1075

MONITORING INFLATION

HEARINGS

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

NINETY-SEVENTH CONGRESS

FIRST SESSION

PART 5

JANUARY 23, MARCH 24, AND SEPTEMBER 24, 1981

[Hearing days of February 25, April 23, May 22, June 23, July 23, and August 25, 1981, of this series, were not held]

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JOINT ECONOMIC COMMITTEE

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FRIDAY, JANUARY 23, 1981

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MONITORING INFLATION

FRIDAY, JANUARY 23, 1981

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

The committee met, pursuant to notice, in room 2167, Rayburn House Office Building, Hon. Henry S. Reuss (chairman of the committee) presiding.

Present: Representative Reuss and Senator Proxmire.

Also present: James K. Galbraith, executive director; Louis C. Krauthoff II, assistant director; Richard F. Kaufman, assistant director-general counsel; and William R. Buechner and Mark R. Policinski, professional staff members.

OPENING STATEMENT OF REPRESENTATIVE REUSS, CHAIRMAN

Representative REUSS. Good morning. The Joint Economic Committee will be in order for the second of its annual series of hearings concerning the state of the American economy.

This morning we zero in on inflation. Under the figures just released last month, December 1980, we saw the Consumer Price Index rose 1.1 percent seasonally adjusted. That's 14 percent at an annual rate. During the last 12 months, prices rose 12.4 percent on the CPI, compared to 13.3 percent for 1979.

During 1980, the standard of living for the average American worker fell almost 5 percent as measured by real spendable weekly earnings.

There were no real surprises in the December price index. Most prices simply kept on rising. Food prices were up 1 percent and are now 10 percent above their level at the end of 1979.

Consumers in this city, Washington, will be upset that grocery store prices rose 50 percent faster than they did around the country in December. Home heating oil rose 3.2 percent in December, and gasoline rose 1.1 percent. These rises were well above the average for the last few months, and gasoline is now almost 20 percent above a year ago.

The worst news was in housing where mortgage interest rates rose 3.4 percent, the third month in a row of increases in the 3-percent range and are now about 25 percent above December 1979.

We've called together today a panel of private witnesses to testify on the current inflation situation. Each is an expert on a particularly virulent aspect of the inflation problem, and we'll discuss the outlook for prices in 1981. Our panel includes Mr. Jason Benderly, vice presi-

dent of the Washington Analysis Corp., who will, I think, come in heavily on food prices; James Clifton, director of economic policy of the U.S. Chamber of Commerce, who will be, among other things, particularly concerned with cost-of-living measurements; Mr. John Lichtblau, executive director of the Petroleum Industry Research Foundation, who will have something to say about energy prices; and Mr. Kip Viscusi, staff associate of the National Commission for Employment Policy on wages. I'm not assigning exclusive subjects here, but I know that the areas I've talked about have been of particular concern to the members of the panel.

Before proceeding, and without objection, the press releases entitled "The Consumer Price Index—December 1980" and "Real Earnings in December 1980" will be made a part of the hearing record at this point.

[The press releases referred to follow:]

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

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THE CONSUMER PRICE INDEX--DECEMBER 1980

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.9 percent before seasonal adjustment in December to 258.4 (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 0.9 percent before seasonal adjustment in December to 258.7 (1967=100). The CPI-U was 12.4 percent higher and the CPI-W was 12.5 percent higher than in December 1979.

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 December, about the same as in each of the preceding 3 months. The housing, transportation, and food and beverage components all registered substantial increases for the second consecutive month. These components accounted for over nine-tenths of the December increase in the CPI. The index for other goods and services rose substantially, but the increases in

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

Expenditure category	Seasonally adjusted							Unadjusted
	Changes from preceding month 1980							Compound annual rate 3-mos. ended Dec. '80	12-mos. ended Dec. '80
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		
All items	1.0	0	0.7	1.0	1.0	1.0	1.1	12.8	12.4
Food and beverages	.5	.9	1.7	1.6	.7	1.1	1.0	12.1	10.1
Housing	1.8	-.7	.1	.7	1.3	1.0	1.3	15.5	13.7
Apparel and upkeep	0	.4	.6	1.3	.5	.3	-0.1	2.7	6.8
Transportation	-.2	.4	.9	1.2	.8	1.3	1.0	13.4	14.7
Medical care	.5	.7	.7	.8	.8	.6	.5	8.1	10.0
Entertainment	.6	.8	.8	1.0	.5	.3	.3	4.7	9.6
Other goods and services	.8	.5	.6	1.9	.3	.6	1.0	8.1	10.1

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

the medical care and entertainment components were comparatively small. On the other hand, the index for apparel and upkeep declined.

The housing index increased 1.3 percent in December, largely because of higher shelter costs. Home financing costs rose 4.1 percent, due entirely to an increase in mortgage interest rates as house prices were unchanged in December. The index for household maintenance and repairs rose 1.4 percent. Prices for household fuels increased 1.7 percent in December, following a 1.1 percent decline in November. Fuel oil prices rose 3.4 percent and charges for gas and electricity increased 1.1 percent. The index for household furnishings and operations continued the moderate rate of advance in evidence during the last several months, increasing 0.4 percent in December.

The food and beverage component rose 1.0 percent in December, following an increase of 1.1 percent in November. Prices for grocery store foods increased 1.1 percent. The index for meats, poultry, fish, and eggs advanced 1.4 percent in December as prices for pork, poultry, fish, and eggs all registered substantial increases. On the other hand, beef prices declined 0.9 percent, following a 0.8 percent increase in November. Prices for fresh fruits and vegetables rose 1.0 percent, as a 3.7 percent increase in fresh vegetable prices more than offset a 0.7 percent decline in prices for fresh fruits. Prices for cereals and bakery products, fresh milk, sugar and artificial sweeteners, and peanut butter also registered substantial increases. The indexes for restaurant meals and alcoholic beverages, the other two components of the food and beverage index, rose 1.0 and 0.7 percent, respectively.

The transportation component rose 1.0 percent in December, following a 1.3 percent increase in November. Increases in prices for used cars, gasoline, and automobile finance charges accounted for most of the advance in December. Used car prices rose 3.3 percent, the

fifth consecutive large monthly increase. Gasoline prices increased 1.1 percent and charges for automobile financing rose 3.2 percent. On the other hand, new car prices declined 0.4 percent, following seasonal adjustment. The index for public transportation increased 1.1 percent in December as charges for airline fares rose 1.7 percent and intercity train fares rose 5.7 percent.

The medical care index increased 0.5 percent as charges for medical care services rose 0.4 percent. Charges for physicians' fees and hospital rooms rose 0.8 and 0.7 percent, respectively. The index for medical care commodities rose 0.9 percent in December. The entertainment index rose 0.3 percent in December, the same as in November. The other goods and services component rose 1.0 percent in December, largely due to a 1.7 percent increase in prices for tobacco products and a 1.3 percent increase in toilet goods and personal care appliances.

The index for apparel and upkeep declined 0.1 percent in December. Pre-Christmas sales were largely responsible for the drop. Declines in women's and girls' and men's and boys' clothing were partially offset by moderate increases in footwear and infants' and toddlers' clothing. Charges for apparel services rose 0.6 percent, following an increase of 0.8 percent in November.

Summary of Annual Changes--CPI-U

For the 12 months ended in December 1980, the CPI-U rose 12.4 percent, compared with 13.3 percent in 1979. The advance in 1980 was, like that in 1979, due primarily to the housing and transportation components, which accounted for almost three-fourths of the increase in the CPI. The index for food and beverages rose 10.1 percent in 1980, about the same as in 1979. Most other major categories of consumer spending registered price increases moderately larger than in 1979.

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, about the same as in each of the preceding 3 months. The housing, transportation, and food and beverage components all registered substantial increases for the second consecutive month and accounted for over nine-tenths of the December increase in the CPI. The index for other goods and services also rose substantially, but the apparel and upkeep and medical care components registered moderate increases in December. On the other hand, the index for entertainment declined.

The housing index increased 1.4 percent in December, largely because of higher shelter costs. Home financing costs rose 4.0 percent, due to a 4.1 percent increase in mortgage interest rates as house prices declined 0.1 percent in December. The index for household maintenance and repairs rose 1.3 percent. Prices for household fuels increased 1.8 percent in December, following a 1.1 percent decline in November. Fuel oil prices rose 3.5 percent and charges for gas and electricity increased 1.2 percent.

