	332.5	340.0	32.3	100.2	70.0	19.3	62.8	42.8
Services less energy	238.1	241.0	244.3	247.6	10.5	12.5	14.1	16.9	11.5	15.5

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

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TABLE 3. Consumer Price Index for all urban consumers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes Sept. 1979	Oct. 1979	Nov. 1979	Dec. 1979	Percent change to Dec. 1979 from- Dec. 1978	Oct. 1979	Nov. 1979	Percent change to Nov. 1979 from- Nov. 1978	Sept. 1979	Oct. 1979
U.S. city average			223.4	225.4	227.5	229.9	13.3	2.0	1.1	12.6	1.8	0.9
Chicago, Ill.-Northwestern Ind.	M		221.3	221.8	225.9	228.8	15.0	3.0	1.3	14.0	2.1	1.8
Detroit, Mich.	M		223.7	227.2	231.3	233.2	15.3	2.6	.8	14.5	3.4	1.8
L.A.-Long Beach, Anaheim, Calif.	M		220.7	221.8	224.2	226.0	15.7	2.8	1.7	13.2	1.6	1.1
N.Y., N.Y.-Northeastern N.J.	M		218.1	219.9	221.3	222.9	10.6	1.4	.7	10.2	1.5	.6
Philadelphia, Pa.-N.J.	M		219.5	220.1	222.9	223.7	11.2	1.6	.8	11.4	1.3	1.0
Anchorage, Alaska	1	10/67	213.2		213.7	-	-	-	-	9.8	.2	-
Baltimore, Md.	1		224.9	-	227.2	-	-	-	-	11.9	1.0	-
Boston, Mass.	1		218.1	-	222.7	-	-	-	-	11.5	2.1	-
Cincinnati, Ohio-Ky.-Ind.	1		229.0	-	233.4	-	-	-	-	12.8	1.9	-
Denver-Boulder, Colo.	1		240.8	-	245.9	-	-	-	-	16.3	2.1	-
Miami, Fla.	1	11/77	117.4	-	119.4	-	-	-	-	11.2	1.7	-
Milwaukee, Wis.	1		226.0	-	229.8	-	-	-	-	15.5	1.7	-
Northeast Pennsylvania	1		215.4		220.0	-	-	-	-	11.6	2.1	-
Portland, Oreg.-Wash.	1		232.2	-	236.8	-	-	-	-	14.2	1.9	-
St. Louis, Mo.-Ill.	1		222.2	-	225.7	-	-	-	-	13.2	1.6	-
San Diego, Calif.	1		240.4	-	247.8	-	-	-	-	18.1	3.1	-
Seattle-Everett, Wash.	1		222.8	-	227.8	-	-	-	-	11.8	2.2	-
Washington, D.C.-Md.-Va.	1		222.9	-	225.4	-	-	-	-	10.5	1.1	-
Atlanta, Ga.	4		-	220.8	-	223.3	12.3	1.1	-	-	-	-
Buffalo, N.Y.	2		-	218.7	-	221.2	10.8	1.1	-	-	-	-
Cleveland, Ohio	4		-	224.7	-	232.5	13.0	3.5	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	228.4	-	231.1	14.1	2.0	-	-	-	-
Honolulu, Hawaii	2		-	210.5	-	214.8	12.3	2.0	-	-	-	-
Houston, Tex.	2		-	244.2	-	248.7	13.2	1.8	-	-	-	-
Kansas City, Mo.-Kans.	2		-	229.9	-	233.7	17.8	1.7	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	4		-	231.2	-	236.0	12.2	1.2	-	-	-	-
Pittsburgh, Pa.	2		-	226.0	-	229.2	11.7	1.4	-	-	-	-
San Francisco-Oakland, Calif.	2		-	221.5	-	230.4	14.8	3.9	-	-	-	-
Region 3/												
Northeast	2	12/77		118.7	-	120.6	11.8	1.6	-	-	-	-
North Central	4	12/77	-	122.8	-	125.1	13.7	2.0	-	-	-	-
South	2	12/77	-	121.6	-	123.8	12.8	1.8	-	-	-	-
West	4	12/77	-	121.9	-	125.1	15.4	2.6	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	119.4	-	121.9	13.1	2.1	-	-	-	-
A-2	2	12/77	-	121.4	-	124.4	13.5	2.4	-	-	-	-
B	2	12/77	-	122.3	-	124.6	13.7	1.9	-	-	-	-
C	4	12/77	-	122.2	-	124.4	13.4	1.8	-	-	-	-
D	4	12/77	-	121.2	-	122.9	12.6	1.4	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	117.3	-	119.0	10.8	1.4	-	-	-	-
North Central/A	4	12/77	-	123.2	-	126.3	14.7	2.5	-	-	-	-
South/A	2	12/77	-	120.7	-	123.1	12.7	2.0	-	-	-	-
West/A	4	12/77	-	120.8	-	124.8	15.8	3.3	-	-	-	-
Northeast/B	2	12/77	-	120.4	-	122.4	12.8	1.7	-	-	-	-
North Central/B	2	12/77	-	122.3	-	124.6	13.1	1.9	-	-	-	-
South/B	4	12/77	-	122.8	-	124.6	13.2	1.8	-	-	-	-
West/B	2	12/77	-	123.6	-	126.6	15.7	2.4	-	-	-	-
Northeast/C	2	12/77	-	123.0	-	125.7	14.4	2.2	-	-	-	-
North Central/C	2	12/77	-	121.9	-	123.7	12.7	1.5	-	-	-	-
South/C	2	12/77	-	122.1	-	124.3	12.5	1.8	-	-	-	-
West/C	2	12/77	-	122.2	-	124.5	14.3	1.9	-	-	-	-
Northeast/D	2	12/77	-	119.2	-	121.8	12.9	2.2	-	-	-	-
North Central/D	4	12/77	-	122.0	-	123.0	12.0	.8	-	-	-	-
South/D	2	12/77	-	120.6	-	122.5	12.5	1.6	-	-	-	-
West/D	2	12/77	-	122.8	-	124.3	14.7	1.2	-	-	-	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 1,000,000.
A-2	1,250,000 to 1,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

TABLE 4. Consumer Price Index for urban wage earners and clerical workers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1978	Unadjusted indexes Nov. 1979	Dec. 1979	Unadjusted percent change to Dec. 1979 from- Dec. 1978	Nov. 1979	Seasonally adjusted percent change from- Sept. to Oct.	Oct. to Nov.	Nov. to Dec.
Expenditure category								
All items	100.000	227.6	230.0	13.4	1.1	0.9	1.0	1.1
All items(1957-59=100)	-	204.7	206.9	-	-	-	-	-
Food and beverages	20.946	233.1	235.7	10.1	1.1	.7	.5	1.3
Food	19.777	239.1	241.8	10.3	1.1	.7	.5	1.3
Food at home	13.899	235.4	238.3	9.5	1.2	.6	.5	1.4
Cereals and bakery products	1.715	229.7	232.3	11.3	1.1	.5	.6	1.0
Meats, poultry, fish, and eggs	4.862	230.0	235.1	8.7	2.2	.8	.9	3.2
Dairy products	1.856	216.3	217.4	10.5	.5	.3	1.2	.3
Fruits and vegetables	1.818	226.7	228.3	9.9	.7	.7	-1.3	.4
Sugar and sweets	.472	281.9	284.1	7.5	.8	.5	.2	.9
Fats and oils	.398	232.8	233.7	7.0	.4	.2	.5	.5
Nonalcoholic beverages 1/	1.615	370.7	372.3	9.3	.4	.9	.7	.4
Other prepared foods	1.164	215.7	217.2	9.9	.7	.1	.0	.4
Food away from home	5.877	252.7	255.1	12.1	.9	.9	.5	1.1
Alcoholic beverages	1.169	178.0	178.7	8.2	.4	1.0	.7	.5
Housing	40.957	240.7	243.6	15.3	1.2	1.4	1.3	1.2
Shelter	26.969	256.9	260.4	17.8	1.4	1.8	1.9	1.4
Rent, residential	5.238	181.9	182.7	7.9	.4	1.2	.5	.3
Other rental costs	.504	242.8	244.4	12.9	.7	1.3	1.2	1.2
Homeownership	21.227	284.1	288.7	20.4	1.6	1.9	2.2	1.7
Home purchase	8.921	237.7	240.2	16.2	1.1	1.9	1.9	1.0
Financing, taxes, and insurance	8.987	343.5	351.6	28.2	2.4	2.4	3.1	2.5
Maintenance and repairs	3.320	286.5	288.9	11.1	.9	.8	.6	1.1
Maintenance and repair services	2.351	290.3	292.8	12.0	.9	.8	.5	1.2
Maintenance and repair commodities	.969	273.6	275.8	9.0	1.0	.8	.8	1.0
Fuel and other utilities	6.221	252.8	255.7	16.4	1.3	.7	-.7	1.1
Fuels	4.215	306.9	311.8	23.3	1.6	1.2	-1.3	1.3
Fuel oil, coal, and bottled gas	.875	478.2	489.0	56.7	2.3	1.5	.0	1.5
Gas (piped) and electricity	3.340	267.1	270.7	18.6	1.3	1.1	-2.0	1.2
Other utilities and public services	2.006	180.9	181.8	7.1	.5	-.4	.9	.6
Household furnishings and operation	7.767	193.2	193.9	6.0	.4	.5	.8	.4
Housefurnishings	4.571	185.5	185.9	4.9	.2	.4	.0	.3
Housekeeping supplies	1.601	226.7	227.2	6.1	.2	.6	1.3	.0
Housekeeping services	1.595	255.9	257.5	8.9	.6	.8	.6	.7
Apparel and upkeep	5.524	171.3	171.4	5.0	.1	.5	.0	.5
Apparel commodities	4.886	165.7	165.7	4.1	.0	.4	-.1	.6
Men's and boys' apparel	1.531	165.3	165.0	2.9	-.2	.5	.1	.2
Women's and girls' apparel	1.927	154.5	153.5	1.1	-.6	-.4	-.8	.1
Infants' and toddlers' apparel	.131	228.7	230.5	7.0	.8	1.0	-.1	1.5
Footwear	.735	183.2	183.8	8.9	.3	1.1	.5	.8
Other apparel commodities	.562	179.8	182.9	11.1	1.7	1.9	.4	2.0
Apparel services 1/	.637	212.0	213.4	11.2	.7	1.0	.6	.7
Transportation	20.045	225.7	228.3	18.2	1.2	.4	1.8	1.6
Private transportation	19.121	225.7	228.2	18.4	1.1	.4	1.3	1.6
New cars	4.134	170.9	171.7	7.7	.5	-1.5	1.4	.2
Used cars	4.019	198.4	198.3	2.2	-.1	-.1	1.3	2.3
Gasoline	4.709	308.3	315.6	52.8	2.4	1.8	1.7	2.8
Maintenance and repair	1.665	251.1	253.4	10.4	.9	.8	.7	1.1
Other private transportation	4.514	206.3	208.4	9.1	1.0	.4	.9	.9
Other private trans. commodities	.804	183.9	186.4	12.0	1.4	1.1	1.7	1.4
Other private trans. services	3.710	214.3	216.3	8.5	.9	.2	.7	.8
Public transportation	.924	214.0	219.1	15.3	2.4	1.4	3.3	2.5
Medical care	4.889	249.1	251.7	10.8	1.0	1.1	.8	1.2
Medical care commodities	.771	158.5	159.9	7.5	.9	.4	.8	.9
Medical care services	3.717	268.8	271.8	11.0	1.1	1.2	.7	1.3
Professional services 1/	1.900	235.9	238.3	9.9	1.0	.8	.4	1.0
Other medical care services	1.817	309.3	313.9	12.2	1.5	1.7	1.0	1.6
Entertainment	3.794	192.0	191.5	5.8	-.3	.7	.5	-.4
Entertainment commodities	2.396	191.3	192.4	6.4	.6	.5	.5	.4
Entertainment services	1.396	194.3	190.9	4.8	-1.7	.9	.6	-1.7
Other goods and services	4.245	202.0	203.0	7.7	.5	.2	.2	.5
Tobacco products	1.392	191.4	192.1	6.4	.4	.1	-.2	.2
Personal care 1/	1.782	200.5	202.3	8.3	.9	.5	.6	.9
Toilet goods and personal care appliances 1/	.638	192.4	194.5	7.6	1.1	.3	.4	1.1
Personal care services 1/	.924	208.6	210.2	8.9	.8	.7	.6	.8
Personal and educational expenses	1.091	224.4	224.8	8.7	.2	.0	.4	.4
School books and supplies	.163	205.9	206.0	8.6	.0	-3.6	.0	.4
Personal and educational services	.929	229.3	229.7	8.7	.2	.7	.4	.4
Commodity and service group								
All items	100.000	227.6	230.0	13.4	1.1	0.9	1.0	1.1
Commodities	62.074	217.4	219.4	13.0	.9	.7	.9	1.1
Food and beverages	20.946	233.1	235.7	10.1	1.1	.7	.5	1.3
Commodities less food and beverages	41.128	206.9	208.7	14.5	.9	.7	1.1	1.1
Nondurables less food and beverages	17.651	218.1	220.5	21.0	1.1	.8	.6	1.2
Apparel commodities	4.886	165.7	165.7	4.1	.0	.4	-.1	.6
Nondurables less food, beverages, and apparel 1/	12.765	248.0	251.6	27.4	1.5	.9	.9	1.5
Durables	23.477	196.9	198.2	9.6	.7	.6	1.4	1.0
Services	37.926	240.7	249.6	13.9	1.2	1.2	1.1	1.3
Rent, residential	5.238	181.9	182.7	7.9	.4	1.2	.5	.3
Household services less rent	10.784	288.3	291.1	18.8	1.7	1.5	1.5	1.7
Transportation services	6.299	221.5	224.0	10.0	1.1	.6	1.5	1.1
Medical care services	3.717	268.8	271.8	11.0	1.1	1.2	.7	1.3
Other services	3.888	207.3	206.7	7.8	-.3	.8	.6	-.3
Special indexes:								
All items less food	80.223	224.2	226.4	14.1	1.0	1.0	1.1	1.2
All items less shelter	73.031	219.1	221.0	11.7	.9	.6	.6	1.1
All items less mortgage interest costs 1/	93.132	220.1	222.0	11.7	.9	.7	.6	.9
All items less medical care	95.511	226.2	228.5	13.5	1.0	.9	1.0	1.2
Commodities less food	42.297	205.4	207.1	14.3	.8	.7	1.1	1.1
Nondurables less food	18.820	214.4	216.7	20.2	1.1	.8	.6	1.3
Nondurables less food and apparel 1/	13.934	238.2	241.5	25.8	1.4	.9	.8	1.4
Nondurables 1/	38.597	226.5	229.0	15.1	1.1	.6	.5	1.1
Services less rent	32.689	258.8	262.1	14.9	1.3	1.2	1.2	1.3
Services less medical care 1/	30.209	242.6	245.5	14.2	1.2	1.2	1.2	1.4
Energy 1/	9.085	310.7	317.0	38.7	2.0	1.0	.2	2.0
All items less energy 1/	90.915	221.0	223.0	10.8	.9	.8	1.0	.9
All items less food and energy 1/	71.138	215.4	217.3	11.0	.9	.9	1.1	.9
Commodities less food and energy	38.552	190.4	191.4	8.3	.5	.5	.9	.6
Energy commodities 1/	5.745	333.8	341.5	52.7	2.3	1.1	1.1	2.3
Services less energy	34.586	245.1	248.0	13.9	1.2	1.2	1.4	1.2
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.439	$.435	-11.8	-.9	-.9	-.9	-.9
1957-59=$1.00 1/	-	.378	.374	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-W