The food and beverage component rose 1.0 percent in December, following an increase of 1.1 percent in November. The index for meats, poultry, fish, and eggs advanced 1.2 percent in December as prices for pork, poultry, and eggs all registered substantial increases. On the other hand, beef prices declined 0.8 percent, following a 0.6 percent increase in November. Prices for fresh fruits and vegetables rose 1.0 percent, as a 4.0 percent increase in fresh vegetable prices more than offset a 2.0 percent decline in prices for fresh fruits. Prices for cereals and bakery products, fresh milk, sugar and artificial sweeteners, and peanut butter also registered substantial increases.

The transportation component rose 1.2 percent in December, following a 1.5 percent increase in November. Increases in prices for used cars, gasoline, and automobile finance charges accounted for most of the advance in December. Used car prices rose 3.3 percent,

the fifth consecutive large monthly increase. Gasoline prices increased 1.2 percent and charges for automobile financing rose 3.1 percent. On the other hand, new car prices declined 0.3 percent, following seasonal adjustment.

The index for apparel and upkeep increased 0.2 percent in December. Moderate increases in most apparel commodities were partially offset by a small decline in women's and girls' clothing. Charges for apparel services rose 1.0 percent, following an increase of 0.8 percent in November.

The medical care index increased 0.5 percent as charges for medical care services rose 0.4 percent. Charges for physicians' fees and hospital rooms both rose 0.7 percent. The index for medical care commodities rose 0.9 percent in December. The entertainment index declined 0.1 percent in December, following increases of 0.5 percent in each of the two preceding months. A decline in charges for entertainment services--admissions and fees for participant sports--was largely responsible for the decline. The other goods and services component rose 1.0 percent in December, largely due to a 1.7 percent increase in prices for tobacco products.

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 Dec.'80	12-mos. ended Dec.'80
	1980								
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		
All items	.9	0	.7	1.0	1.0	1.0	1.1	13.2	12.5
Food and beverages	.5	.9	1.7	1.7	.9	1.1	1.0	12.8	10.5
Housing	1.9	-.7	.2	.6	1.3	1.0	1.4	15.8	13.8
Apparel and upkeep	-.3	.5	.7	1.1	.4	.1	.2	3.1	6.7
Transportation	-.3	.4	.9	1.1	.7	1.5	1.2	14.6	14.7
Medical care	.4	.8	.8	.9	.8	.7	.5	8.2	10.3
Entertainment	.7	.4	.7	1.2	.5	.5	-.1	3.7	9.3
Other goods and services	.8	.5	.6	1.6	.3	.6	1.0	7.9	9.9

(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 about 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 by size of city, by region of the country, for cross-classifications of regions and population-size classes, and 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 122 percent, for example, is shown as 222.0. 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 $22.20.

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), *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978; and *CPI Issues*, Report 593, (Bureau of Labor Statistics, February 1980).

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	236.4
Less previous index	233.2
Equals index point change:	3.2

Percent Change

Index point difference	3.2
Divided by the previous index	233.2
Equals:	0.014
Results multiplied by one hundred	0.014x100
Equals percent change:	1.4

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 adusted 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 actually pay. Unadjusted data also are 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 have replaced 5 years of seasonal data, e.g., data from 1975 through 1979 were replaced at the end of 1979. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components. Each year the seasonal status of every series is reevaluated based upon certain statistical criteria. If any of the 45 selected components changes its seasonal status, seasonal data from 1967 forward for the all items and for any of the 35 other aggregations, that have that series as a component, are replaced.

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 U.S. City Average 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	214.1	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	218.2	9.5	.8	1.0
MEATS, POULTRY, FISH, AND EGGS	242.2	19.4	.9	.1
DAIRY PRODUCTS	203.8	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	255.9	14.6	1.3	1.3
FUEL AND OTHER UTILITIES	232.2	7.7	2.1	2.2
FUEL OIL, COAL, AND BOTTLED GAS	366.3	23.2	4.1	4.8
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	235.4	11.3	2.7	-.5
GASOLINE	267.7	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	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/	260.8	19.8	4.2	4.2
ALL ITEMS LESS FOOD AND ENERGY	204.1	9.5	.9	.9

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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 1979	Unadjusted indexes Nov. 1980	Dec. 1980	Unadjusted percent change to Dec. 1980 from- Dec. 1979	Nov. 1980	Seasonally adjusted percent change from- Sept. to Oct.	Oct. to Nov.	Nov. to Dec.
Expenditure category								
All items	100.000	256.2	258.4	12.4	0.9	1.0	1.0	1.1
All items(1957-59=100)	-	297.9	300.5	-	-	-	-	-
Food and beverages	18.685	257.4	259.3	10.1	.7	.7	1.1	1.0
Food	17.655	264.5	266.4	10.2	.7	.8	1.1	1.1
Food at home	12.202	262.1	263.9	10.6	.7	.8	1.2	1.1
Cereals and bakery products 1/	1.518	255.8	258.5	11.6	1.1	1.4	.8	1.1
Meats, poultry, fish, and eggs	4.189	254.9	255.7	8.6	.3	1.4	1.5	1.4
Dairy products	1.642	235.4	238.0	9.7	1.1	.5	.9	.9
Fruits and vegetables	1.702	253.3	255.6	11.0	.9	-1.1	.8	1.1
Sugar and sweets 1/	.418	381.3	386.3	35.7	1.3	2.2	3.3	1.3
Fats and oils	.346	247.4	251.9	8.1	1.8	1.1	.7	2.0
Nonalcoholic beverages	1.375	405.5	405.2	7.9	-.1	.8	1.0	.4
Other prepared foods	1.013	239.9	242.4	11.5	1.0	.5	1.0	.8
Food away from home	5.454	275.3	277.7	9.6	.9	.7	1.0	1.0
Alcoholic beverages	1.029	190.9	191.6	7.6	.4	.3	.3	.7
Housing	44.999	273.6	276.9	13.7	1.1	1.3	1.0	1.3
Shelter	30.910	294.7	298.5	15.1	1.3	1.9	1.5	1.5
Rent, residential 1/	5.273	198.3	199.6	9.1	.7	1.0	.6	.7
Other rental costs	.734	268.3	267.7	9.3	-.2	.1	.4	.2
Homeownership	24.904	329.4	334.2	16.5	1.5	2.1	1.7	1.7
Home purchase 1/	10.396	267.3	267.2	11.4	.0	1.5	.7	.0
Financing, taxes, and insurance	10.902	416.9	429.4	23.3	3.0	3.1	2.9	3.4
Maintenance and repairs	3.606	294.2	296.8	10.6	.9	.4	.7	1.4
Maintenance and repair services	2.778	318.6	321.5	10.7	.9	.3	.7	1.5
Maintenance and repair commodities 1/	.828	237.1	239.1	10.4	.8	.6	.3	.8
Fuel and other utilities 1/	6.477	285.7	289.9	13.6	1.5	-.2	-.7	1.5
Fuels 1/	4.607	358.7	364.7	17.0	1.7	-.5	-1.1	1.7
Fuel oil, coal, and bottled gas 1/	1.214	567.0	585.3	19.9	3.2	-.5	1.5	3.2
Gas (piped) and electricity 1/	3.393	310.5	313.9	15.9	1.1	-.4	-2.1	1.1
Other utilities and public services 1/	1.870	169.0	170.6	5.4	.9	.4	.7	.9
Household furnishings and operation	7.612	211.0	211.6	8.1	.3	.4	.3	.4
Housefurnishings	4.139	178.1	178.3	6.8	.1	.3	.0	.3
Housekeeping supplies 1/	1.459	256.0	257.7	12.4	.7	.6	.9	.7
Housekeeping services 1/	2.015	276.1	277.1	7.4	.4	.4	.6	.4
Apparel and upkeep	5.107	184.8	183.9	6.8	-.5	.5	.3	-.1
Apparel commodities	4.446	177.2	176.0	6.0	-.7	.4	.2	-.2
Men's and boys' apparel	1.396	174.8	174.3	5.4	-.3	1.1	-.1	-.1
Women's and girls' apparel	1.701	159.9	157.4	1.8	-1.6	-.4	.0	-.7
Infants' and toddlers' apparel 1/	.108	248.9	250.1	10.1	.5	.7	2.0	.5
Footwear	.669	196.5	196.6	6.7	.1	1.0	.1	.6
Other apparel commodities 1/	.572	213.7	213.3	17.9	-.2	.6	.9	-.2
Apparel services 1/	.662	241.9	243.4	12.4	.6	1.1	.8	.6
Transportation	18.572	259.0	261.1	14.7	.8	.8	1.3	1.0
Private transportation	17.506	257.4	259.4	14.0	.8	.8	1.3	1.0
New cars	3.731	184.3	184.5	7.5	.1	-1.5	.1	-.4
Used cars	2.838	230.8	234.4	18.3	1.6	5.5	5.1	3.3
Gasoline	5.619	370.5	373.3	18.9	.8	.3	.9	1.1
Maintenance and repair	1.473	278.4	280.1	10.9	.6	.9	.9	.6
Other private transportation	3.845	228.8	231.0	11.3	1.0	.1	.6	.7
Other private trans. commodities 1/	.712	203.1	203.6	9.7	.2	.0	1.1	.2
Other private trans. services	3.133	237.9	240.6	11.8	1.1	.1	.5	.8
Public transportation 1/	1.066	277.0	280.1	25.6	1.1	1.0	1.2	1.1
Medical care	4.817	274.5	275.8	10.0	.5	.8	.6	.5
Medical care commodities	.802	173.8	175.1	10.0	.7	.8	.7	.9
Medical care services 1/	4.015	296.6	297.9	10.0	.4	.9	.6	.4
Professional services 1/	1.911	260.4	261.7	10.9	.5	.7	.5	.5
Other medical care services 1/	2.104	340.5	341.6	9.2	.3	1.0	.7	.3
Entertainment	3.738	211.2	212.0	9.6	.4	.5	.3	.3
Entertainment commodities	2.214	214.5	215.3	10.3	.4	.5	.6	.2
Entertainment services 1/	1.523	206.9	207.8	8.7	.4	.5	-.1	.4
Other goods and services	4.081	222.8	224.6	10.1	.8	.3	.6	1.0
Tobacco products 1/	1.080	207.3	210.8	9.7	1.7	.0	1.4	1.7
Personal care 1/	1.632	219.0	220.9	8.8	.9	.5	.6	.9
Toilet goods and personal care appliances 1/	.728	212.4	215.2	9.9	1.3	.7	.3	1.3
Personal care services 1/	.905	225.5	226.8	8.0	.6	.3	.8	.6
Personal and educational expenses	1.369	251.3	251.5	12.0	.1	.3	.3	.5
School books and supplies	.174	221.9	222.1	9.7	.1	-3.6	1.0	.6
Personal and educational services	1.195	258.1	258.2	12.3	.0	.8	.2	.4
Commodity and service group								
All items	100.000	256.2	258.4	12.4	0.9	1.0	1.0	1.1
Commodities	59.663	242.5	243.8	11.1	.5	.8	1.0	.7
Food and beverages	18.685	257.4	259.3	10.1	.7	.7	1.1	1.0
Commodities less food and beverages	40.379	232.0	232.9	11.5	.4	.8	.9	.6
Nondurables less food and beverages	17.706	245.3	246.8	12.7	.6	.1	.4	.9
Apparel commodities	4.446	177.2	176.0	6.0	-.7	.4	.2	-.2
Nondurables less food, beverages, and apparel	13.261	284.5	287.4	15.0	1.0	.1	.6	1.1
Durables	22.672	220.6	221.1	10.7	.2	1.2	1.3	.5
Services	40.937	280.9	284.7	14.2	1.4	1.2	1.0	1.5
Rent, residential 1/	5.273	198.3	199.6	9.1	.7	1.0	.6	.7
Household services less rent	21.692	331.9	338.4	17.0	2.0	1.6	1.4	2.3
Transportation services	5.673	253.3	255.8	14.1	1.0	.5	.7	.9
Medical care services 1/	4.015	296.6	297.9	10.0	.4	.9	.6	.4
Other services	4.285	227.2	228.1	10.1	.4	.7	.3	.5
Special indexes:								
All items less food	82.345	253.2	255.5	12.9	.9	1.0	.9	1.1
All items less shelter	69.090	243.6	245.2	11.2	.7	.5	.8	.8
All items less mortgage interest costs	91.346	244.5	245.9	10.9	.6	.7	.8	.8
All items less home purchase and mortgage interest costs	80.950	242.0	243.6	10.9	.7	.6	.8	.7
All items less medical care	95.183	254.9	257.1	12.5	.9	1.0	1.0	1.1
Commodities less food	41.408	230.0	231.0	11.5	.4	.8	.9	.6
Nondurables less food	18.736	240.5	242.0	12.5	.6	.1	.5	1.0
Nondurables less food and apparel	14.290	272.1	274.7	14.4	1.0	.1	.6	1.2
Nondurables	36.391	252.4	254.1	11.3	.7	.5	.9	.9
Services less rent	35.664	296.4	300.7	14.9	1.5	1.2	1.1	1.7
Services less medical care 1/	36.921	277.7	281.2	14.6	1.4	1.2	1.1	1.4
Energy	10.313	366.1	370.4	18.1	1.2	-.3	.3	1.5
All items less energy	89.687	247.7	249.7	11.7	.8	1.2	1.1	1.0
All items less food and energy	72.032	242.4	244.5	12.1	.9	1.2	1.1	1.1
Commodities less food and energy	34.488	211.2	211.7	9.9	.2	1.0	.9	.5
Energy commodities	6.920	400.2	404.9	19.1	1.2	.1	.8	1.5
Services less energy	37.544	278.6	282.4	14.1	1.4	1.4	1.3	1.5
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.390	$.387	-11.0	-.8	-.8	-1.0	-.6
1957-59=$1.00 1/	-	.336	.333	-	-	-	-	-

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

CPI-U

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 1979	Annual average 1980	Percent change from 1979 to 1980
Expenditure category			
All items	217.4	246.8	13.5
All items(1957-59=100)	292.9	287.0	-
Food and beverages	228.5	248.0	8.5
Food	234.5	254.6	8.6
Food at home	232.9	251.5	8.0
Cereals and bakery products	220.1	246.4	11.9
Meats, poultry, fish, and eggs	234.2	242.2	3.4
Dairy products	207.1	227.4	9.8
Fruits and vegetables	230.0	246.7	7.3
Sugar and sweets	277.6	341.3	22.9
Fats and oils	226.3	241.2	6.6
Nonalcoholic beverages	357.8	395.8	10.6
Other prepared foods	208.5	231.1	10.8
Food away from home	242.9	267.0	9.9
Alcoholic beverages	172.4	186.3	8.1
Housing	227.6	263.3	15.7
Shelter	239.7	281.7	17.5
Rent, residential	176.0	191.6	8.9
Other rental costs	233.9	263.3	12.6
Homeownership	262.4	314.0	19.7
Home purchase	223.1	254.3	14.0
Financing, taxes, and insurance	308.9	396.0	28.2
Maintenance and repairs	256.4	285.7	11.4
Maintenance and repair services	277.8	310.0	11.6
Maintenance and repair commodities	206.5	228.9	10.8
Fuel and other utilities	239.3	278.6	16.4
Fuels	286.4	349.4	22.0
Fuel oil, coal, and bottled gas	403.1	556.0	37.9
Gas (piped) and electricity	257.8	301.8	17.1
Other utilities and public services	159.5	165.2	3.6
Household furnishings and operation	190.3	205.4	7.9
Housefurnishings	163.1	174.2	6.8
Housekeeping supplies	222.1	245.9	10.7
Housekeeping services	248.9	269.2	8.2
Apparel and upkeep	166.6	178.4	7.1
Apparel commodities	161.1	171.1	6.2
Men's and boys' apparel	160.8	168.4	4.7
Women's and girls' apparel	151.9	155.1	2.1
Infants' and toddlers' apparel	220.9	239.0	8.2
Footwear	176.7	190.3	7.7
Other apparel commodities	169.9	204.2	20.2
Apparel services	205.7	233.1	13.3
Transportation	212.0	249.7	17.8
Private transportation	212.3	249.2	17.4
New cars	166.0	179.3	8.0
Used cars	201.0	208.1	3.5
Gasoline	265.6	369.1	39.0
Maintenance and repair	242.6	268.3	10.6
Other private transportation	198.6	222.6	12.1
Other private trans. commodities	174.4	196.8	12.8
Other private trans. services	207.0	231.7	11.9
Public transportation	200.3	251.6	25.6
Medical care	239.7	265.9	10.9
Medical care commodities	153.8	168.1	9.3
Medical care services	258.3	287.4	11.3
Professional services	226.8	252.0	11.1
Other medical care services	296.4	330.1	11.4
Entertainment	188.5	205.3	8.9
Entertainment commodities	189.3	208.2	10.0
Entertainment services	187.6	201.6	7.5
Other goods and services	196.7	214.5	9.0
Tobacco products	187.9	202.6	7.8
Personal care	195.8	213.1	8.8
Toilet goods and personal care appliances	188.7	206.1	9.2
Personal care services	202.7	219.9	8.5
Personal and educational expenses	213.8	236.2	10.5
School books and supplies	195.1	211.9	8.6
Personal and educational services	218.6	242.1	10.8
Commodity and service group			
All items	217.4	246.8	13.5
Commodities	208.4	233.9	12.2
Food and beverages	228.5	248.0	8.5
Commodities less food and beverages	196.4	223.8	14.0
Nondurables less food and beverages	201.6	240.0	19.0
Apparel commodities	161.1	171.1	6.2
Nondurables less food, beverages, and apparel	226.0	279.4	23.6
Durables	191.1	210.4	10.1
Services	234.2	270.3	15.4
Rent, residential	176.0	191.6	8.9
Household services less rent	267.2	319.1	19.4
Transportation services	212.8	242.6	14.0
Medical care services	258.3	287.4	11.3
Other services	199.8	218.7	9.5
Special indexes:			
All items less food	213.0	244.0	14.6
All items less shelter	210.8	235.5	11.7
All items less mortgage interest costs	211.4	236.1	11.7
All items less medical care	216.1	245.5	13.6
Commodities less food	195.1	222.0	13.8
Nondurables less food	198.7	235.2	18.4
Nondurables less food and apparel	218.2	267.1	22.4
Nondurables	215.9	245.0	13.5
Services less rent	244.9	285.1	16.4
Services less medical care	230.1	266.6	15.9
Energy	275.9	361.1	30.9
All items less energy	213.1	238.0	11.7
All items less food and energy	207.0	232.8	12.5
Commodities less food and energy	185.1	202.5	9.4
Energy commodities	287.0	397.4	38.5
Services less energy	232.4	267.8	15.2
Purchasing power of the consumer dollar:			
1967=$1.00	$.461	$.406	-11.9
1957-59=$1.00	.396	.349	-