Table 4A. Consumer Price Index for Urban Wage Earners and Clerical Workers: U.S. city average, by expenditure category and commodity and service group 1967=100

Group	Annual average 1978	Annual average 1979	Percent change from 1978 to 1979
Expenditure category			
All items	195.3	217.7	11.5
All items(1957-59=100)	227.2	253.2	-
Food and beverages	206.2	228.7	10.9
Food	211.2	234.7	11.1
Food at home	209.9	232.5	10.8
Cereals and bakery products	200.5	220.8	10.1
Meats, poultry, fish, and eggs	204.0	233.8	14.6
Dairy products	185.8	207.6	11.7
Fruits and vegetables	211.8	228.3	7.8
Sugar and sweets	257.5	277.0	7.6
Fats and oils	210.0	226.6	7.9
Nonalcoholic beverages	339.8	356.1	4.8
Other prepared foods	189.5	208.5	10.0
Food away from home	218.3	244.4	12.0
Alcoholic beverages	160.1	172.8	7.9
Housing	202.6	227.5	12.3
Shelter	210.3	240.3	14.3
Rent, residential	163.9	175.9	7.3
Other rental costs	207.7	233.4	12.4
Homeownership	227.2	263.6	16.0
Home purchase	196.6	223.1	13.5
Financing, taxes, and insurance	258.2	311.1	20.5
Maintenance and repairs	231.6	257.0	11.0
Maintenance and repair services	249.9	279.7	11.9
Maintenance and repair commodities	190.0	206.6	8.7
Fuel and other utilities	216.1	239.7	10.9
Fuels	247.4	286.3	15.7
Fuel oil, coal, and bottled gas	298.3	403.6	35.3
Gas (piped) and electricity	232.6	257.6	10.7
Other utilities and public services	158.3	159.6	.8
Household furnishings and operation	177.0	188.9	6.7
Housefurnishings	153.9	162.6	5.7
Housekeeping supplies	205.8	220.8	7.3
Housekeeping services	226.1	247.8	9.6
Apparel and upkeep	159.5	166.4	4.3
Apparel commodities	155.7	161.2	3.5
Men's and boys' apparel	157.5	161.4	2.5
Women's and girls' apparel	149.1	151.3	1.5
Infants' and toddlers' apparel	215.6	223.1	3.5
Footwear	163.1	176.1	8.0
Other apparel commodities	159.8	171.6	7.4
Apparel services	184.8	204.5	10.7
Transportation	185.8	212.8	14.5
Private transportation	185.3	212.9	14.9
New cars	153.6	165.8	7.9
Used cars	186.5	201.0	7.8
Gasoline	196.3	266.7	35.9
Maintenance and repair	221.1	243.0	9.9
Other private transportation	184.9	199.2	7.7
Other private trans. commodities	160.7	175.5	9.2
Other private trans. services	193.2	207.4	7.3
Public transportation	188.1	200.0	6.3
Medical care	219.4	240.1	9.4
Medical care commodities	143.9	154.7	7.5
Medical care services	235.3	258.5	9.9
Professional services	209.2	228.5	9.2
Other medical care services	267.0	295.2	10.6
Entertainment	176.2	187.6	6.5
Entertainment commodities	176.8	187.5	6.1
Entertainment services	175.9	188.8	7.3
Other goods and services	183.2	196.3	7.2
Tobacco products	177.2	188.0	6.1
Personal care	182.0	195.5	7.4
Toilet goods and personal care appliances	176.7	188.5	6.7
Personal care services	187.5	202.5	8.0
Personal and educational expenses	198.2	214.2	8.1
School books and supplies	183.9	198.0	7.7
Personal and educational services	202.0	218.5	8.2
Commodity and service group			
All items	195.3	217.7	11.5
Commodities	187.0	208.7	11.6
Food and beverages	206.2	228.7	10.9
Commodities less food and beverages	175.6	196.5	11.9
Nondurables less food and beverages	176.4	202.7	14.9
Apparel commodities	155.7	161.2	3.5
Nondurables less food, beverages, and apparel	190.2	227.1	19.4
Durables	173.8	190.4	9.6
Services	210.8	234.4	11.2
Rent, residential	163.9	175.9	7.3
Household services less rent	234.6	268.3	14.4
Transportation services	197.7	213.3	7.9
Medical care services	235.3	258.5	9.9
Other services	185.0	200.2	8.2
Special indexes:			
All items less food	191.1	213.1	11.5
All items less shelter	191.4	211.3	10.4
All items less mortgage interest costs	192.1	211.8	10.3
All items less medical care	193.9	216.2	11.5
Commodities less food	174.6	195.2	11.8
Nondurables less food	174.4	199.8	14.6
Nondurables less food and apparel	185.0	219.1	18.4
Nondurables	192.1	216.6	12.8
Services less rent	219.3	245.3	11.9
Services less medical care	206.8	230.3	11.4
Energy	220.3	277.7	26.1
All items less energy	193.7	213.0	10.0
All items less food and energy	188.5	206.7	9.7
Commodities less food and energy	170.7	184.6	8.1
Energy commodities	212.8	288.0	35.3
Services less energy	209.1	232.6	11.2
Purchasing power of the consumer dollar:			
1967=$1.00	$ .512	$ .460	-10.2
1957-59=$1.00	.440	.396	-

CPI-W

TABLE 5. Consumer Price Index for urban wage earners and clerical workers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes: Sept. 1979	Oct. 1979	Nov. 1979	Dec. 1979	Seasonally adjusted annual rate percent change for— 3 months ending in: Mar. 1979	June 1979	Sept. 1979	Dec. 1979	6 months ending in: June 1979	Dec. 1979
Expenditure category										
All items	-	-	-	-	13.9	13.4	13.2	12.9	13.6	13.1
Food and beverages	231.2	232.9	234.1	237.1	19.2	6.4	4.3	10.6	12.6	7.4
Food	237.3	238.9	240.2	243.4	19.6	6.4	4.3	10.7	12.6	7.5
Food at home	234.3	235.7	236.9	240.3	20.3	4.4	3.0	10.6	12.1	6.7
Cereals and bakery products	227.7	228.8	230.2	232.5	7.7	9.7	19.0	8.7	8.7	13.7
Meats, poultry, fish, and eggs	226.9	228.8	230.9	238.2	41.1	1.5	-19.7	21.5	19.7	-1.2
Dairy products	212.4	213.1	215.7	216.3	18.0	9.0	11.9	7.5	11.5	9.7
Fruits and vegetables	237.2	238.8	235.7	236.6	16.3	-2.5	29.9	-1.0	6.5	13.4
Sugar and sweets	283.2	284.5	285.0	287.6	2.6	10.2	11.2	6.4	6.3	8.7
Fats and oils	229.8	230.3	231.4	232.5	8.0	9.3	5.8	4.8	8.6	5.3
Nonalcoholic beverages 1/	365.0	368.2	370.7	372.3	7.6	1.9	20.3	8.2	4.7	14.1
Other prepared foods	213.7	214.0	215.3	216.1	11.4	13.5	10.4	4.6	12.5	7.4
Food away from home	249.1	251.3	252.7	255.4	19.1	11.4	7.6	10.5	15.2	9.0
Alcoholic beverages	174.9	176.7	178.0	178.9	11.1	6.3	6.4	9.5	8.7	7.9
Housing	234.4	237.6	240.7	243.6	12.5	16.0	16.3	16.6	14.2	16.5
Shelter	247.6	252.0	256.8	260.5	15.1	16.3	17.9	22.5	15.7	20.2
Rent, residential	179.1	181.2	182.1	182.7	3.6	8.9	10.5	6.3	6.2	9.4
Other rental costs	237.6	240.6	243.6	246.6	15.3	9.1	11.3	16.0	12.2	13.7
Homeownership	272.5	277.8	283.9	288.8	18.0	18.5	19.7	26.2	18.2	22.9
Home purchase	229.5	233.8	238.2	240.7	11.5	15.7	16.7	21.0	13.6	18.8
Financing, taxes, and insurance	324.3	332.2	342.5	350.9	26.2	23.8	26.2	37.1	25.0	31.5
Maintenance and repairs	262.5	264.6	266.2	269.1	12.6	11.0	10.2	10.4	11.8	10.3
Maintenance and repair services	285.8	288.0	289.4	292.8	14.8	14.8	8.2	10.2	14.8	9.2
Maintenance and repair commodities	210.8	212.5	214.2	216.4	7.7	2.4	15.1	11.1	5.0	13.1
Fuel and other utilities	252.8	254.5	252.8	255.6	9.4	28.2	24.1	4.5	18.4	13.9
Fuels	308.5	312.1	308.0	312.1	15.4	41.8	35.2	4.8	27.9	19.0
Fuel oil, coal, and bottled gas	469.5	476.5	479.2	486.6	37.1	89.1	101.6	15.4	61.0	52.5
Gas (piped) and electricity	270.7	273.6	268.2	271.5	9.8	30.5	16.8	1.2	19.7	9.6
Other utilities and public services	159.6	158.9	160.4	161.3	-1.7	1.5	.3	4.3	-.1	2.3
Household furnishings and operation	190.7	191.7	193.2	193.9	6.9	5.0	4.8	6.9	6.0	5.8
Housefurnishings	163.5	164.2	165.2	165.7	7.3	4.3	2.5	5.5	5.8	4.0
Housekeeping supplies	223.0	224.3	227.2	227.2	7.5	3.7	5.8	7.7	5.6	6.7
Housekeeping services	252.4	254.4	256.7	258.5	4.8	9.3	9.9	10.0	7.0	10.0
Apparel and upkeep	168.3	169.1	169.1	170.0	8.4	.5	7.2	4.1	4.4	5.6
Apparel commodities	162.8	163.5	163.3	164.2	7.6	-1.0	6.9	3.5	3.2	5.2
Men's and boys' apparel	162.5	163.3	163.5	163.9	1.3	2.5	4.6	3.5	1.9	4.0
Women's and girls' apparel	152.4	151.8	150.6	150.8	12.0	-8.3	6.0	-4.1	1.3	.8
Infants' and toddlers' apparel	224.9	227.1	226.9	230.3	7.4	10.2	.5	10.0	8.8	5.1
Footwear	179.2	181.2	182.1	183.6	4.6	13.8	7.0	10.2	9.1	8.6
Other apparel commodities	174.9	178.3	179.1	182.7	12.2	-3.7	18.0	19.1	3.9	18.5
Apparel services 1/	208.7	210.8	212.0	213.4	15.6	9.6	10.4	9.3	12.6	9.9
Transportation	221.6	222.5	225.6	229.2	15.3	24.5	19.4	14.4	19.8	16.9
Private transportation	221.9	222.8	225.7	229.2	15.3	25.5	19.4	13.8	20.3	16.6
New cars	169.6	167.1	169.4	169.0	13.1	12.4	7.4	-1.4	12.7	2.9
Used cars	197.0	196.9	199.4	204.0	9.1	-4.6	-8.8	15.0	2.0	2.4
Gasoline	298.4	303.7	308.9	317.5	36.3	92.2	63.0	28.2	61.8	44.5
Maintenance and repair	248.0	249.9	251.6	254.4	9.9	11.3	9.7	10.7	10.6	10.2
Other private transportation	203.6	204.4	206.3	208.1	4.9	10.5	11.8	9.1	7.7	10.5
Other private trans. commodities	178.5	180.5	183.5	186.0	7.9	10.6	11.8	17.9	9.2	14.8
Other private trans. services	212.3	212.8	214.3	216.1	4.3	10.5	11.7	7.4	7.4	9.5
Public transportation	203.5	206.3	213.1	218.4	5.2	7.9	17.2	32.7	6.5	24.7
Medical care	244.8	247.4	249.3	252.3	8.9	8.8	11.2	12.8	8.9	12.0
Medical care commodities	156.9	157.6	158.8	160.2	7.4	6.8	7.2	8.7	7.1	7.9
Medical care services	263.8	267.0	269.0	272.5	9.4	9.1	12.1	13.9	9.3	13.0
Professional services 1/	233.1	234.9	235.9	238.3	11.3	8.5	10.6	9.2	9.9	9.9
Other medical care services	301.3	306.5	309.6	314.6	6.9	10.0	13.2	18.9	8.4	16.0
Entertainment	190.2	191.5	192.5	191.8	6.8	5.8	7.3	3.4	6.3	5.3
Entertainment commodities	189.9	190.9	191.9	192.6	8.4	3.7	7.5	5.8	6.1	6.6
Entertainment services	191.8	193.5	194.7	191.3	4.0	10.1	6.5	-1.0	7.0	2.7
Other goods and services	200.4	200.9	201.4	202.5	9.7	5.5	11.5	4.3	7.6	7.8
Tobacco products	191.5	191.6	191.2	191.5	12.3	3.9	9.5	.0	8.0	4.6
Personal care 1/	198.4	199.4	200.5	202.3	10.5	6.6	8.0	8.1	8.5	8.1
Toilet goods and personal care appliances 1/	191.0	191.8	192.4	194.5	12.0	4.2	7.0	7.5	8.0	7.3
Personal care services 1/	205.8	207.3	208.6	210.2	9.2	8.6	9.0	8.8	8.9	8.9
Personal and educational expenses	221.6	221.7	222.5	223.3	5.8	6.5	20.3	3.1	6.1	11.4
School books and supplies	209.4	201.8	201.9	202.8	15.2	7.4	28.2	-12.0	11.2	6.2
Personal and educational services	225.2	226.7	227.7	228.6	3.9	6.4	19.0	6.2	5.1	12.4
Commodity and service group										
All items	-	-	-	-	13.9	13.4	13.2	12.9	13.6	13.1
Commodities	213.9	215.5	217.5	220.0	15.4	12.9	12.1	11.9	14.1	12.0
Food and beverages	231.2	232.9	234.1	237.1	19.2	6.4	4.3	10.6	12.6	7.4
Commodities less food and beverages	202.9	204.4	206.7	208.9	13.8	16.2	16.3	12.4	15.0	14.3
Nondurables less food and beverages	213.9	215.7	217.0	219.6	17.8	28.9	26.7	11.1	23.2	18.7
Apparel commodities	162.8	163.5	163.3	164.2	7.6	-1.0	6.9	3.5	3.2	5.2
Nondurables less food, beverages, and apparel 1/	243.8	245.9	248.0	251.6	19.5	43.2	35.7	13.4	30.8	24.0
Durables	193.1	194.2	196.9	198.8	9.6	9.6	6.9	12.3	9.6	9.6
Services	240.8	243.8	246.5	249.6	10.6	14.4	14.7	15.4	12.5	15.1
Rent, residential	179.1	181.2	182.1	182.7	3.6	8.9	10.5	8.3	6.2	9.4
Household services less rent	277.6	281.8	286.0	291.0	16.2	19.9	18.1	20.8	18.0	19.4
Transportation services	217.9	219.1	221.5	224.0	6.2	10.2	12.0	11.7	8.2	11.9
Medical care services	263.8	267.0	269.0	272.5	9.4	9.1	12.1	13.9	9.3	13.0
Other services	204.2	205.9	207.1	206.5	7.1	8.7	10.6	4.6	7.9	7.6
Special indexes:										
All items less food	219.4	221.6	224.0	226.6	12.4	15.3	15.4	13.8	13.9	14.6
All items less shelter	216.4	217.7	219.1	221.5	13.1	12.5	11.3	9.8	12.8	10.5
All items less mortgage interest costs 1/	217.2	218.7	220.1	222.0	12.2	14.4	11.2	9.1	13.3	10.2
All items less medical care	222.0	224.0	226.2	228.9	14.2	13.7	13.3	13.0	13.9	13.1
Commodities less food	201.4	202.9	205.1	207.4	13.4	16.1	15.9	12.5	14.7	14.2
Nondurables less food	210.4	212.1	213.3	216.1	17.3	26.7	26.5	11.3	21.9	18.6
Nondurables less food and apparel 1/	234.2	236.3	238.2	241.5	18.9	39.8	33.2	13.1	28.9	22.7
Nondurables 1/	223.9	225.3	226.5	229.0	18.4	17.8	14.8	9.4	18.1	12.1
Services less rent	252.4	255.5	258.6	262.1	11.7	15.5	15.4	16.3	13.6	15.9
Services less medical care 1/	236.9	239.9	242.6	245.5	11.8	14.1	16.1	15.3	12.8	15.7
Energy 1/	307.0	310.2	310.7	317.0	25.2	73.3	50.2	13.7	47.3	30.7
All items less energy 1/	217.0	218.8	221.0	223.0	12.3	10.4	9.2	11.5	11.3	10.3
All items less food and energy 1/	211.0	213.0	215.4	217.3	9.3	11.0	11.1	12.5	10.2	11.8
Commodities less food and energy	187.1	188.1	189.8	191.0	10.1	7.3	7.1	8.6	8.7	7.9
Energy commodities 1/	326.5	330.2	333.8	341.5	32.7	102.2	69.4	19.7	63.8	42.4
Services less energy	238.5	241.4	244.9	247.9	10.9	12.9	14.4	16.7	11.9	15.6