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. 1980	Oct. 1980	Nov. 1980	Dec. 1980	Mar. 1980	June 1980	Sept. 1980	Dec. 1980	June 1980	Dec. 1980
Expenditure category										
All items	-	-	-	-	18.1	11.6	7.0	12.8	14.8	9.9
Food and beverages	254.7	256.6	259.4	262.1	4.3	5.8	18.3	12.1	5.0	15.2
Food	261.6	263.6	266.6	269.4	3.8	5.6	18.9	12.5	4.7	15.7
Food at home	259.6	261.7	264.8	267.7	2.0	4.2	24.0	13.1	3.1	18.4
Cereals and bakery products 1/	250.3	253.7	255.8	258.5	12.6	12.8	7.4	13.8	12.7	10.5
Meats, poultry, fish, and eggs	250.3	253.9	257.7	261.2	-3.3	-14.1	41.2	18.6	-8.9	29.4
Dairy products	231.3	232.5	234.7	236.8	8.4	14.5	6.5	9.9	11.4	8.2
Fruits and vegetables	264.8	261.8	263.9	266.8	-17.1	24.5	42.6	3.1	1.6	21.2
Sugar and sweets 1/	361.1	369.0	381.3	386.3	47.2	41.6	24.3	31.0	44.4	27.6
Fats and oils	242.1	244.8	246.4	251.4	13.2	-1.5	5.6	16.3	5.6	10.8
Nonalcoholic beverages	403.1	406.5	410.4	412.2	6.4	3.0	13.2	9.3	4.7	11.3
Other prepared foods	236.4	237.6	239.9	241.7	12.5	14.9	9.5	9.3	13.7	9.4
Food away from home	271.4	273.4	276.1	278.8	10.1	8.7	8.2	11.4	9.4	9.8
Alcoholic beverages	189.8	190.4	190.9	192.2	6.9	10.3	8.4	5.2	8.6	6.8
Housing	267.2	270.8	273.4	277.0	19.5	20.6	.3	15.5	20.0	7.6
Shelter	284.5	289.9	294.2	298.6	21.2	23.2	-3.2	21.3	22.2	8.4
Rent, residential 1/	195.1	197.1	198.3	199.6	8.3	10.0	8.6	9.6	9.2	9.1
Other rental costs	268.4	268.8	269.9	270.4	18.5	9.0	7.3	3.0	13.6	5.1
Homeownership	316.5	323.2	328.7	334.3	24.1	26.6	-5.6	24.5	25.3	8.4
Home purchase 1/	261.5	263.5	267.3	267.2	7.0	14.9	14.9	9.0	10.9	11.9
Financing, taxes, and insurance	391.2	403.5	415.2	429.4	43.9	44.5	-23.4	45.2	44.2	5.4
Maintenance and repairs	290.5	291.6	293.5	297.5	17.4	7.9	7.6	10.0	12.6	8.8
Maintenance and repair services	314.3	315.4	317.6	322.5	20.0	6.7	6.1	10.9	13.2	8.4
Maintenance and repair commodities 1/	234.9	236.3	237.1	239.1	9.2	12.5	12.7	7.3	10.8	10.0
Fuel and other utilities 1/	288.2	287.6	285.7	289.9	21.8	22.9	8.8	2.4	22.4	5.5
Fuels 1/	364.5	362.8	358.7	364.7	31.5	28.9	10.1	.2	30.2	5.1
Fuel oil, coal, and bottled gas 1/	561.5	558.7	567.0	585.3	65.4	3.9	2.0	18.1	31.1	9.7
Gas (piped) and electricity 1/	318.4	317.1	310.5	313.9	21.0	39.8	13.0	-5.5	30.0	3.3
Other utilities and public services 1/	167.1	167.8	169.0	170.6	.0	7.6	5.4	8.6	3.7	7.0
Household furnishings and operation	209.1	210.0	210.7	211.6	11.5	8.2	7.8	4.9	9.8	6.3
Housefurnishings	177.1	177.7	177.7	178.3	11.0	6.7	7.1	2.7	8.8	4.9
Housekeeping supplies 1/	252.0	253.6	256.0	257.7	16.3	13.0	11.2	9.4	14.6	10.3
Housekeeping services 1/	273.3	274.5	276.1	277.1	8.8	8.6	6.4	5.7	8.7	6.0
Apparel and upkeep	181.3	182.2	182.7	182.5	15.3	.5	9.6	2.7	7.6	6.1
Apparel commodities	173.8	174.5	174.8	174.5	14.9	-1.6	10.0	1.6	6.3	5.7
Men's and boys' apparel	171.0	172.9	172.7	172.6	5.2	1.7	11.0	3.8	3.4	7.3
Women's and girls' apparel	157.0	156.3	156.3	155.2	15.2	-11.4	10.0	-4.5	1.1	2.5
Infants' and toddlers' apparel 1/	242.4	244.1	248.9	250.1	7.8	17.5	2.5	13.3	12.5	7.8
Footwear	193.0	194.9	195.1	196.2	7.4	3.5	9.2	6.8	5.4	8.0
Other apparel commodities 1/	210.5	211.8	213.7	213.3	49.1	11.3	10.5	5.4	28.8	7.9
Apparel services 1/	237.3	240.0	241.9	243.4	18.3	14.3	6.5	10.7	16.3	8.6
Transportation	253.9	255.9	259.3	262.0	35.2	2.5	10.4	13.4	17.7	11.9
Private transportation	252.4	254.3	257.7	260.3	35.9	1.6	8.2	13.1	17.5	10.6
New cars	185.4	182.6	182.8	182.1	12.3	10.5	15.3	-6.9	11.4	3.6
Used cars	367.1	368.3	371.6	375.6	105.7	-6.2	-5.3	9.6	38.9	1.9
Gasoline	274.1	276.6	279.0	280.7	11.0	11.9	10.6	10.0	11.4	10.3
Maintenance and repair	227.3	227.5	228.8	230.5	18.3	18.6	3.8	5.8	18.5	4.8
Other private transportation	200.9	202.9	203.1	203.6	16.2	5.9	11.5	5.5	11.0	8.5
Other private trans. commodities 1/	236.6	236.8	237.9	239.9	18.7	21.3	2.4	5.7	20.0	4.0
Other private trans. services	271.0	273.6	277.0	280.1	17.3	18.6	56.7	14.1	18.0	33.7
Public transportation 1/	270.6	272.9	274.6	275.9	15.9	7.3	9.2	8.1	11.5	8.6
Medical care	171.5	172.8	174.1	175.5	9.9	11.0	9.6	9.7	10.4	9.6
Medical care commodities	292.3	294.8	296.6	297.9	16.9	6.4	9.3	7.9	11.5	8.6
Medical care services 1/	257.3	259.0	260.4	261.7	16.9	11.0	9.0	7.0	13.9	8.0
Professional services 1/	334.7	338.0	340.5	341.6	17.0	2.4	9.5	8.5	9.4	9.0
Other medical care services 1/	210.0	211.1	211.7	212.4	15.0	8.4	10.8	4.7	11.7	7.7
Entertainment	213.2	214.1	214.4	215.9	16.7	7.9	11.5	5.6	12.2	8.5
Entertainment commodities	206.1	207.2	206.9	207.8	12.9	9.2	9.7	3.3	11.1	6.5
Entertainment services 1/	219.8	220.5	221.9	224.1	10.6	8.9	12.5	8.1	9.8	10.3
Other goods and services	204.5	204.5	207.3	210.8	13.8	10.5	2.2	12.9	12.1	7.4
Tobacco products 1/	216.7	217.8	219.0	220.9	10.4	8.5	8.3	8.0	9.5	8.2
Personal care 1/	210.3	211.8	212.4	215.2	9.3	10.2	10.5	9.7	9.7	10.1
Toilet goods and personal care appliances 1/	223.1	223.8	225.5	226.8	11.3	7.4	6.5	6.8	9.4	6.7
Personal care services 1/	247.0	247.7	248.4	249.6	10.3	7.8	27.4	4.3	9.0	15.3
Personal and educational expenses	252.7	254.7	255.3	256.4	11.4	7.0	31.8	-8.1	9.2	10.1
School books and supplies					9.8	7.9	26.9	6.0	8.9	16.0
Personal and educational services										
Commodity and service group										
All items	-	-	-	-	18.1	11.6	7.0	12.8	14.8	9.9
Commodities	238.7	240.7	243.0	244.8	16.1	5.0	12.8	10.6	10.4	11.7
Food and beverages	254.7	256.6	259.4	262.1	4.3	5.8	18.3	12.1	5.0	15.2
Commodities less food and beverages	227.8	229.7	231.8	233.2	22.6	4.6	10.5	9.8	13.2	10.1
Nondurables less food and beverages	242.9	243.2	244.1	246.3	42.2	3.2	3.9	5.7	21.1	4.8
Apparel commodities	173.8	174.5	174.8	174.5	14.9	-1.6	10.0	1.6	6.3	5.7
Nondurables less food, beverages, and apparel	282.7	282.9	284.5	287.7	51.9	4.2	2.6	7.3	25.8	4.9
Durables	215.1	217.7	220.6	221.8	7.6	6.8	15.7	13.1	7.2	14.4
Services	274.3	277.6	280.4	284.7	20.9	21.6	-.6	16.1	21.2	7.4
Rent, residential 1/	195.1	197.1	198.3	199.6	8.3	10.0	8.6	9.6	9.2	9.1
Household services less rent	321.4	326.7	331.2	338.7	28.5	30.8	-9.5	23.3	29.6	5.7
Transportation services	250.4	251.6	253.4	255.6	16.3	18.5	13.3	8.6	17.4	10.9
Medical care services 1/	292.3	294.8	296.6	297.9	16.9	6.4	9.3	7.9	11.5	8.6
Other services	224.4	225.9	226.5	227.7	12.3	9.3	12.9	6.0	10.8	9.4
Special indexes:										
All items less food	248.0	250.6	252.9	255.6	21.7	13.0	4.6	12.8	17.3	8.7
All items less shelter	240.8	242.1	244.0	246.0	17.1	6.6	12.1	8.9	11.7	10.5
All items less mortgage interest costs	241.3	243.0	245.0	246.9	14.8	7.5	12.1	9.6	11.1	10.9
All items less home purchase and mortgage interest costs	239.1	240.5	242.5	244.3	15.9	7.0	11.7	9.0	11.4	10.3
All items less medical care	250.0	252.5	255.0	257.8	18.4	11.7	7.0	13.1	15.0	10.0
Commodities less food	226.0	227.8	229.8	231.2	22.1	4.7	10.6	9.5	13.0	10.0
Nondurables less food	238.1	238.4	239.5	241.8	39.8	3.5	4.0	6.4	20.3	5.2
Nondurables less food and apparel	270.2	270.6	272.1	275.3	48.3	4.8	2.6	7.8	24.6	5.1
Nondurables	249.7	251.0	253.2	255.4	21.4	4.2	10.9	9.4	12.5	10.2
Services less rent	289.2	292.8	295.9	300.8	22.8	23.3	-1.8	17.0	23.0	7.2
Services less medical care	271.0	274.2	277.2	281.2	21.2	22.9	.0	15.9	22.1	7.7
Energy	367.5	366.5	367.6	373.0	64.8	8.1	2.9	6.1	33.4	4.5
All items less energy	242.3	245.1	247.7	250.2	12.9	12.3	7.8	13.7	12.6	10.7
All items less food and energy	236.4	239.2	241.9	244.5	15.7	13.5	5.1	14.4	14.6	9.6
Commodities less food and energy	206.8	208.8	210.6	211.7	9.7	7.3	12.9	9.8	8.5	11.4
Energy commodities	397.3	397.5	400.6	406.5	96.9	-3.2	-3.5	9.6	37.9	2.8
Services less energy	270.8	274.5	278.1	282.4	21.0	20.0	-1.8	18.3	20.5	7.8

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 Sept. 1980	Oct. 1980	Nov. 1980	Dec. 1980	Percent change to Dec. 1980 from- Dec. 1979	Oct. 1980	Nov. 1980	Percent change to Nov. 1980 from- Nov. 1979	Sept. 1980	Oct. 1980
U.S. city average			251.7	253.9	256.2	258.4	12.4	1.8	0.9	12.6	1.8	0.9
Chicago, Ill.-Northwestern Ind.	M		250.1	253.7	259.9	260.3	14.0	2.6	.2	15.1	3.9	2.4
Detroit, Mich.	M		259.5	264.3	266.4	269.7	15.7	2.0	1.2	15.2	2.7	.8
L.A.-Long Beach, Anaheim, Calif.	M		249.6	252.6	255.5	258.7	13.5	2.4	1.3	14.0	2.4	1.1
N.Y., N.Y.-Northeastern N.J.	M		241.8	243.1	244.7	247.3	10.9	1.7	1.1	10.6	1.2	.7
Philadelphia, Pa.-N.J.	M		247.2	247.9	249.2	250.5	12.0	1.0	.5	12.1	.8	.5
Anchorage, Alaska	1	10/67	230.9	-	236.5	-	-	-	-	10.7	2.4	-
Baltimore, Md.	1		255.0	-	258.4	-	-	-	-	13.7	1.3	-
Boston, Mass.	1		244.4	-	248.8	-	-	-	-	11.7	1.8	-
Cincinnati, Ohio-Ky.-Ind.	1		259.9	-	262.1	-	-	-	-	12.3	.8	-
Denver-Boulder, Colo.	1		267.3	-	271.9	-	-	-	-	10.6	1.7	-
Miami, Fla.	1	11/77	133.1	-	133.9	-	-	-	-	12.1	.6	-
Milwaukee, Wis.	1		258.4	-	262.1	-	-	-	-	14.1	1.4	-
Northeast Pennsylvania	1		243.1	-	247.0	-	-	-	-	12.3	1.6	-
Portland, Oreg.-Wash.	1		256.9	-	261.9	-	-	-	-	10.7	1.9	-
St. Louis, Mo.-Ill.	1		252.4	-	253.8	-	-	-	-	12.5	.6	-
San Diego, Calif.	1		271.8	-	279.1	-	-	-	-	12.6	2.7	-
Seattle-Everett, Wash.	1		258.1	-	262.6	-	-	-	-	15.4	1.7	-
Washington, D.C.-Md.-Va.	1		249.2	-	253.6	-	-	-	-	12.5	1.8	-
Atlanta, Ga.	2		-	250.2	-	258.3	15.7	3.2	-	-	-	-
Buffalo, N.Y.	2		-	239.6	-	246.5	11.4	2.9	-	-	-	-
Cleveland, Ohio	2		-	264.6	-	266.5	14.6	.7	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	264.9	-	269.5	15.1	1.7	-	-	-	-
Honolulu, Hawaii	2		-	234.6	-	236.1	9.9	.6	-	-	-	-
Houston, Tex.	2		-	272.3	-	274.8	10.5	.9	-	-	-	-
Kansas City, Mo.-Kans.	2		-	254.8	-	259.1	10.9	1.7	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	255.5	-	259.0	10.7	1.4	-	-	-	-
Pittsburgh, Pa.	2		-	256.3	-	262.0	14.3	2.2	-	-	-	-
San Francisco-Oakland, Calif.	2		-	251.9	-	254.9	10.7	1.2	-	-	-	-
Region 3/												
Northeast	2	12/77	-	133.4	-	135.8	12.6	1.8	-	-	-	-
North Central	2	12/77	-	138.3	-	140.4	12.2	1.5	-	-	-	-
South	2	12/77	-	136.6	-	139.1	12.4	1.8	-	-	-	-
West	2	12/77	-	137.9	-	140.4	12.2	1.8	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	134.7	-	137.4	12.7	2.0	-	-	-	-
A-2	2	12/77	-	137.4	-	139.7	12.5	1.7	-	-	-	-
B	2	12/77	-	138.2	-	140.6	12.8	1.7	-	-	-	-
C	2	12/77	-	136.8	-	139.0	11.7	1.6	-	-	-	-
D	2	12/77	-	134.9	-	137.1	11.6	1.6	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	130.5	-	132.8	11.6	1.8	-	-	-	-
North Central/A	2	12/77	-	140.8	-	143.3	13.5	1.8	-	-	-	-
South/A	2	12/77	-	136.7	-	139.0	12.9	1.7	-	-	-	-
West/A	2	12/77	-	137.7	-	140.7	12.7	2.2	-	-	-	-
Northeast/B	2	12/77	-	137.2	-	139.8	14.4	1.9	-	-	-	-
North Central/B	2	12/77	-	137.6	-	140.0	12.4	1.7	-	-	-	-
South/B	2	12/77	-	138.1	-	140.9	13.1	2.0	-	-	-	-
West/B	2	12/77	-	139.5	-	141.4	11.7	1.4	-	-	-	-
Northeast/C	2	12/77	-	141.2	-	143.8	14.4	1.8	-	-	-	-
North Central/C	2	12/77	-	135.1	-	136.6	10.4	1.1	-	-	-	-
South/C	2	12/77	-	136.1	-	138.6	11.5	1.8	-	-	-	-
West/C	2	12/77	-	136.3	-	138.4	11.2	1.5	-	-	-	-
Northeast/D	2	12/77	-	135.6	-	137.8	13.1	1.6	-	-	-	-
North Central/D	2	12/77	-	134.6	-	136.2	10.7	1.2	-	-	-	-
South/D	2	12/77	-	134.1	-	136.5	11.4	1.8	-	-	-	-
West/D	2	12/77	-	136.9	-	139.8	12.5	2.1	-	-	-	-