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-W

TABLE 6. Consumer Price Index for urban wage earners and clerical workers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes Sept. 1979	Oct. 1979	Nov. 1979	Dec. 1979	Percent change to Dec. 1979 from- Dec. 1978	Oct. 1979	Nov. 1979	Percent change to Nov. 1979 from- Nov. 1978	Sept. 1979	Oct. 1979
U.S. city average			223.7	225.6	227.6	230.0	13.4	2.0	1.1	12.8	1.7	0.9
Chicago, Ill.-Northwestern Ind.	M		220.6	221.7	225.6	227.8	14.8	2.8	1.0	14.2	2.3	1.8
Detroit, Mich.	M		223.5	226.9	230.8	232.2	15.0	2.3	.6	14.4	3.3	1.7
L.A.-Long Beach, Anaheim, Calif.	M		223.0	224.0	225.8	229.9	14.7	2.6	1.8	14.3	1.3	.8
N.Y., N.Y.-Northeastern N.J.	M		217.8	219.3	220.7	222.4	10.7	1.4	.8	10.5	1.3	.6
Philadelphia, Pa.-N.J.	M		220.3	221.3	223.8	223.5	10.4	1.0	-.1	11.6	1.6	1.1
Anchorage, Alaska	1	10/67	210.9	-	211.8	-	-	-	-	8.7	.4	-
Baltimore, Md.	1		224.9	-	227.9	-	-	-	-	14.3	1.3	-
Boston, Mass.	1		217.9	-	222.5	-	-	-	-	11.7	2.1	-
Cincinnati, Ohio-Ky.-Ind.	1		230.8	-	235.6	-	-	-	-	13.5	2.1	-
Denver-Boulder, Colo.	1		243.6	-	248.6	-	-	-	-	14.8	2.1	-
Miami, Fla.	1	11/77	118.7	-	120.5	-	-	-	-	11.7	1.5	-
Milwaukee, Wis.	1		228.7	-	232.5	-	-	-	-	15.8	1.7	-
Northeast Pennsylvania	1		217.1	-	221.1	-	-	-	-	11.4	1.8	-
Portland, Oreg.-Wash.	1		232.6	-	236.7	-	-	-	-	13.9	1.8	-
St. Louis, Mo.-Ill.	1		222.5	-	226.2	-	-	-	-	14.5	1.7	-
San Diego, Calif.	1		237.7	-	244.8	-	-	-	-	17.4	3.0	-
Seattle-Everett, Wash.	1		221.0	-	225.5	-	-	-	-	11.6	2.0	-
Washington, D.C.-Md.-Va.	1		224.4	-	226.7	-	-	-	-	10.4	1.0	-
Atlanta, Ga.	2		-	223.5	-	227.0	14.0	1.6	-	-	-	-
Buffalo, N.Y.	2		-	218.6	-	220.7	10.6	1.0	-	-	-	-
Cleveland, Ohio	2		-	225.5	-	233.2	13.2	3.4	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	228.0	-	233.3	14.0	2.3	-	-	-	-
Honolulu, Hawaii	2		-	211.1	-	215.5	12.7	2.1	-	-	-	-
Houston, Tex.	2	6	-	241.8	-	246.0	12.7	1.7	-	-	-	-
Kansas City, Mo.-Kans.	2		-	227.9	-	232.4	14.8	2.0	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	233.0	-	234.8	12.2	.8	-	-	-	-
Pittsburgh, Pa.	2		-	228.1	-	229.7	12.5	1.6	-	-	-	-
San Francisco-Oakland, Calif.	2		-	220.8	-	229.0	14.3	3.7	-	-	-	-
Region 3/												
Northeast	2	12/77	-	118.7	-	120.5	11.8	1.5	-	-	-	-
North Central	2	12/77	-	122.8	-	129.2	13.7	2.0	-	-	-	-
South	2	12/77	-	121.6	-	123.8	13.0	1.8	-	-	-	-
West	2	12/77	-	122.3	-	125.4	15.7	2.5	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	119.6	-	122.0	13.2	2.0	-	-	-	-
A-2	2	12/77	-	121.5	-	124.2	13.6	2.2	-	-	-	-
B	2	12/77	-	122.5	-	124.8	13.8	1.9	-	-	-	-
C	2	12/77	-	122.1	-	124.3	13.2	1.8	-	-	-	-
D	2	12/77	-	121.8	-	123.1	12.5	1.4	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	117.3	-	118.9	10.9	1.4	-	-	-	-
North Central/A	2	12/77	-	123.3	-	126.3	14.7	2.4	-	-	-	-
South/A	2	12/77	-	121.2	-	123.5	13.1	1.9	-	-	-	-
West/A	2	12/77	-	121.1	-	124.7	16.1	3.0	-	-	-	-
Northeast/B	2	12/77	-	119.9	-	121.9	12.6	1.7	-	-	-	-
North Central/B	2	12/77	-	123.3	-	125.7	13.6	1.9	-	-	-	-
South/B	2	12/77	-	122.2	-	124.8	13.2	1.8	-	-	-	-
West/B	2	12/77	-	124.2	-	127.1	15.9	2.3	-	-	-	-
Northeast/C	2	12/77	-	123.0	-	125.5	14.2	2.0	-	-	-	-
North Central/C	2	12/77	-	121.2	-	123.0	12.2	1.5	-	-	-	-
South/C	2	12/77	-	122.2	-	124.3	13.0	1.7	-	-	-	-
West/C	2	12/77	-	122.6	-	125.1	14.2	2.0	-	-	-	-
Northeast/D	2	12/77	-	120.1	-	122.4	12.8	1.9	-	-	-	-
North Central/D	2	12/77	-	122.2	-	123.5	12.1	1.1	-	-	-	-
South/D	2	12/77	-	120.4	-	122.4	12.1	1.7	-	-	-	-
West/D	2	12/77	-	123.4	-	124.5	14.5	.9	-	-	-	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

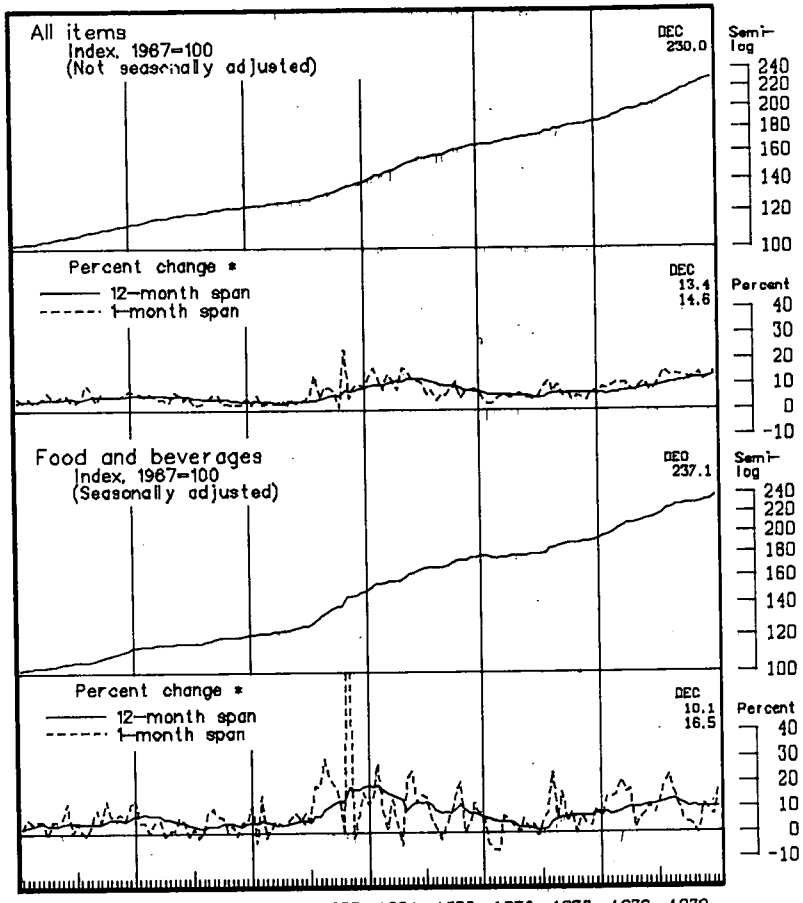
3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 4,000,000.
A-2	1,250,000 to 4,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

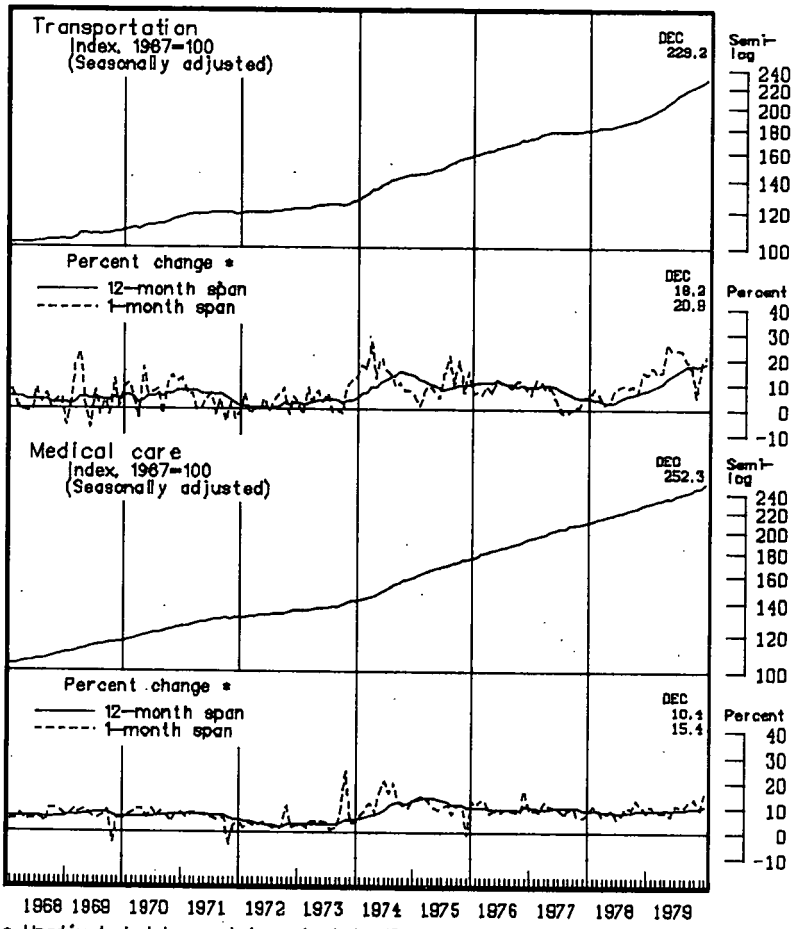
NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

CHART 1: CPI for Urban Wage Earners and Clerical Workers
All items and major components by expenditure class, 1968–79