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.

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 1979	Unadjusted indexes Nov. 1980	Unadjusted indexes Dec. 1980	Unadjusted percent change to Dec. 1980 from- Dec. 1979	Unadjusted percent change to Dec. 1980 from- Nov. 1980	Seasonally adjusted percent change from- Sept. to Oct.	Seasonally adjusted percent change from- Oct. to Nov.	Seasonally adjusted percent change from- Nov. to Dec.
Expenditure category								
All items	100.000	256.4	258.7	12.5	0.9	1.0	1.0	1.1
All items(1957-59=100)	-	298.2	300.9	-	-	-	-	-
Food and beverages	20.353	258.7	260.5	10.5	.7	.9	1.1	1.0
Food	19.237	265.7	267.6	10.7	.7	.9	1.2	1.0
Food at home	13.427	262.0	263.9	10.7	.7	.8	1.3	1.1
Cereals and bakery products 1/	1.683	256.8	259.5	11.7	1.1	1.3	1.0	1.1
Meats, poultry, fish, and eggs	4.663	254.2	255.0	8.5	.3	1.4	1.5	1.2
Dairy products	1.810	235.9	238.8	9.8	1.2	.6	1.0	1.0
Fruits and vegetables	1.762	251.4	253.9	11.2	1.0	-1.3	.8	1.1
Sugar and sweets 1/	.447	383.9	388.9	36.9	1.3	2.2	3.8	1.3
Fats and oils	.376	248.2	252.6	8.1	1.8	1.1	.7	1.7
Nonalcoholic beverages	1.557	407.8	407.4	9.4	-.1	1.0	1.4	.4
Other prepared foods	1.129	240.4	242.8	11.8	1.0	.5	.9	.9
Food away from home	5.810	279.5	281.8	10.5	.8	1.0	.9	.9
Alcoholic beverages	1.116	192.8	193.7	8.4	.5	.2	.3	.8
Housing	41.667	273.7	277.1	13.8	1.2	1.3	1.0	1.4
Shelter	28.038	296.4	300.6	15.4	1.3	1.9	1.5	1.6
Rent, residential 1/	4.982	198.0	199.4	9.1	.7	1.0	.6	.7
Other rental costs	.502	268.4	267.3	9.4	-.4	.1	.6	.0
Homeowners'ship	22.553	332.3	337.5	16.9	1.6	2.2	1.7	1.8
Home purchase 1/	9.137	268.2	268.0	11.6	-.1	1.6	.7	-.1
Financing, taxes, and insurance	10.163	423.1	436.0	24.0	3.0	3.3	2.9	3.5
Maintenance and repairs	3.254	291.1	294.2	9.4	1.1	.0	.4	1.3
Maintenance and repair services	2.322	315.9	320.3	9.4	1.4	-.2	.6	1.7
Maintenance and repair commodities 1/	.931	235.6	236.2	9.5	.3	.5	.3	.3
Fuel and other utilities 1/	6.313	286.3	290.7	13.7	1.5	-.2	-.6	1.5
Fuels 1/	4.584	358.2	364.5	16.9	1.8	-.5	-1.1	1.8
Fuel oil, coal, and bottled gas 1/	1.209	568.3	587.0	20.0	3.3	-.5	1.5	3.3
Gas (piped) and electricity 1/	3.375	309.8	313.4	15.8	1.2	-.4	-2.0	1.2
Other utilities and public services 1/	1.788	169.1	170.7	5.5	.9	.4	.8	.9
Household furnishings and operation	7.256	208.1	209.0	7.8	.4	.3	.5	.5
Housefurnishings	4.231	176.4	176.9	6.6	.3	.2	.2	.4
Housekeeping supplies 1/	1.499	253.5	256.0	12.7	1.0	.6	.9	1.0
Housekeeping services 1/	1.527	272.5	273.8	6.3	.5	.3	.6	.5
Apparel and upkeep	5.114	183.3	182.9	6.7	-.2	.4	.1	.2
Apparel commodities	4.489	176.0	175.3	5.8	-.4	.2	.0	.2
Men's and boys' apparel	1.391	174.8	174.4	5.7	-.2	1.1	.2	.2
Women's and girls' apparel	1.719	159.9	158.2	3.1	-1.1	-.4	-.3	-.2
Infants' and toddlers' apparel 1/	.124	294.0	295.4	10.8	.6	.4	1.9	.6
Footwear	.706	196.4	196.7	7.0	.2	.7	.2	.6
Other apparel commodities 1/	.550	204.0	204.4	11.8	.2	-.1	.0	.2
Apparel services 1/	.625	239.9	242.2	13.5	1.0	1.5	.8	1.0
Transportation	20.902	259.7	261.9	14.7	.8	.7	1.5	1.2
Private transportation	19.962	258.6	260.8	14.3	.9	.8	1.5	1.2
New cars	3.946	184.5	184.6	7.5	.1	-2.3	.5	-.3
Used cars	3.622	230.8	234.4	18.2	1.6	5.5	5.1	3.3
Gasoline	6.429	371.7	374.4	18.6	.7	.4	.8	1.2
Maintenance and repair	1.621	278.9	280.6	10.7	.6	1.0	.8	.8
Other private transportation	4.344	230.6	233.2	11.9	1.1	.0	.7	.9
Other private trans. commodities 1/	.794	203.4	205.7	10.4	1.1	-.2	1.0	1.1
Other private trans. services	3.550	240.1	242.9	12.3	1.2	.0	.7	.9
Public transportation 1/	.940	269.2	271.8	24.1	1.0	.8	1.0	1.0
Medical care	4.372	276.3	277.6	10.3	.5	.8	.7	.5
Medical care commodities	.731	174.1	173.6	9.8	.9	.8	.6	.9
Medical care services 1/	3.641	298.7	300.0	10.4	.4	.8	.7	.4
Professional services 1/	1.843	263.8	265.0	11.2	.5	.6	.7	.5
Other medical care services 1/	1.798	341.6	342.9	9.6	.4	1.1	.7	.4
Entertainment	3.556	209.9	210.1	9.3	.1	.5	.5	-.1
Entertainment commodities	2.248	210.2	210.9	9.6	.3	.3	.8	.0
Entertainment services 1/	1.308	210.5	209.7	8.7	-.4	1.1	.0	-.4
Other goods and services	4.035	221.0	223.0	9.9	.9	.3	.6	1.0
Tobacco products 1/	1.306	206.8	210.4	9.5	1.7	.0	1.2	1.7
Personal care 1/	1.684	218.5	220.0	8.7	.7	.6	.2	.7
Toilet goods and personal care appliances 1/	.796	212.7	214.3	10.2	.8	.8	.3	.8
Personal care services 1/	.888	224.4	225.8	7.4	.6	.5	.2	.6
Personal and educational expenses	1.046	251.4	251.7	12.0	.1	.2	.3	.5
School books and supplies	.156	225.6	225.8	9.6	.1	-3.5	.9	.8
Personal and educational services	.890	257.8	258.1	12.4	.1	.8	.2	.5
Commodity and service group								
All items	100.000	256.4	258.7	12.5	0.9	1.0	1.0	1.1
Commodities	61.878	242.9	244.3	11.3	.6	.8	1.0	.8
Food and beverages	20.353	258.7	260.5	10.5	.7	.9	1.1	1.0
Commodities less food and beverages	41.524	232.0	233.1	11.7	.5	.8	1.0	.7
Nondurables less food and beverages	18.832	247.1	248.8	12.8	.7	.0	.4	1.0
Apparel commodities	4.489	176.0	175.3	5.8	-.4	.2	.0	.2
Nondurables less food, beverages, and apparel	14.343	286.4	289.3	15.0	1.0	.1	.6	1.1
Durables	22.692	218.9	219.7	10.8	.4	1.3	1.3	.7
Services	38.122	281.5	285.5	14.4	1.4	1.2	1.0	1.5
Rent, residential 1/	4.982	198.0	199.4	9.1	.7	1.0	.6	.7
Household services less rent	19.677	334.8	341.9	17.5	2.1	1.7	1.4	2.4
Transportation services	6.111	252.2	254.7	13.7	1.0	.4	.8	.9
Medical care services 1/	3.641	298.7	300.0	10.4	.4	.8	.7	.4
Other services	3.711	227.9	228.4	10.1	.2	1.0	.2	.3
Special indexes:								
All items less food	80.763	253.4	255.7	12.9	.9	1.0	1.0	1.1
All items less shelter	71.962	244.5	246.2	11.4	.7	.6	.8	.9
All items less mortgage interest costs	91.812	245.1	246.7	11.1	.7	.7	.9	.9
All items less home purchase and mortgage interest costs	82.675	242.9	244.6	11.1	.7	.6	.9	.9
All items less medical care	95.628	255.0	257.3	12.6	.9	1.0	1.1	1.1
Commodities less food	41.641	230.1	231.2	11.6	.5	.8	1.0	.7
Nondurables less food	19.948	242.2	243.9	12.6	.7	.1	.5	1.0
Nondurables less food and apparel	15.459	273.9	276.6	14.5	1.0	.1	.6	1.1
Nondurables	39.185	253.8	255.6	11.6	.7	.5	.9	.9
Services less rent	33.140	297.4	302.0	15.2	1.5	1.3	1.1	1.6
Services less medical care 1/	34.481	277.7	281.9	14.8	1.5	1.2	1.1	1.5
Energy	11.115	369.5	373.7	17.9	1.1	-.2	.3	1.5
All items less energy	88.885	247.2	249.3	11.8	.8	1.1	1.2	1.0
All items less food and energy	69.648	241.5	243.6	12.1	.9	1.2	1.1	1.2
Commodities less food and energy	34.900	209.9	210.6	10.0	.3	.9	1.0	.6
Energy commodities	7.740	401.3	405.9	18.9	1.1	.1	.8	1.4
Services less energy	34.747	279.3	283.4	14.3	1.5	1.4	1.3	1.6
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.390	$.387	-11.0	-.8	-.8	-1.0	-.8
1957-59=$1.00 1/	-	.335	.332	-	-	-	-	-

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 1979	Annual average 1980	Percent change from 1979 to 1980
Expenditure category			
All items	217.7	247.0	13.5
All items(1957-59=100)	253.2	287.3	-
Food and beverages	228.7	248.7	8.7
Food	234.7	255.3	8.8
Food at home	232.5	251.2	8.0
Cereals and bakery products	220.8	246.9	11.8
Meats, poultry, fish, and eggs	233.8	241.6	3.3
Dairy products	207.6	228.0	9.8
Fruits and vegetables	228.3	245.1	7.4
Sugar and sweets	277.0	342.3	23.6
Fats and oils	226.6	241.9	6.8
Nonalcoholic beverages	356.1	395.3	11.0
Other prepared foods	208.5	231.2	10.9
Food away from home	244.4	270.1	10.5
Alcoholic beverages	172.8	187.8	8.7
Housing	227.5	263.2	15.7
Shelter	240.3	283.1	17.8
Rent, residential	175.9	191.3	8.8
Other rental costs	233.4	263.1	12.7
Homeownership	269.6	316.5	20.1
Home purchase	223.1	254.7	14.2
Financing, taxes, and insurance	311.1	401.2	29.0
Maintenance and repairs	257.0	284.4	10.7
Maintenance and repair services	279.7	309.3	10.6
Maintenance and repair commodities	206.6	228.8	10.7
Fuel and other utilities	239.7	279.2	16.5
Fuels	286.3	349.1	21.9
Fuel oil, coal, and bottled gas	403.6	557.2	38.1
Gas (piped) and electricity	257.6	301.2	16.9
Other utilities and public services	159.6	165.2	3.5
Household furnishings and operation	188.9	202.9	7.4
Housefurnishings	162.6	172.6	6.2
Housekeeping supplies	220.8	243.6	10.3
Housekeeping services	247.8	267.0	7.7
Apparel and upkeep	166.4	177.4	6.6
Apparel commodities	161.2	170.5	5.8
Men's and boys' apparel	161.4	168.8	4.6
Women's and girls' apparel	151.3	154.9	2.4
Infants' and toddlers' apparel	223.1	244.9	9.8
Footwear	176.1	190.1	8.0
Other apparel commodities	171.6	199.5	16.3
Apparel services	204.5	230.8	12.9
Transportation	212.8	250.5	17.7
Private transportation	212.9	250.1	17.5
New cars	165.8	179.7	8.4
Used cars	201.0	208.1	3.5
Gasoline	266.7	370.4	38.9
Maintenance and repair	243.0	269.0	10.7
Other private transportation	199.2	224.3	12.6
Other private trans. commodities	175.5	197.9	12.8
Other private trans. services	207.4	233.5	12.6
Public transportation	200.0	245.3	22.6
Medical care	240.1	267.2	11.3
Medical care commodities	154.7	168.7	9.0
Medical care services	258.5	288.9	11.8
Professional services	228.5	255.0	11.6
Other medical care services	295.2	330.4	11.9
Entertainment	187.7	203.7	8.5
Entertainment commodities	187.5	204.3	9.0
Entertainment services	189.0	203.7	7.8
Other goods and services	196.3	213.6	8.8
Tobacco products	188.0	202.6	7.8
Personal care	195.5	212.7	8.8
Toilet goods and personal care appliances	188.5	205.8	9.2
Personal care services	202.5	219.6	8.4
Personal and educational expenses	214.2	236.4	10.4
School books and supplies	198.0	215.7	8.9
Personal and educational services	218.5	241.7	10.6
Commodity and service group			
All items	217.7	247.0	13.5
Commodities	208.7	234.1	12.2
Food and beverages	228.7	248.7	8.7
Commodities less food and beverages	196.5	223.9	13.9
Nondurables less food and beverages	202.7	242.0	19.4
Apparel commodities	161.2	170.5	5.8
Nondurables less food, beverages, and apparel	227.1	281.4	23.9
Durables	190.4	208.6	9.6
Services	234.4	270.9	15.6
Rent, residential	175.9	191.3	8.8
Household services less rent	268.3	321.8	19.9
Transportation services	213.3	242.1	13.5
Medical care services	258.5	288.9	11.8
Other services	200.2	219.2	9.5
Special indexes:			
All items less food	213.1	244.2	14.6
All items less shelter	211.3	236.3	11.8
All items less mortgage interest costs	211.8	236.6	11.7
All items less medical care	216.2	245.6	13.6
Commodities less food	195.2	222.1	13.8
Nondurables less food	199.8	237.2	18.7
Nondurables less food and apparel	219.1	269.0	22.8
Nondurables	216.6	246.3	13.7
Services less rent	245.3	286.0	16.6
Services less medical care	230.3	267.1	16.0
Energy	277.7	364.8	31.4
All items less energy	213.0	237.3	11.4
All items less food and energy	206.7	231.8	12.1
Commodities less food and energy	184.6	201.2	9.0
Energy commodities	288.0	398.8	38.5
Services less energy	232.6	268.5	15.4
Purchasing power of the consumer dollar:			
1967=$1.00	$.460	$.405	-12.0
1957-59=$1.00	.396	.348	-