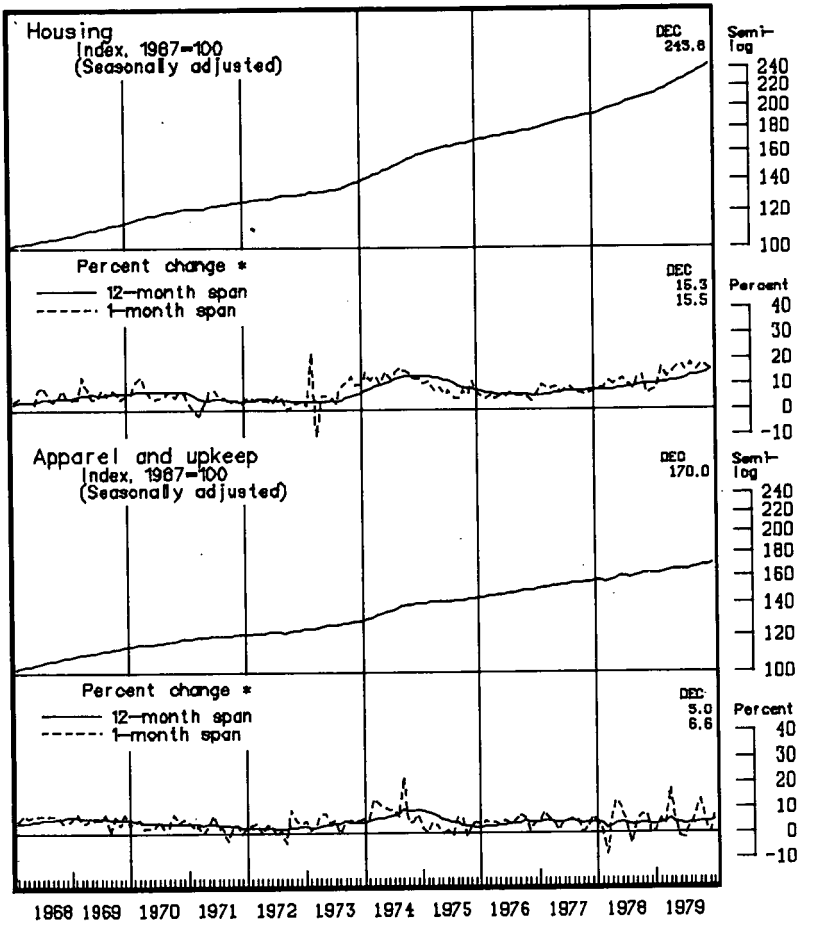
* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.
** August 1973 = 92 percent

CHART 2: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



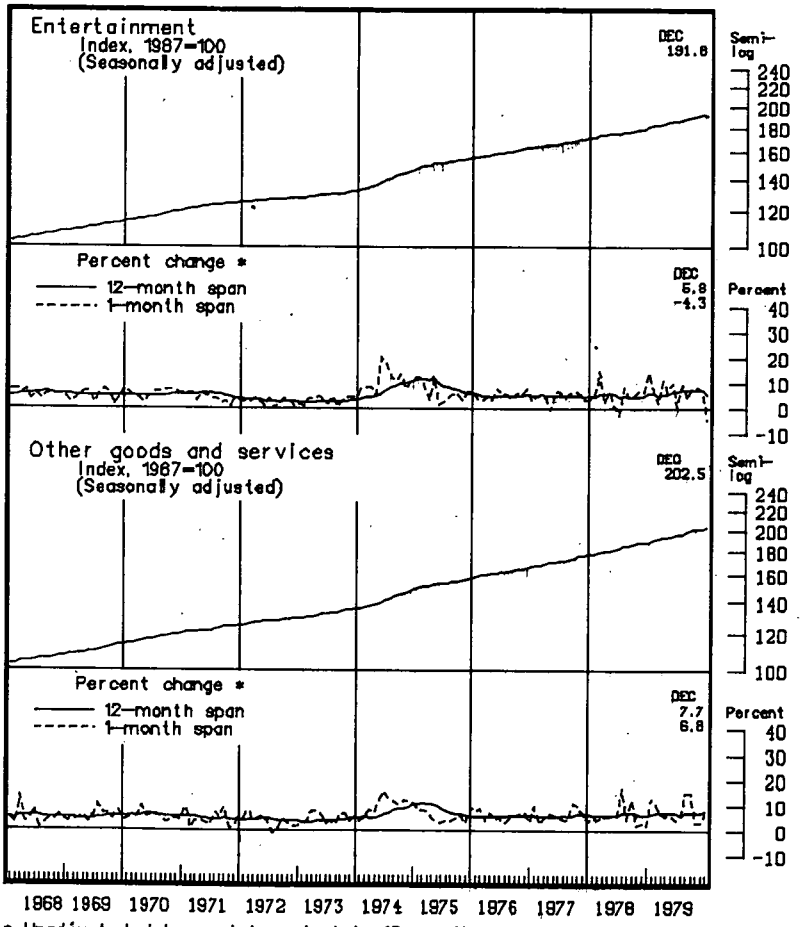
* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 3: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 4: CPI for Urban Wage Earners and Clerical Workers: All items and major components by expenditure class, 1968–79



* Unadjusted data used to calculate 12-month percent change. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

Table 1. Alternative HOMEOWNERSHIP COMPONENTS used in official CPI-U and in experimental measures: Percent change over 12 months

12 months ended	Official Consumer Price Index for All Urban Consumers (CPI-U)	Experimental measures of homeownership				
		Flow-of-services measures			Outlays measures	
		X-1 Rental equivalence using CPI rent	X-2 User cost using current interest cost	X-3 User cost using average interest cost	X-4 Outlays using current interest cost	X-5 Outlays using average interest cost
December:						
1968	7.6	2.8	11.1	8.0	11.0	6.0
1969	10.2	3.8	6.9	3.5	13.2	8.3
1970	10.2	4.5	4.3	1.7	12.6	10.1
1971	2.7	3.8	-12.1	-8.9	0.3	7.7
1972	4.1	3.5	2.4	3.3	4.8	6.2
1973	7.7	4.9	22.9	18.8	10.8	4.4
1974	13.3	5.4	16.8	12.9	14.9	9.1
1975	7.9	5.2	2.7	3.3	7.1	9.0
1976	3.8	5.5	-1.0	2.0	2.7	7.6
1977	9.2	6.5	2.5	0.4	10.4	9.0
1978	12.4	7.3	5.7	1.1	12.0	5.3
January 1979	12.4	7.2	8.0	5.7	12.4	5.7
February 1979	13.5	7.1	10.8	7.4	13.7	5.7
March 1979	13.7	6.7	11.7	10.4	14.0	5.9
April	14.2	6.5	12.3	9.9	14.4	6.1
May 1979	14.6	6.8	13.9	11.3	14.9	6.4
June 1979	14.9	6.8	14.2	10.6	15.0	*6.4
July 1979	15.2	7.1	16.7	11.7	15.3	6.8
August 1979	16.0	7.5	20.1	9.8	15.9	7.0
September 1979	16.1	7.6	18.3	13.2	16.4	7.5
October 1979	16.8	8.4	22.2	13.7	17.2	7.8
November 1979	18.3	8.1	24.5	15.1	19.0	7.9
December 1979	19.8	7.9	28.2	22.4	22.6	11.2
Relative importance of homeownership component, December 1977 (all-items index=100)	22.8	14.5	11.4	10.0	10.0	8.7

Table 2. Official ALL-ITEMS CPI-U and EXPERIMENTAL MEASURES using alternative homeownership components: Percent change over 12 months

12 months ended	Official Consumer Price Index for All Urban Consumers (CPI-U)	Experimental measures using alternative homeownership components				
		Flow-of-services measures			Outlays measures	
		X-1 Rental equivalence using CPI rent	X-2 User cost using current interest costs	X-3 User cost using average interest costs	X-4 Outlays using current interest costs	X-5 Outlays using average interest costs
December:						
1968	4.7	3.9	4.9	4.6	4.7	4.2
1969	6.1	5.2	5.6	5.2	6.0	5.7
1970	5.5	4.5	4.5	4.2	5.2	4.9
1971	3.4	3.5	1.6	2.2	3.2	3.8
1972	3.4	3.3	3.2	3.3	3.4	3.5
1973	8.8	8.5	10.5	10.0	9.2	8.7
1974	12.2	11.1	12.6	12.1	12.3	11.8
1975	7.0	6.6	6.3	6.4	6.8	6.9
1976	4.8	5.1	4.3	4.7	4.8	5.2
1977	6.8	6.3	5.8	5.7	6.6	6.5
1978	9.0	8.0	7.8	7.4	8.5	7.8
January 1979	9.3	8.3	8.4	8.2	8.9	8.2
February 1979	9.9	8.6	9.1	8.7	9.4	8.6
March 1979	10.2	8.8	9.4	9.2	9.6	8.9
April 1979	10.4	8.9	9.6	9.4	9.8	9.1
May 1979	10.8	9.2	10.1	9.7	10.1	9.3
June 1979	10.9	9.3	10.2	9.8	10.2	9.4
July 1979	11.3	9.7	10.9	10.3	10.7	9.9
August 1979	11.8	10.1	11.5	10.4	11.0	10.2
September 1979	12.1	10.4	11.7	11.1	11.4	10.6
October 1979	12.2	10.5	12.2	11.1	11.5	10.5
November 1979	12.6	10.5	12.5	11.3	11.8	10.6
December 1979	13.3	10.8	13.2	12.3	12.5	11.3

Explanations of Homeownership Measures

Official CPI-U includes five components. (1) The weights for property taxes, property insurance, and home maintenance and repairs represent expenditures of all homeowers in the base period. The weights for house prices and contracted mortgage interest cost represent only those homeowners who actually purchased a home in the base period. Included are the total price paid for the home, and the total amount of interest expected to be paid over half the stated life of the mortgage. (2) Current monthly prices are used for each of these components.

Experimental Measure X-1: (1) The weight for this rental equivalence measure is the estimate of the rental value of all owner-occupied homes in the base period compiled from a specific question asked on the 1972-73 Consumer Expenditure Survey. This covers the entire stock of owned homes. (2) Prices used are the current rents collected for the residential rent component of the CPI. The CPI rent component is designed to represent changes in residential rents for all types of housing units, not just changes in rents for units that are typically owner occupied. The CPI rent component is, therefore, not appropriate for this measure.

Experimental Measure X-2: (1) The weight for this user cost method includes expenditures for mortgage interest, property taxes, property insurance, maintenance and repairs, the estimated base-period cost of homeowners' equity in their houses, and the offset to shelter costs resulting from the estimated appreciation of house values in the base period. This measure covers the entire stock of owned houses. To derive the weights for mortgage interest costs and equity costs, the total value of the housing stock in the base period was apportioned into its debt and equity components. The debt component equals the amount owed and the equity component is the amount owned, i.e., payments on principal plus appreciation from the time of purchase to the base period. Each component was subsequently multiplied by the average mortgage interest rate in the base period to determine its cost. (2) Prices used are current ones except for the appreciation term which uses a 5-year moving average of the changes in appreciation rates.

Experimental Measure X-3: (1) The weights are the same as in Experimental Measure X-2, except that mortgage interest costs are calculated as the total interest amount *paid out* by homeowners in the base period. As in X-1 and in X-2, this measure covers the entire homeowners population. (2) The prices for all components except mortgage interest costs and appreciation are current monthly prices. As in X-2, appreciation is represented by a 5-year moving average of the changes in house prices. However, X-3 uses past and current mortgage interest costs in a 15-year weighted moving average, which reflects the base period age distribution of mortgage loans.

Experimental Measure X-4: The weights for this outlays approach include expenditures actually made in the base period for property taxes, property insurance, maintenance and repairs. The weight for the mortgage interest term is calculated in the same manner as in X-2. However, no appreciation or equity terms are included. Not all homeowners are represented in this measure because those who made no mortgage debt payment in the base period are excluded. (2) The prices used for each of these items are current ones.

Experimental Measure X-5: (1) The weights for this outlays approach include, as in X-4, expenditures actually made in the base period for property taxes, property insurance, maintenance and repairs. The weight for the mortgage interest cost term is the same as for the X-3. No appreciation or equity elements are used. As in X-4, not all homeowners are represented in this measure because those who made no mortgage debt payment in the base period are excluded. (2) Current prices are used in X-5 except for mortgage interest which uses the 15-year moving average also used in the X-3.

Senator BENTSEN. Mr. Kahn, you have a tough position to try to administer and a difficult one to analyze, but we would like to know what you think 1980 brings for us. Will you please proceed.

STATEMENT OF HON. ALFRED E. KAHN, CHAIRMAN, COUNCIL ON WAGE AND PRICE STABILITY

Mr. KAHN. Thank you very much, Mr. Chairman.

As much as it can be a pleasure to testify in these present circumstances when we just had an announcement of a 1.2 percent rise in the Consumer Price Index in December completing this year at 13.3 percent, it is a pleasure to have a chance to discuss this terribly serious problem with you.

I would like to underline your own assertion, Mr. Chairman, that this is a phenomenon that we have to turn around and it is one that we can turn around. I come here today not in any sense in an attempt to alibi what is a very unhappy record but in order to see what we can do to understand it, to explain what we are doing, and to explain why we think it is the right thing to be doing. I will also discuss the ways in which it might be changed and, of course, to have the benefit of your advice as always. I welcome it.

Since it is the end of a year and I'm anxious not to encroach on the next week's economic report of the President and his budget message which are, after all, the definitive statements of the administration policy, I certainly agree with you that we must use today's occasion of the CPI to see what's been happening during the year, why it's been happening, and what we are doing; and I believe I have answers to all those questions. They are not happy answers. They are not easy answers, but they are correct answers.

So I thought I would take a slightly broader look than our usual monthly one at what's been happening during the year as a kind of an occasion for taking stock. Though I fear that most of what I have to say is familiar to you, I will try to be brief.

As we have in the past, let's look at the components of this 13.3-percent rate. Have you the copy of the table that we prepared, Mr. Chairman?

Senator BENTSEN. I was just given a copy of it.

Mr. KAHN. I think it will help us to follow and, again, this is not as an alibi but simply in order to understand.

First, I think we should look at the year as a whole and observe December 1978 to December 1979 column. There at the top is the 13.3-percent double digit inflation rate. I think the first thing to observe, as we have in the past, is that the double digit character of the inflation and almost the entire increase over the 1978 rate—almost the entire increase is again attributable to the two elements—energy and home ownership.

If you just slip down to the bottom of the table, the next to the last line, the one that has 13.3 percent at the top of it, the next line to the last line observes that in items excluding energy and mortgage interest costs, which are the cost of home acquisition, the figure is 9 percent rather than 13.3. I'm not saying that in order to deny the 13.3. Again, I'm not trying to select the high ones in order to get the average down.

I'm not trying to tinker with the thermometer. I just want us to see what are the components of the disease. It is then 9.

So 4.3 percent of the 13.3 percent is accounted for by these two items.

Now, I'd like to look a little bit more at what's happened during the course of the year because I certainly agree with you that it's not only the total year but how it looks at the end as compared to how it looks at the beginning that has to weigh in our sense of urgency.

In the first part of the year food was an additional important contributor to inflation. That is to say, energy and housing have been with us all year as a problem, but particularly in the period from November of 1978 through April of 1979, we had another big surge in the food components. You can get that roughly if you look at the 3-month figures ending in March when our overall rate was 13, but food was 17.7. Food at home was 19.2. Food domestically produced was 27.5. These are annual rates. So you see it made a very substantial contribution since food accounts for 18 percent of the total CPI. It contributed importantly to the surge and I wanted you to see that it was very largely what was happening at the farm. In these months that I singled out—which is November 1978 to April of 1979—the price of food at the farm went up at a 40-percent annual rate and we pointed out at that time that food prices at the farm are essentially competitively determined.

I don't mean to deprecate the importance of Government policies that intervene, but the fluctuations that are essentially demand-and-supply caused, at that time particularly the price of beef, that with a demand-and-supply problem and that there was nothing you could do about that or should do about it by instituting price controls. And we said that we would expect the forces of demand and supply to work. In point of fact, that's exactly what happened.

In the period from April 1979 to November 1979, food, instead of going up as a whole 15 or 17 percent, went up 5.6 percent at an annual rate. Domestically produced food in this April to November period went up only at a 1.5 percent annual rate, and at the farm it went down 9.5 percent. So for the remainder of the year, food helped us on the inflation side.

It happens that it did not help us in December. Again, that was mainly meat and fresh vegetables. That kind of fluctuation we expect all the time. It is not part of our basic explanation of the problem.

Senator BENTSEN. Let me ask you a question on that point. I was looking at some of the futures markets and I saw prices were down on beef and down on some of the grains. Would that lead you to believe that we might be getting more relief there?

Mr. KAHN. I think we may be getting some temporary relief. Again, most of our projections—the best we could do are that the price of food is likely to go up over the year in the 7-to-10-percent range. The usual seasonal increases are in the spring and in the late end of the year, so that in the next few months we see no reason—obviously you may get streaks of weather—but there's no reason to expect food to be feeding the inflation problem.

On the contrary, it looks as though, if anything, it will be helping us. Some weakening of food and grain markets may occur, as you know, possibly as a result of the grain embargo. We expect, however, the effect to be very slight because of the President's determination

to come in and see to it that the farmer doesn't bear the major burden of this farm policy change.

Senator BENTSEN. Also, with that kind of overhang of grain, you're not conceding runaway prices?

Mr. KAHN. No. We see no reason to expect that—no reason whatsoever. We expect the food grain reserve to increase. Incidentally, just as the farmer-owned grain reserve was very helpful to us when the Russian shortfall appeared because it gave us a very big insulation so we got nothing like the skyrocketing of prices that we got in the Russian grain deal back in the early 1970's, so now the building backup of the reserve will be helpful to us because it will give us a protection against bad crops in the future and will insulate the market.

Energy and housing, as these figures show clearly, have hurt us all year. Interestingly again, however, Mr. Chairman, if you look at the energy line, there was a particularly severe energy bulge in the middle of the year during the second and third quarters. You observe that energy went up in the first 3 months at an annual rate of 25 percent; then in the next 3 months, 70 percent; the next 3 months, 49 percent; and then in the last 3 months, a very slight 12.9 percent. By the way, that 12.9 percent in the last 3 months is nothing to be sanguine about. It is the consequence of the fact that gas and electricity rates, regulated utility rates, in those 3 months went up at an annual rate of only 1 percent. You had some tapering off of oil and gasoline prices. Gasoline prices went up at a 27.7-percent annual rate.

So energy is still a problem, but notice that when food prices began to level off, energy began to become much more powerful. That is the experience we had in the May, June, July, August, September period. That shows up very clearly in the table that I have just set before you.

In the worst of that period, from April through August, the Consumer Price Index went up at a 14.3-percent annual rate. Without energy alone, it was 10.1. So, at the worst point in the period, energy contributed over 4 points.

Home ownership was a problem all year, as you can see if you look at the housing part of the Index, but even more at home purchase and even more at mortgage interest costs going up at annual rates for the 3-month periods of 29 percent, 28 percent, 38 percent, and 45 percent. That, of course, is a combination of two things: rising home prices on the order of 15 percent over the year, and rising mortgage interest rates applied to that I think that's an inevitable consequence of inflation and that shows up in the figure that I have already given you for the yearly inflation rate if you take out energy and home ownership.

I'd like to say one other thing about homeownership, which has played a major role in making the inflation rate worse in just the last couple of months, especially in October and November because of the actions of the Federal Reserve in October. What I testified to at great length yesterday and I think has now become very clear is that the measurement of the homeownership component of the CPI, while arguably correct as a measure of what's happened to the prices of what consumers spend their money for, clearly, absolutely, and unarguably exaggerates what happens to the cost of living over the year by something like two points. In this latter part of the year it is exaggerated

approximately three points. It is not a correct measure of what happens to the cost of living of the American people as a whole or of the average American, and I'll be glad to elaborate on that, though I have done it several times in the past. As I said, I testified about that yesterday. That's the only respect in which I'm quarreling with the barometer. If you want to say what's happened to the cost of living, you would have to say the increase is on the order of 11 as opposed to 13.3 percent.

Senator BENTSEN. How are you and the BLS Commissioner getting along on that point?

Mr. KAHN. Well, we're making genuine progress. Mr. Chairman. The BLS, back in 1974, said exactly what I have said now. It pointed out that the Consumer Price Index was never intended to be a measure of the cost of living and they specifically pointed out at great length that the homeownership component was misleading as an expression of what happens to the cost of living. To just give you the simplest example, something like 30 percent of my take-home pay goes to paying for a mortgage on a house in Washington that I had the misfortune to buy in 1977 close to the peak of the market and 30 percent of my cost of living was absolutely unchanged in 1979 because the mortgage payments were fixed. Therefore, it's only 70 percent of my cost of living which is affected by 13 percent or whatever rate applies. Actually it's the 11-percent rate and that is not reflected in any way in the CPI because the CPI measures only the cost of purchases during the year and it does not include the unchanging cost of a very big hunk of the cost of living of scores of millions of American families.

So the BLS has now this week put out five experimental alternate ways of measuring the homeownership component which produce a range of figures. From November to November, the CPI was 12.6 percent. These different ways of looking at the costs of homeownership produce a range of figures between 10.5 and 12.5. So you've got this 2-point range, depending on how you look at it. As you know, it's a difficult, complicated problem. I believe we are making real progress.

To come back to my point, this discussion gets us to this notion of the underlying rate of inflation. It is simply a way of looking at what's happening. It's a way that tries to take out those exogenous shocks. That doesn't mean that those exogenous shocks don't hurt. I'm not denying that the high cost of energy hurts, but that's clearly something external to the system. It tries to look, rather, at what's happening to the basic cost structure, the basic rate of inflation. It also tries to leave out the things that change merely under the influence of demand and supply that go up and go down. That, of course, is the bottom line which for most of the year has been around the 7.5 percent rate. This is done by taking out the food component, by taking out the energy component, and by taking out the home purchase prices. Also, we take out used cars which similarly fluctuate under the influence of demand and supply.

But I think you have to look immediately at that figure, the bottom line figure, what we call the underlying rate, and observe that it seems to be showing a clear tendency to creep up during the year. Even though it is at the 7.5 percent level, not the 13 percent level, the fact that in the 3 months ending in September it was 7.9 could be just

noise. The fact that in the 3 months ending in December it was 8.6 again makes your point, Mr. Chairman, that, even if you set aside these shocking things, such as the results of high interest rates which are the inevitable consequences of inflation and the energy aspect which comes from the outside, the troublesome thing is that the underlying rate seems to be creeping up. I want to come back to that before we're through.

I'd like to say one other thing. For the purists in the audience who will respond that it doesn't make any sense to look at the different individual problems of prices to look at agricultural commodities or energy or homeownership because if we had the proper policies in this country some prices would go up but other prices would go down and the average would not change. This would be the view, let's say, of the University of Chicago, if I may point to a group, or say Milton Friedman or the monetarists.

Nobody denies that if we had a sufficiently tight monetary and fiscal policy, if we were willing to squeeze tight enough on spending, maybe with interest rates at 20 percent or 25 percent, maybe a 2 percent change in the rate, nobody denies that we could restrain total spending so much that though energy prices went up other prices would go down and the average would not change. However, that really begs the question of what would be the pain and the cost to our economy if we try to behave in that stringent a way. I think most of us believe and experience demonstrates that the cost of that could be a genuine depression, such a decline in output and employment in order to achieve limited savings on the price run that you would merely be taking your disease in another way; you would not be curing the disease.

So to summarize, the story for the past year is preponderantly energy, homeownership, and a third item that you have been more prominent than anybody else in the country in emphasizing, productivity. Cyclically adjusted, disregarding the fact that productivity fluctuates with the cycle, the Council of Economic Advisers estimates that productivity per hour of production went up 0.4 percent in 1977; it went up 0.4 percent in 1978; it went down 2.2 percent in 1979. So you have there 2.5 points of added thrust to our inflation rate and that, of course, recognizes that the 0.4 and 0.4 in 1977 and 1978 are cyclically adjusted while the actual increase in productivity was somewhat higher but that's what you would expect in a booming economy. Remember, those figures are already abysmally low compared with the long-range 3 percent or 2 percent or 1.5 percent we achieved in the decade roughly of 1966 to 1975. So productivity is another big hunk.

When you put those together, you've got something like, even in direct effect, 6.5 points of our inflation rate due to energy, housing, and productivity.

What are the prospects? In the months immediately ahead, I don't think anyone can promise an improvement. Energy prices will in January and February surely reflect the latest OPEC price increases. As you know, although I can't give you the definitive figures, they were on the order of somewhere between the $18 that Saudi Arabia was charging until December and the $24 to $30 that others were

charging—maybe the average was $22 or $23—to something on the order of $29 now. Forgive me if I'm being slightly vague on that.

Senator BENTSEN. You're pretty close.

Mr. KAHN. But it's close enough, and that's going to show up in the CPI in January and February and mortgage interest rates will continue to go up in actual transactions for the next couple months and with this——

Senator BENTSEN. What you're talking about is on commitments already made, really?

Mr. KAHN. Precisely. That's exactly right, sir. So it doesn't show up in the CPI until later. So I think there's no reason to believe that this underlying rate will taper off. It's likely to be reasonably stable, but remember we are beginning to witness the effect of the higher energy prices seeping through the economy and showing up in other places.

Just look at No. 1, public transportation, on this table, just about halfway down the table. Now it's not a big item in the index. It has only a weight of 1 percent. But look at what's happened to the annual rate of increase in public transportation rates in the last 6 months of the year—going up from the first 6 months from the 6 and 7 percent rate to 22 and 39 percent rates. That is preponderantly energy creeping into the cost of public transportation. There's no reason to expect relief on the energy or homeownership front, no reason as we have said to expect food to be unusual, although there are unpredictable elements here. The signs of acceleration in the underlying rate are troublesome. So, in the next few months I see no way of promising any improvement.

In the longer run, during the course of this year, it's dangerous to be optimistic. I don't want to minimize the problem. I don't want to be accused of being a person that never met a statistic that he didn't like, but the most objective estimate we can make is that oil prices will not continue to go up. Crude oil price went up 100 percent in a 13-month period, from December of 1977 until January of 1979, from something like $13 delivered at the American east coast to something on the order of $30 delivered on the east coast. The world oil supply and demand situation seems to be better. We seem to be having something of a mild surplus in the short run. It could disappear tomorrow. I don't want in any way to minimize the essential alternative of our continuing to attack the energy problem, but it's hard to see—famous last words—it's hard to see that kind of energy price rate going up.

With reference to mortgage interest rates, again, the growth of real GNP last year, fourth quarter to fourth quarter, was less than 1 percent. I think it was 0.8 percent. The rate of growth in the economy is tapering. Our best estimate is that there will be a mild recession that should enable us to bring interest rates down. As I pointed out yesterday, in that case it will give us a misleading decline in the index just as mortgage interest rates are now giving us a misleading increase. However, it still should bring the CPI down out of double-digit rates by midyear. That's my best estimate and it's no more than that. It's not worth any more than the reasoning that I have put before you.

The big question marks right now are: Will the wage moderation that we did achieve and have clearly achieved—I'll give you a couple

of numbers in just a moment—hold up with a 13 percent month after month increase in the CPI; will we get a tapering of the growth in the economy and in the longer run can we turn around productivity?

Let me just say a couple things about policy and then yield the floor. The solution to our problems, Mr. Chairman, is not mysterious. I think everybody in this country, no matter how he or she apportions the blame between the Government and OPEC and labor and business—and there will be differences on that—everybody in this country understands that the only solution is restraint on the demand side and fuller attention to the supply side. Those may sound like vapid generalizations, but sometimes vapid generalizations are the most fundamental truth that we have to begin with. We have to develop a leaner, more disciplined, more productive society. That means controlling the demands that we place on it and turning more of our attention from consumption to improving our ability to produce. How you achieve that in an open democratic society, how you reestablish in a voluntaristic free society that kind of discipline, I'm not ashamed that I as an economist can't tell you an easy answer to that; but we can do it. We must do it. And we also know, all of us, what it means in terms of specific policies. We know. The President knows it. The President is doing it and will continue to do it.

No. 1, fiscal restraint for what it will do itself to inflation, for what it will do to people's expectation of inflation, for the example that it sets. It is an objective fact that the budgets that the President has been presenting show a marked increase in fiscal restraint as compared to the 1960's and 1970's on until the mid-1970's and I'll be glad to give you some numbers on that if you like. The objective fact is that in the last 6 to 9 months the President has been genuinely outspoken, as compared to his economic advisers, to his political advisers, as compared to most people in Congress, in holding out and saying this economy is still strong that inflation is still our main problem and that we must continue to practice restraint. That's not a political speech. I think that's an objective, historical statement.

Second, we must, however, as early as possible, put saving and investing much higher on our scale of national priorities and activities and I'm defining investing broadly to include investment, of course, in plant and equipment, but also equally important, in human capital. I call your attention to the youth unemployment bill, for example, or it's the youth employment bill—I forgot which—that the President is presenting to Congress. Investment in technology which is our principal source of improved productivity has to be embodied in new equipment and new ways of doing things. So you need capital formation as well, and energy technology preeminently because, again, energy is the center of our picture. Of course, that is going to mean maybe fuller use of tax incentives when and as the budget permits.

Three, monetary restraint, of course. We are living in a credit card society. We could point to the fact that in fiscal 1979 the Federal Government was in deficit to the extent of about $27 billion. We can point to the fact that in fiscal 1980 apparently the deficit—we'll get the more definitive figures next week—but apparently the deficit is in the $30 to $35 billion range or will be because of the prospective slowing of the growth. But in 1979 the American people went into debt to $160 billion to acquire mortgages to buy houses and that's net. That

figure is net of repayment on mortgage debt and it went up to $160 billion. Installment debt will prove to have gone up on the order of $30 billion. So there's a need for restraining the extension of credit to our society as a whole and, of course, the other side of that coin is the lowest rate of household savings in the last two quarters of 1979 in the last quarter century. So monetary restraint. I've got three things already.

Fourth, wage-price restraint and the standards. Notice it's fourth, not first, not second, not third, and probably not even be fourth. Maybe it should be fifth, but it is a part of it. The voluntary program had an effect. Every objective observer who has looked at it inside the Government and outside agrees that it has an effect. There have been various econometric exercises saying one of those points in the underlying rate of inflation is holding it to the 7.5-percent or the 8-percent rate or if you look at the GNP deflator which was 9 percent in 1979, one point of restraint on the order of that must be attributable to the wage and price standards. Do you know that by every measure we can make wages did not go up any more in 1979 than they went up in 1978? Most measures show a slight decline. That's real restraint. The question, of course, is: will they continue? We'll keep at it. We are enforcing those standards as vigorously as we can. We have identified during the course of the year some 30 companies on prices. We have obtained rollbacks from prominent companies, whether it's Giant Food or Sears Roebuck or various paper companies. Some of them rolled back even before we identified them. Scott Paper is an example. Alcoa and all the rubber tire companies who ate the differences between the standards and the rubber tire increase. General Motors has agreed—and I'm telling you it's genuine restraint—on the price standards and now we are pinning our hopes on the national accord with labor to get labor into this program. It's not an easy process. It's a hard bargaining process, but we have hopes that labor, having agreed that restraint is in the interest of all of us, will play a role. That's No. 4.

I have just two or three more and then I'll stop. Regulatory reform I would guess should have been No. 4 and the wage-price standards fifth, because in the long run I feel that is the more fundamental approach. Regulatory reform has at least three aspects which add up to restoring the discipline of a competitive market. Insulating our people from the discipline of the market is one of the reasons why we have a chronic inflationary problem. As long as you protect stockholders from the consequences of bad business decisions, as long as you protect labor from the unemployment consequences of excessive wage increases, you will eliminate the downward discipline of the market and restoring that discipline of the market wherever possible, restoring competition wherever possible, in the long run is going to do more for holding down costs and holding down prices and increasing productivity than any wage and price standards. We have done it in airlines. We expect Congress to help us do it in trucking and in rail transportation before this year is over. We expect it to happen in communications and we expect to see it in another place, in regulation Q in the financial field.

Another side of this is making the burdens of inescapable regulation for consumer knowledge and safety and the environment—holding those burdens down as much as possible, making that regulation as cost effective——

Senator BENTSEN. Mr. Kahn, I'm going to interrupt you for a minute because I want to relate to some of the things you're saying. I couldn't agree more with your rhetoric. I absolutely agree with your concern about productivity. As you know, I have been on the cutting edge of that one for a long time and the annual report of this committee last year really led in that fight. But the situation we are running into today is one, as compared to the Japanese, where we have a 13.3 percent inflation rate and the Japanese had a 23 percent inflation rate and now they have an inflation rate of approximately 3 percent, and they are much more dependent on foreign oil than we are.

So in spite of the increase in the price of oil, they have been able to get their inflation rate down to approximately 3 percent.

Now one of the major things that they did was to increase productivity, while ours has been going downhill. So what do we do about it? You talked about the general principles and we are in total agreement on that, but we have to come to some specifics that we carry out.

I supported and I authored a piece of legislation through the Finance Committee and carried it right on through to the floor and the administration opposed it, and that was a substantial increase in the depreciation schedules in this country. We've got a problem with savings and we could talk about the Japanese again. I will be going right over to a tax conference to talk about my savings amendment that I carried through the Senate and that the administration opposed. You know you've got 30 ways at least to encourage savings and everybody can argue about the modifications, but I get these kinds of responses: "Well, you're rewarding people who are already saving." Well, it's about time somebody did reward people who are saving, even if it's just a finger in the dike, to try to keep them from withdrawing their savings from savings and loans, from banks, whatever savings instrument they use. The Japanese are saving at a rate of almost 25 percent a year. We are saving at a rate of approximately 4 percent a year and, as you said, we are back to the lowest rate of saving that we have had in this country in approximately 25 years.

Now what are you going to do about it unless we have some specific things in the way of legislation? And frankly, I think I'm going to win that fight over there in that tax conference and we are going to put that incentive there. It's not enough. It ought to be more, but I think that's all that we can get in the present political atmosphere.

Now if we can encourage that kind of savings, maybe we will get off the consumption jag we have been on for 30 years in this country. We have been on a demand jag and we do have to do some things on the other side to increase supply and do a more competitive job.

I chaired 10 days of hearings in the Far East—South Korea, Taiwan, and the Philippines. We are getting our ears beat off over there with their productivity increases. We are losing our share of the market and we are going to have to increase that share of the market if we're going to protect the dollar and keep it sound and not see it go down to whatever it's gone down to—down to 43 cents since 1967.

Now those are specifics and that's what we have to have out of the administration, I think, to turn this thing around.

Mr. KAHN. As you know, Mr. Chairman, from our past conversations, I agree totally with you in principle. The President had to make this extraordinarily difficult decision in terms of our immediate in-

flation problem and inflationary psychology. This is more likely to bring us in the next few months to a tapering off of the rate of inflation. Tax incentives for investment and savings, which I think all agree will work only over time——

Senator BENTSEN. That's right. It's like that fellow that went out to the garden and the gardener said, "Your Excellency, why plant that tree? It will take 100 years to mature," and he said, "Well, we'd better get it planted this afternoon." That's the way we have to move on this thing.

Mr. KAHN. I can't quarrel with that. The time to start on the long run is not in the long run but immediately. You simply have to weigh against it—and it's a judgment call—the larger budget deficit that would be involved in the shorter run. The President concluded, while fully recognizing the importance of using tax incentives as soon as we can to encourage savings and investment and absorption of the unskilled into the skilled labor force—the President felt that in the months immediately ahead, while the economy is still amazingly strong, that increasing the budget deficit would be more harmful from the point of view of inflation than doing these extremely desirable things and, of course, you will recognize that just from our own conversations that we, very painfully, with the President, weighed these two options and that's where he's come down, and I certainly can't say he's wrong.

Senator BENTSEN. But we're going to have to look more at the long term rather than at short-term quick fixes if we're going to have a major change over a period of time in the inflation rate in this country. Otherwise, you're going to see a reduction in the standard of living of the people in this country, Mr. Kahn.

Now, I noted one of your comments about the steel industry. As I understand it you are quoted as saying that steel is Chrysler 6 or 12 months in advance, and I'm afraid you're right. I'm deeply concerned that steel is in the process of liquidation in this country and that they are looking to diversification out of the steel industry. If we lose the steel industry in this country then the automobile industry is in real trouble, then the defense industry is in real trouble. So we have to have some major things done and not wait until the time that it's another crisis.

Mr. KAHN. May I just say a word about the steel industry, though here again the administration is actively responding to or apparently in response to the assertions by the steel companies themselves, which I was quoting in that assertion you made. They said that the steel industry may be the Chrysler of the months ahead, and I can't here anticipate what the response of the administration is going to be, though obviously I'm participating in that effort. I think, however, we can say, Mr. Chairman, first, without question, that the things that must be done to encourage capital formation, to encourage the building of new plants, with the difference among us or the question being only one of timing, are the most important things that could be done to help the steel industry and that should be done.

The question, second, of whether there should be special additional diversions of capital to steel—I'm trying to put this in a nonpejorative way—is a real question; and, third, I'd like to be sure to observe that the steel industry in the United States is not going to disappear. There

are a lot of marginal mills just as Chrysler had some marginal plants that are inefficient. Probably some of them can never be resurrected and probably some should never be resurrected. What we are going into is a cyclical decline for the demand for steel. We have a long-range problem. We ought to be helping all industry with capital formation and also with the burden of environmental restrictions.

Senator BENTSEN. Mr. Kahn, I think the major steel companies have had some very bad management decisions in the past. I think they have also had some very big obstacles on the part of the Government. I'm not really trying to allocate blame. I'm just concerned about the future for the country. Steel is not a big industry back in my State, but I'm worried about the Nation as a whole and where the economy is headed.

Mr. KAHN. It's been a situation in which one wants to avoid duplicating a process that I have described as insulating people from the market, insulating them from the profit declines resulting from bad management decisions and competition and insulating workers from the unemployment consequences of wage increases that happen in this industry to have been far, far larger than the national average; far larger, and far in excess of productivity improvements.

I'm not interested in interfering with the collective bargaining process, but we have to be realistic and recognize that danger, and yet, to return, I couldn't agree more strongly with you about the necessity for looking to capital formation. I do want to emphasize, though, that in our regulatory reform efforts, both in introducing more competition, in the bubble policy that the Environmental Protection Agency is producing which gets away from this detailed descriptive regulation and gives incentives to private enterprise which can save 35 to 45 percent of the cost of achieving the same degree of environmental protection, in the additional expenditures for R. & D. that the President has incorporated in his budget and that is turning around a long-term decline there in our society; in a program under the Youth Employment Act trying to help retrain and absorb our labor force; in our multilateral trade treaty trying to introduce and strengthen the competition internationally. It is not that we are doing nothing. There are some big gaps and it's simply a choice on the basis of what the budget will permit right now.

Senator BENTSEN. One of the things I saw in these hearings—and I saw it time and time again—is how government, labor, and business work together in the Far East countries to try to achieve objectives in exports. And we have seen in this country the three of them working as adversaries too often. If there's one area we ought to be able to get them toegther on, it ought to be on exports. Keep jobs here in this country and keep the good jobs here in this country and not export them overseas. But it's going to take cooperation on the part of all three.

Mr. KAHN. I quite agree. I'd like to call your attention to the fact that when we organized the Pay Advisory Committee with representatives of industry, labor, and the public, the first session of that committee was chaired by Prof. John Dunlop and I said something that I know is totally congenial to Professor Dunlop; I said:

I hope you will define your mission broadly, not merely as helping us apply standards to the setting of wages, but more broadly in a concerted cooperative attack on the productivity problem because that bears just as strongly on the behavior of wages and prices.

So I agree this collaborative effort in many areas is absolutely essential and we will pursue that.

Senator BENTSEN. Let me ask you about the specific relationship between the Council on Wage and Price Stability, the Pay Board, and the Price Board. If you disagree with the Boards on appropriate pay or price standards, whose views prevail?

Mr. KAHN. Well, there's no question that we have the final say and "we" really means me nominally, representing the President. If we feel strongly enough to jeopardize the cooperation that we think is valuable and that we have elicited, that a particular recommendation of the committee or a series of recommendations are on balance harmful, we will presumably try first to see whether we can discuss and prevail upon them to change them. However, if that's our conclusion, ultimately we will reject them. My job is to prevent inflation.

Senator BENTSEN. Mr. Kahn, I appreciate your candor. You have a tough responsibility. But a lot more of it has to be translated, I think, into specific legislation addressed to productivity and to trying to do something about increasing the supply side of our economy. I have some additional written questions I'd like to submit to you if you would give me answers in writing.

Mr. KAHN. I would be happy to.

Senator BENTSEN. Thank you very much.

Mr. KAHN. Thank you, sir.

[Whereupon, at 10:55 a.m., the committee adjourned, subject to the call of the Chair.]

[The following written questions and answers were subsequently supplied for the record:]

RESPONSE OF HON. ALFRED E. KAHN TO ADDITIONAL WRITTEN QUESTIONS POSED BY SENATOR BENTSEN

Question 1. On "Meet the Press" last Sunday, President Carter said that "all of the increase in the rate of inflation since I have been in office is directly attributable to the increases in OPEC oil prices." How do you reconcile this with the increases in housing costs, interest rates, and food prices?

Answer. Energy-price increases have been a major, though not the only, source of the recent acceleration of inflation. The table below presents a breakdown of price increases during the past 3 years—"the Carter years." Clearly, the most rapid acceleration has occurred in the area of energy prices. In 1979, the costs of energy goods and services rose at more than five times the 1977 rates. From 1977 to 1979, the overall rate of inflation accelerated by 6.5 percentage points, from 6.8 percent to 13.3 percent. Escalating energy prices accounted for almost one-half of this acceleration. Faster rates of price increase in the food and housing sectors accounted for the remainder of the acceleration.

MAJOR COMPONENTS OF THE CPI

	December 1979 relative importance (percent)	Percentage changes		
		December 1976 to December 1977	December 1977 to December 1978	December 1978 to December 1979
All items	100.0	6.8	9.0	13.3
Food	17.7	8.0	11.8	10.2
Home purchase	10.4	8.4	11.2	15.8
Mortgage interest costs	8.7	10.8	22.0	34.7
Energy	10.3	7.2	8.0	37.4
Percentage-point impact of energy:				
Direct				3.9
Direct and indirect				6.0–8.0

The Council is often asked to calculate the full impact of the recent major increase in energy prices—i.e., to estimate the feedback as well as the effects of the increase. To properly calculate these effects requires a sophisticated econometric model of the economy. Estimates made using the Federal Reserve-MIT model indicate that the total impact of a shock, such as a big energy-price increase, can be found by multiplying the direct impact by a factor of 1.5 to 2. Thus, the total impact of last year's energy-price surge will range between 6.0 and 8 percentage points—the direct impact, almost 4 percentage points, multiplied by 1.5 and 2.

Finally, it should be noted that energy prices do not increase the same rate as OPEC oil prices. Imported oil accounts for less than one-half of our total oil consumption, and oil is not our only source of energy. Thus, although OPEC activities influence world market prices and hence all energy prices, a 50 percent jump in OPEC prices need not result in a 50 percent increase in the cost of energy in the United States. Last year, for example, OPEC oil prices increased 58 percent (and non-OPEC oil prices jumped by an even larger 66 percent), but energy costs in the United States advanced by a somewhat smaller 37 percent.

Question 2. What has happened to the union-nonunion wage differential since we've had wage-price guidelines? Have unionized workers done a lot better?

Answer. This question can be answered by examining union/nonunion wage increases measured by the Employment Cost Index, released by the Bureau of Labor Statistics. For the 12 months ended September 1979, which corresponds to the first program year, wages of union workers increased 8.4 percent while wages of nonunion workers increased 7.3 percent. While the relationship is reversed from the previous 12-month period, when wage increases for nonunion workers rose slightly more than wage gains for union workers, it is consistent with wage increases for fiscal years 1976 and 1977. See table below. Viewed in the perspective of the previous 3 years, we cannot conclude that the guidelines contributed to the differential in the size of wage increases granted to union and nonunion workers.

EMPLOYMENT COST INDEX, FISCAL YEARS 1976–1979

	1976	1977	1978	1979
All private nonfarm workers	7.2	7.2	8.0	7.7
Bargaining status:				
Union	8.5	7.7	7.9	8.4
Nonunion	6.5	6.9	8.0	7.3

Question 3. The Pay Board's "Principles for Voluntary Pay Stabilization During 1980" state that:

"The Committee is of the view that 1980 should be a transitional year and that a return to free bargaining and free market policies is desirable as soon as conditions permit."

Does this mean that 1980 will be the last year for the guidelines? If so, what evidence do you see that the wage-price spiral is slowing down. Last month, Mr. Russell stated that:

"I fear that we are on the verge now of an explosion in wage rate inflation as workers try to recoup their losses in standard of living, and a spread, therefore, of the food and fuel price explosion into the other sectors of the economy."

In light of this, it would seem that the guidelines may be more necessary than ever.

Answer. Recent evidence suggests that the underlying rate of inflation is accelerating. The underlying rate—as measured by the Consumer Price Index—began to increase at a faster pace in fiscal year 1979. The figures presented below indicate that a slight acceleration, from a 6 percent to a 7 or 7½ percent annual rate, occurred in late 1978 and the first half of 1979. During the second half of 1979, this measure of the underlying rate increased at an even faster pace—currently it is advancing at a 9.6 percent annual rate. Clearly, although the wage-price spiral may have been slowed, it has not been fully contained. First enforceable standards are essential if we hope to restrain inflation in the future.

The Council shares the Pay Board's hope that free market policies will prevail in the future; however, we have no guarantee of when inflation will abate, thus there is no basis for selecting any specific program termination date.

CONSUMER PRICE INDEX—UNDERLYING RATE

[Seasonally adjusted, percentage changes]

	Fiscal year—			Annual rates				
				3 mo ended—				September 1979 to January 1980
	1977	1978	1979	December 1978	March 1979	June 1979	September 1979	
CPI—Underlying rate	6.0	6.1	7.5	7.2	7.5	7.2	8.1	9.6

Question 4. The Pay Advisory Committee has recently agreed to raise the inflation assumption for cost-of-living adjustment clauses in labor contracts from 6 percent to 7.5 percent. But how reasonable is this, with inflation running at 13 percent?

Answer. The majority of cost-of-living clauses occur in multiyear collective bargaining contracts, primarily in 3-year contracts. The 7.5 percent inflation assumption appears more realistic when reviewed as the average inflation rate over the next 3 years, the expected duration of most contracts with COLA provisions signed this year.

Question 5. With regard to the Pay Advisory Committee's new guidelines—a range of 7.5 to 9.5 percent—the Wall Street Journal [1] stated that some of the public members of the Committee "fear that a range will prove a sham, and that the top of the range will become the new guideline for all practical purposes." What are your comments on this?

Answer. While the criteria associated with the 7.5–9.5 percent pay range do not specify where in the range various pay plans should average, the Council is emphasizing the Pay Advisory Committee's point that "settlements or wage determinations in the normal circumstances should be expected to average about the midpoint of the range (8.5 percent)." In addition many companies may not be able to grant wage increases at the top of the range, based on their own economic outlook.

Question 6. What impact do you expect the grain embargo to have on food prices during the next few months?

Answer. I don't expect the suspension of grain sales to Russia to have any measurable impact on overall food prices in the next few months. It had in unsettling effect on grain and some livestock markets for the first 3 weeks but even they are now at about the levels that existed prior to the January 4 suspension. Since the U.S. Government stepped in as a replacement buyer and major exporting countries agreed not to replace U.S. sales, the near term supply and demand forces remain unchanged. Hence a return to the pre-January 4 price level is the result. Any impacts will be longer term when the final facts are known about the degree of slippage in final sales to the Soviets and the amount of buildup in stock levels is more apparent. Government actions to counter the effects if the suspension could have some long range effects on food prices, but the nature and size of these effects are not yet determined—price changes could be either positive or negative. Any changes in price of grain or livestock take several months to show up in significant changes in food prices at retail.

Question 7. Which of the five "experimental measures of Homeownership" attached to the December CPI release do you believe is most accurate? Also, can you explain why three of these measures (X–2, X–3, and X–4) increased *more* rapidly than the official homeownership component of the CPI over the last 12 months, but the alternative CPI's including these measures increased *less* rapidly then the official CPI?

Answer. The measurement of homeownership costs in the CPI has been the subject of much debate. Critics of the index argue that the CPI misstates the rate of increase of housing costs because it includes changes in the asset value and financing costs of a house. It is argued that a measure of changes in purchasing power, which is used to escalate incomes, determine the rate of price increase, and evaluate inflation policy, should not reflect changes in asset values or financing costs. The Bureau of Labor Statistics publication of experimental alternative measures of homeownership costs is a response to these and other criticisms. The attached speech, which was given recently by Janet L. Norwood, the Commissioner

[1] Jan. 9, 1980, p. 3.

of Labor Statistics, provides a thorough discussion of the problems surrounding the measurement of homeownership costs.

From the Council's perspective, experimental measure X–1 is probably most useful of the new experimental indices. The official homeownership component of the CPI is replaced in X–1 by the CPI for residential rent. This substitution provides a better estimate of the cost of consuming housing services—that is, the opportunity cost of living in one's own house. An accurate measure of the rental value of owner-occupied housing would reflect the market value of the shelter that a house provides.

During the 12-month period ended December 1979, three experimental measures of homeownership costs—X–2. X–3, and X–4—rose faster than the official homeownership component. However, the relative importance weights of these experiment measures are roughly one-half as large as that of the official measure, therefore their impacts on the overall CPI are significantly smaller. (See table below.) Thus, the alternative CPI's that include these experimental measures increased less rapidly than the official CPI.

Measure of homeownership costs	December 1977 relative importance (percent)	December 1978 to December 1979	
		Percentage change	Percentage-point contribution to CPI
Official CPI	22.8	19.8	4.5
X–1	14.5	7.9	1.1
X–2	11.4	28.2	3.2
X–3	10.0	22.4	2.2
X–4	10.0	22.6	2.3
X–5	8.7	11.2	1.0

Source: Department of Labor, Bureau of Labor Statistics.

Question 8. In your testimony today, you stated that economic analyses have shown that the wage-price guidelines have been successful in reducing the rate of inflation. Please provide us more information and documentation about these analyses.

Answer. The Council has not yet completed its formal evaluation of the impact of the pay and price standards during the first program year. As the portions of the program evaluation are completed, CWPS will release the analysis of the program's effectiveness based on an evaluation of standard measures of wages and prices as well as company data obtained through our monitoring efforts.

The Council on Economic Advisers has estimated the impact of the pay standard on wage-rate growth. Their calculations suggest that the 7-percent standard decreased the rate of wage increase by 1½ to 2 percentage points.

The standard's impact on prices might be gaged by comparing the underlying rate of inflation with the overall rate of price increase. In 1979, surging energy and housing costs caused the Consumer Price Index to accelerate by 4.3 percentage points, from 9 percent to 13.3 percent. The underlying rate of inflation accelerated by only 1.3 percentage points during the same period. We have been fortunate that these sectoral price surges have not yet been built into the industrial wage-price structure, and it appears that, to some degree, the pay and price standards have helped to prevent widespread price acceleration.

[From U.S. Department of Labor News]

BUREAU OF LABOR STATISTICS,
Washington, D.C., January 21, 1980.

Contact: Kathryn Hoyle (202) 523–1913.

NORWOOD DISCUSSES CPI CONTROVERSY

Commissioner of Labor Statistics Janet L. Norwood today challenged the notion that the Consumer Price Index can be made more accurate by some kind of a "quick fix."

"The CPI is the best measure of purchasing power we have, and, we are working to make it even better," Dr. Norwood told the National Association of Government Labor Officials, meeting at the International Inn, in Washington, D.C.

She presented five alternative ways of measuring the CPI's most controversial component, the cost of homeownership. Norwood told the State labor commissioners that BLS will publish the experiemental measures each month, but plans no change in the official index at this time.

"Given the resources and time necessary, the Bureau can produce special consumer price indexes for particular needs. We should not, however, permit these other needs to weaken the ability of the present CPI to fulfill the objective for which it was intended—which is to measure, in today's prices, the cost of the market basket providing the same living standard as in the base period."

The text of Norwood's remarks to the Winter Meeting of the National Association of Government Labor Officials is attached.

"THE CPI CONTROVERSY," REMARKS BY DR. JANET L. NORWOOD, COMMISSIONER OF LABOR STATISTICS AT THE WINTER MEETING OF THE NATIONAL ASSOCIATION OF GOVERNMENT LABOR OFFICIALS, INTERNATIONAL INN, WASHINGTON, D.C.

When prices rise, people pay increasing attention to how the Government measures inflation. Workers worry about their real income. Retirees want to be sure that their pensions will buy the same package of goods and services upon which retirement plans were made. Those responsible for economic policy want to measure their success in restraining price rises. National budget makers, concerned about growing dollar outlays, worry about the effect of indexation on the country's budget.

The Consumer Price Index, the Nation's most important price index, is used for all of these needs. Although the index serves the Nation's users both during periods of relative price stability and in periods of rising or declining prices, questions about the accuracy of the measure always crescendo in periods like the present, when prices tend to be unresponsive to measures taken to turn them around. Therefore, it is essential that the public understand what the index is intended to measure, why it is put together the way it is, and, especially, in what areas price measurement could be improved.

The Consumer Price Index is a good measure of the changes in purchasing power of the average family represented in the index. But, the CPI is not perfect. And, we know it is not appropriate for all measurement purposes. Because we recognize that index making is still a developing art, we are always experimenting with new approaches in order to improve the measurement of inflation.

Two criticisms of the index are being widely discussed: (1) that the CPI overstates the cost of living because the index is based on a fixed market basket and therefore does not reflect changes consumers make in buying habits and (2) that the index overstates inflation because of the way it handles homeownership. Let us examine each criticism in turn.

THE FIXED MARKET BASKET

The CPI is based on a fixed market basket. That is the weights for the mix of goods and services purchased during the base period are held constant from year to year until a major revision occurs. We keep the market basket constant deliberately because we want to keep fixed the living standard represented by that market basket. Our purpose to the extent possible is to isolate price changes from other changes which may occur in living standards.

BLS economists, of course, know that consumers shift their purchases in response to changes in relative prices. What we do not know, however, is whether such changes in consumption patterns result in a living standard that is higher or lower than that in the base period. If the market basket were changed whenever prices change—without knowing whether the consumer is equally satisfied with the shift—we would not know whether a change in the index was caused by a change in prices or by a change in the market basket. Because a market basket change could amount to a change in living standards, those whose income payments are adjusted by the CPI would not be assured that their living standards would remain at the same level. The purpose of such CPI cost-of-living adjustment (indexation) has traditionally been to permit people

to purchase in today's prices, the bundle of goods and services they purchased in the base period, thereby leaving them at least as well off as they were then.

The following example will illustrate my point. If, in adjusting to higher prices, a family decides to forego its weekly restaurant dinner, the family is both changing its market basket and lowering its satisfaction or standard of living. If the objective of indexation is to insure purchasing power necessary to preserve living standards, a measure used to index income should not reflect this kind of a market basket change.

HOMEOWNERSHIP

The present CPI homeownership component includes the month-to-month change in prices of five expenditures of owning a home. The weights for three of these expenditures—property taxes, insurance, and maintenance and repairs—represent the average expenditures by all people living in their own homes during the CPI base period. Thus, the housing costs for those who purchased their homes before the base period are represented in the index only by property taxes, insurance, and maintenance and repairs. Weights for two other expenditures—house prices and contracted mortgage interest cost—are based on the small group of families—roughly 6 percent of the total—who actually purchased a home in the base period. Thus, the CPI does not assume that everyone buys a new house every month; the house price and mortgage interest component in the CPI represents the expenditures only of those who actually purchased a house in the base period. In effect, those who purchased their own home before the base period are assumed to have no house price or mortgage interest costs at all.

Because the CPI represents the cost of the base period market basket of goods and services in today's prices, the prices for houses and the mortgage interest rates used are current prices. The house purchase and mortgage interest components of the index, therefore, rise or fall each month, based on current prices of houses sold and of current mortgage interest rates. This approach is entirely consistent with that used in other parts of the index, for refrigerators, stoves, apples and oranges, for example.

Arguments for and against the current treatment of homeownership in the CPI come from people who look at the purchase of a house in different ways. They can roughly be divided into three groups:

1. Those who favor the current approach argue that most American families live in their own homes, not rented homes. They believe that the CPI should measure in today's prices the cost of the purchase of the same kind of house purchased in the base period and that owned homes should be treated in the index in exactly the same way as other items. The index should represent the price today for the proportion of expenditure on houses purchased in the base period. They argue that if a house were sold today and another of the same quality purchased, the consumer making the purchase would have to pay the house price prevailing today and would be forced to contract for a mortgage at the current interest rate. According to this view, that is exactly what the CPI should and does show. The index, they assert, correctly measures homeownership.

2. Another view of the CPI homeowner component is taken by those who argue that the index, as a measure of the change in purchasing power for purposes of escalating income or determining the rate of inflation, should not include the impact of rising prices on the value of assets such as houses. Just as the CPI excludes changes in the value of stocks and bonds, it is argued that the change in the asset value of the house (appreciation—or depreciation) and the cost of equity in holding that asset should be distinguished from the change in the cost of the shelter provided by the house. It is the cost of consuming the shelter provided by the house—not the investment aspects of homeownership—which should be reflected in an index used to keep real income constant.

This is the position taken by the BLS staff during the last revision of the CPI. Bureau staff papers pointed out that there are two empirical methods which could be used to measure the cost of the flow of housing services. The BLS did a great deal of research and experimentation on one of these methods: estimating what economists call a "cost function" for the use of an owned home. Some felt that this method, which includes all the major components of the CPI home-

ownership component—prices for property taxes, insurance, home maintenance and repairs, and interest rates, while at the same time adjusting for the interest cost of equity and subtracting appreciation—would improve the index. It was thought that it would be acceptable to users, especially if it used current prices for each of these items, as in the case with all other parts of the index. Although some users of the CPI endorsed the Bureau's user cost work, they asked that further research be done, especially on the procedures for estimating the equity interest term before use of this method in the CPI.

The second approach to measuring the cost of shelter, an approach which the Bureau has not yet had the resources to test, would develop a new rental equivalance sample of prices to represent the types of homes that are owned. Such a sample would consist of the homes of the same type and at the same locations as homes that are owned. Rental prices collected from this new sample could be used in the index to represent the cost of shelter provided to homeowners by their own houses. The design of a rental equivalence sample would, of course, be quite different from the CPI rent component, which was constructed to represent all rented units, not just rental units that are typical of owned homes.

3. Another group currently criticizing the CPI homeownership component alleges that it overstates the rate of inflation because it uses current mortgage interest rates. This group argues that the CPI should not measure the cost of purchasing the base period houses in today's prices and today's mortgage interest rates, but rather that the CPI should measure what people are actually paying for housing. This "outlays" approach would use an average of the interest rates paid over a period of years instead of the current rates, would include property taxes, home maintenance and repairs, and insurance, but would exclude the cost of the house itself. Homeowners who had paid off their mortgages in the base period would be assumed to have no cost at all because they made no payment for mortgage interest. Under this system, mortgage interest rates would reflect an average of the rates prevailing over a period of time, 15 years, for example. Each month, a small portion of interest rates, contracted for 15 years ago at the rate prevailing at that time, would be dropped from the index and a small portion at the current mortgage interest rate would be added. An index calculated in this manner would be lower than the official CPI when current interest rates rise and higher when current mortgage interest rates decline. Because the current mortgage interest rate would be used only for a small portion of homeowners, the index would continue to rise even when current interest rates decline.

The foregoing review of differing views of the homeownership component demonstrates, I believe, the complexity of the conceptual and empirical issues involved in selecting the formulation to be used in the CPI. Among the alternatives, there are important differences in pricing mechanisms and large differences in the weight of homeownership relative to other components of the index. For example, the official CPI homeownership component now has a relative importance of almost 23 percent. Use of the flow-of-services concept that was proposed by the BLS staff would reduce that weight by one-half under the user cost alternative (to about 11 percent) and to about 14 percent under the rental equivalence approach. The outlays approach currently being suggested would reduce the weight still further—to a relative importance in the index somewhere between 9 and 10 percent. Such significant variations in the relative importance of shelter costs could have a large effect on the All-Items CPI, especially in a period like the present when house prices and mortgage interest rates are rising at a fast pace. This consideration plus the lack of agreement among major users of the index led former Commissioner Shiskin to decide, during the recent revision of the CPI, to retain the historical treatment of the homeownership component while continuing staff work in this field.

BLS is today publishing five experimental measures using variants of the different approaches to homeownership that I have described. Table 1, which shows a 12-month percent changes in the homeownership component, demonstrates how wide the measurement differences can be. Table 2 uses the experimental homeownership approaches in all-items measures. The table shows that in the 12 months ended in November 1979, the range among the experimental measures was about 2 percentage points. For measure X–2, the 12.5 percent

change was about the same as in the official CPI. The percent changes in the other experimental measures were lower than in the official CPI. When one looks at these 12-month percent changes ended in each of the months of 1979, the table shows a larger spread for measure X-2 (8.4 in January to 12.5 in November) than for the official CPI (9.3 to 12.6).

FURTHER RESEARCH

Bureau of Labor Statistics research on the measurement of homeownership began in 1970, long before the current discussion of the issue. As can be seen from the foregoing discussion, there is still considerable disagreement over the best method to measurse homeownership. Because the issue is so important, the Bureau is continuing its work on homeownership measurement and will continue to publish research findings and experimental measures. We are also exploring the issues involved in development of a rental-equivalence measures so that BLS can, if resources are made available, carry out the field collection required for a full rental equivalence index and calculate an experimental measure using a valid rental-equivalence component.

Further work also needs to be done on methods for developing what economists call a "constant utility" market basket. Such an approach would allow changes in the market basket to reflect shifts in consumer habits and permit calculation of an index reflecting changes in consumer preference without changing the base period living standard.

This year, the Bureau began a new Continuing Consumer Expenditure Survey program. Under this program, the Census Bureau is collecting information on consumer expenditures on a recurring basis for the Bureau of Labor Statistics. These data will serve as the basis for revising the weights in future revisions of the CPI. The fielding of a continuing survey is an important step forward because it will provide an empirical foundation for examining changes in consumer expenditures and will become a basis for determining when a revision of the index is required.

INDEXES FOR SPECIAL PURPOSES

Users of the CPI should be aware of the many subindexes which are produced as a part of the CPI system. These are published prominently in the monthly CPI news release, are used for analytical and other purposes, and, in some cases, are used for indexation. Among these subindexes, for example, is an index for "All Items minus mortgage interest costs" and another for "All Items less energy." In addition to these and other subindexes, BLS will now begin regular publication of the experimental housing measures I have described. We hope that by publishing these measures, we will encourage full public discussion of this complex but important subject.

BLS also can produce other indexes if they are required. Special indexes may be needed when government pursues social goals which—at least in the short run—may raise prices. Should it be considered socially desirable to reduce energy consumption by raising gasoline prices, consumers would pay more for gasoline and the index measuring the rate of inflation would and should go up. It might be useful to policy makers, in such a case, to create a special index which could exclude such increases or which could treat other policy-directed price changes, such as changes in interest rates, in a special way. Some also have suggested the desirability of a special index—for use in pension escalation—that would represent the expenditure experience of persons receiving retirement benefits.

The BLS is a service agency. Given the resources and time necessary, the Bureau can produce special consumer price indexes for particular needs. We should not, however, permit these other needs to weaken the ability of the present CPI to fulfill the objective for which it was intended.

TABLE 1.—ALTERNATIVE HOMEOWNERSHIP COMPONENTS USED IN OFFICIAL CPI–U AND IN EXPERIMENTAL MEASURES

[Percent change over 12 mo]

12 mo ended	Official Consumer Price Index for all urban consumers (CPI–U)	Experimental measures of homeownership: Flow-of-services measures: X–1 Rental equivalence using CPI rent	Flow-of-services measures: X–2 User cost using current interest cost	Flow-of-services measures: X–3 User cost using average interest cost	Outlays measures: X–4 Outlays using current interest cost	Outlays measures: X–5 Outlays using average interest cost
December:						
1968	7.6	2.8	11.1	8.0	11.0	6.0
1969	10.2	3.8	6.9	3.5	13.2	8.3
1970	10.2	4.5	4.3	1.7	12.6	10.1
1971	2.7	3.8	−12.1	−8.9	.3	7.7
1972	4.1	3.5	2.4	3.3	4.8	6.2
1973	7.7	4.9	22.9	18.8	10.8	4.4
1974	13.3	5.4	16.8	12.9	14.9	9.1
1975	7.9	5.2	2.7	3.3	7.1	9.0
1976	3.8	5.5	−1.0	2.0	2.7	7.6
1977	9.2	6.5	2.5	.4	10.4	9.0
1978	12.4	7.3	5.7	1.1	12.0	5.3
January 1979	12.4	7.2	8.0	5.7	12.4	5.7
February 1979	13.5	7.1	10.8	7.4	13.7	5.7
March 1979	13.7	6.7	11.7	10.4	14.0	5.9
April	14.2	6.5	12.3	9.9	14.4	6.1
May 1979	14.6	6.8	13.9	11.3	14.9	6.4
June 1979	14.9	6.8	14.2	10.6	15.0	6.4
July 1979	15.2	7.1	16.7	11.7	15.3	6.8
August 1979	16.0	7.5	20.1	9.8	15.9	7.0
September 1979	16.1	7.6	18.3	13.2	16.4	7.5
October 1979	16.8	8.4	22.2	13.7	17.2	7.8
November 1979	18.3	8.1	24.5	15.1	19.0	7.9
Relative importance of homeownership component, December 1977 (all-items index=100)	22.8	14.5	11.4	10.0	10.0	8.7

TABLE 2.—OFFICIAL ALL-ITEMS CPI–U AND EXPERIMENTAL MEASURES USING ALTERNATIVE HOMEOWNERSHIP COMPONENTS

[Percent change over 12 mo]

12 mo ended	Official Consumer Price Index for all urban consumers (CPI–U)	Experimental measures using alternative of homeownership components: Flow-of-services measures: X–1 Rental equivalence using CPI rent	Flow-of-services measures: X–2 User cost using current interest cost	Flow-of-services measures: X–3 User cost using average interest cost	Outlays measures: X–4 Outlays using current interest cost	Outlays measures: X–5 Outlays using average interest cost
December:						
1968	4.7	3.9	4.9	4.6	4.7	4.2
1969	6.1	5.2	5.6	5.2	6.0	5.7
1970	5.5	4.5	4.5	4.2	5.2	4.9
1971	3.4	3.5	1.6	2.2	3.2	3.8
1972	3.4	3.3	3.2	3.3	3.4	3.5
1973	8.8	8.5	10.5	10.0	9.2	8.7
1974	12.2	11.1	12.6	12.1	12.3	11.8
1975	7.0	6.6	6.3	6.4	6.8	6.9
1976	4.8	5.1	4.3	4.7	4.8	5.2
1977	6.8	6.3	5.8	5.7	6.6	6.5
1978	9.0	8.0	7.8	7.4	8.5	7.8
January 1979	9.3	8.3	8.4	8.2	8.9	8.2
February 1979	9.9	8.6	9.1	8.7	9.4	8.6
March 1979	10.2	8.8	9.4	9.2	9.6	8.9
April 1979	10.4	8.9	9.6	9.4	9.8	9.1
May 1979	10.8	9.2	10.1	9.7	10.1	9.3
June 1979	10.9	9.3	10.2	9.8	10.2	9.4
July 1979	11.3	9.7	10.9	10.3	10.7	9.9
August 1979	11.8	10.1	11.5	10.4	11.0	10.2
September 1979	12.1	10.4	11.7	11.1	11.4	10.6
October 1979	12.2	10.5	12.2	11.1	11.5	10.5
November 1979	12.6	10.5	12.5	11.3	11.8	10.6

EXPLANATION OF TABLE 1 AND 2 COLUMN HEADS

Official CPI-U includes five components. (1) The weights for property taxes, property insurance, and home maintenance and repairs represent expenditures of all homeowners in the base period. The weights for house prices and contracted mortgage interest cost represent only those homeowners who actually purchased a home in the base period. Included are the total price paid for the home, and the total amount of interest expected to be paid over half the stated life of the mortgage. (2) Current monthly prices are used for each of these components.

Experimental Measure X–1.—(1) The weight for this rental equivalance measure is the estimate of the rental value of all owner-occupied homes in the base period compiled from a specific question asked on the 1972–73 Consumer Expenditure Survey. This covers the entire stock of owned homes. (2) Prices used are the current rents collected for the residential rent component of the CPI. The CPI rent component is designed to represent changes in residential rents for all types of housing units, not just changes in rents for units that are typically owner occupied. The CPI rent component is, therefore, not appropriate for this measure.

Experimental Measure X–2.—(1) The weight for this user cost method includes expenditures for mortgage interest, property taxes, property insurance, maintenance and repairs, the estimated base-period cost of homeowners' equity in their houses, and the offset to shelter costs resulting from the estimated appreciation of house values in the base period. This measure covers the entire stock of owned houses. To derive the weights for mortgage interest costs and equity costs, the total value of the housing stock in the base period was apportioned into its debt and equity components. The debt component equals the amount owed and the equity component is the amount owned, i.e., payments on principal plus appreciation from the time of purchase to the base period. Each component was subsequently multiplied by the average mortgage interest rate in the base period to determin its cost. (2) Prices used are current ones except for the appreciation term which uses a 5-year moving average of the changes in appreciation rates.

Experimental Measure X–3.—(1) The weights are the same as in Experimental Measure X–2, except that mortgage interest costs are calculated as the total interest amount *paid out* by homeowners in the base period. As in X–1 and in X–2, this measure covers the entire homeowners population. (2) The prices for all components except mortgage interests costs and appreciation are current monthly prices. As in X–2, appreciation is represented by a 5-year moving average of the changes in house prices. However, X–3 uses past and current mortgage interest costs in a 15-year weighted moving average, which reflects the base period age distribution of mortgage loans.

Experimental Measure X–4.—The weights for this outlays approach include expenditures actually made in the base period for property taxes, property insurance, maintenance and repairs. The weight for the mortgage interest term is calculated in the same manner as in X–2. However, no appreciation or equity terms are included. Not all homeowners are represented in this measure because those who made no mortgage debt payment in the base period are excluded. (2) The prices used for each of these items are current ones.

Experimental Measure X–5.—(1) The weights for this outlays approach include, as in X–4, expenditures actually made in the base period for property taxes, property insurance, maintenance and repairs. The weight for the mortgage interest cost term is the same as for the X–3. No appreciation or equity elements are used. As in X–4, not all homeowners are represented in this measure because those who made no mortgage debt payment in the base period are excluded. (2) Current prices are used in X–5 except for mortgage interest which uses the 15-year moving average also used in the X–3.

Question 9. In 1964 for the average married private nonagricultural worker with three dependents, real weekly spendable earnings were $88.88 (in 1967 dollars). In December 1979, the corresponding figure was $87.74, down from $92.63 in December 1978. Does this figure really indicate that they've made no progress in 15 years, or is this index misleading?

Answer. Two important caveats regarding the Real Weekly Spendable Earnings series should be noted: (1) Part-time as well as full-time workers are included, and since the proportion of part-time workers has been rising, the series tends to understate the increase in earnings for full-time workers; and (2) the cost of fringe benefits, which has been increasing as a component of total compensation, is excluded from the series. BLS indicates that nonwage

and salary compensation increased from 19.3 percent of total compensation in 1966, the earliest data available, to 25.1 percent in 1977.

An additional point should be recognized. Spendable weekly earnings are calculated based on the assumptions that the worker earned the gross average weekly earnings and was taxed at the rates applicable to either (1) a worker with no dependents, or (2) a married worker with three dependents who files a joint return. Thus, the series reflects the spendable weekly earnings of only those workers whose gross weekly pay approximates the average earnings indicated for all production and nonsupervisory workers. It does not reflect, for example, the average earnings of all married workers with three dependents, which tend to be higher than the earnings for workers with no dependents. The gross average weekly earnings may have been more representative of the average weekly pay of all married workers with three dependents in 1976 than it is in 1979.