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	
	Sept. 1980	Oct. 1980	Nov. 1980	Dec. 1980	Mar. 1980	June 1980	Sept. 1980	Dec. 1980	June 1980	Dec. 1980
Expenditure category										
All items	-	-	-	-	18.1	11.4	7.3	13.2	14.7	10.2
Food and beverages	255.5	257.7	260.6	263.3	4.3	6.8	18.3	12.8	5.5	15.5
Food	262.3	264.7	267.8	270.5	4.0	6.5	18.9	13.1	5.2	16.0
Food at home	259.2	261.4	264.7	267.5	1.8	4.7	23.9	13.4	3.3	18.5
Cereals and bakery products 1/	251.1	254.3	256.8	259.5	12.6	11.1	9.1	14.1	11.9	11.5
Meats, poultry, fish, and eggs	249.7	253.3	257.0	260.2	-3.9	-14.0	41.9	17.9	-9.1	29.5
Dairy products	231.4	232.9	235.2	237.6	8.8	14.1	5.5	11.2	11.4	8.3
Fruits and vegetables	263.4	260.1	262.1	265.0	-18.0	30.7	39.4	2.5	3.6	19.5
Sugar and sweets 1/	361.8	369.8	383.9	388.9	49.4	42.0	23.9	33.5	45.7	28.6
Fats and oils	243.1	245.8	247.5	251.8	12.9	-1.8	6.9	15.1	5.3	10.9
Nonalcoholic beverages	402.8	407.0	412.8	414.4	7.6	5.1	13.3	12.0	6.3	12.7
Other prepared foods	236.8	238.1	240.2	242.3	12.3	14.9	10.4	9.6	13.6	10.0
Food away from home	274.9	277.7	280.3	282.9	10.5	10.6	8.4	12.2	10.6	10.3
Alcoholic beverages	191.9	192.3	192.8	194.3	7.8	11.4	9.5	5.1	9.6	7.3
Housing	267.2	270.7	273.4	277.2	19.3	21.1	.1	15.8	20.2	7.7
Shelter	286.1	291.6	295.9	300.5	21.2	24.4	-3.3	21.7	22.7	8.5
Rent, residential 1/	194.8	196.8	198.0	199.4	8.4	9.8	8.7	9.8	9.1	9.2
Other rental costs	268.1	268.5	270.0	270.0	19.2	8.5	7.3	2.9	13.7	5.1
Homeownership	319.2	326.2	331.6	337.5	24.1	28.0	-5.9	25.0	26.0	8.4
Home purchase 1/	262.1	266.4	268.2	268.0	6.1	16.0	15.2	9.3	10.9	12.2
Financing, taxes, and insurance	396.5	409.6	421.4	436.0	44.7	46.3	-23.6	46.2	45.5	5.7
Maintenance and repairs	289.5	289.6	290.9	294.6	15.0	6.5	8.9	7.2	10.7	8.1
Maintenance and repair services	314.3	313.8	315.6	320.9	16.2	4.3	8.6	8.7	10.1	8.6
Maintenance and repair commodities 1/	233.9	235.0	235.6	236.2	12.6	12.2	9.2	4.0	12.4	6.6
Fuel and other utilities 1/	288.7	288.0	286.3	290.7	21.9	23.0	8.3	2.8	22.5	5.5
Fuels 1/	363.8	362.1	358.2	364.5	31.5	28.9	9.3	.8	30.2	5.0
Fuel oil, coal, and bottled gas 1/	562.9	559.9	568.3	587.0	64.9	4.2	2.2	18.3	31.1	10.0
Gas (piped) and electricity 1/	317.4	316.0	309.8	313.4	21.0	39.4	12.0	-4.9	29.9	3.2
Other utilities and public services 1/	167.1	167.8	169.1	170.7	.2	7.6	5.4	8.9	3.9	7.2
Household furnishings and operation	206.1	206.8	207.8	208.9	11.2	7.6	6.9	5.5	9.4	6.2
Housefurnishings	175.2	175.6	176.0	176.7	10.8	6.0	6.2	3.5	8.4	4.8
Housekeeping supplies 1/	249.6	251.2	253.5	256.0	13.4	11.3	10.7	14.4	14.4	11.0
Housekeeping services 1/	270.2	271.0	272.5	273.8	8.3	6.7	4.9	5.4	7.5	5.2
Apparel and upkeep	180.2	181.0	181.2	181.6	14.9	.2	9.6	3.1	7.3	6.3
Apparel commodities	173.2	173.6	173.6	173.9	14.1	-1.9	10.6	1.6	5.8	6.0
Men's and boys' apparel	170.7	172.6	172.9	173.2	6.0	4.7	6.3	6.0	5.3	6.2
Women's and girls' apparel	157.4	156.7	156.2	155.9	16.5	-13.5	16.5	-3.8	.4	5.9
Infants' and toddlers' apparel 1/	248.3	249.2	254.0	255.4	12.3	17.0	2.5	11.9	14.6	7.1
Footwear	193.3	194.6	195.0	196.1	7.2	4.8	10.1	5.9	6.0	8.0
Other apparel commodities 1/	204.4	204.1	204.0	204.4	36.8	6.6	6.9	.0	20.8	3.4
Apparel services 1/	234.5	238.1	239.9	242.2	20.3	15.7	4.7	13.8	18.0	9.2
Transportation	254.3	255.2	260.0	263.1	34.9	2.5	9.8	14.6	17.6	12.2
Private transportation	253.2	255.1	259.0	262.0	35.8	2.0	7.8	14.6	17.7	11.2
New cars	186.2	182.0	183.0	182.4	13.1	11.9	14.8	-7.9	12.5	2.8
Used cars	210.2	221.8	233.1	240.7	-2.7	-16.6	39.8	71.9	-10.0	55.1
Gasoline	368.0	369.5	372.4	376.7	103.2	-6.6	-5.8	9.8	38.5	1.7
Maintenance and repair	274.4	277.2	279.5	281.7	9.9	12.2	9.9	11.1	11.1	10.5
Other private transportation	228.9	228.9	230.6	232.7	17.2	22.8	2.1	6.8	20.0	4.4
Other private trans. commodities 1/	201.9	201.4	203.4	205.7	15.4	7.7	10.8	7.7	11.5	9.2
Other private trans. services	238.4	238.5	240.1	242.2	17.6	26.3	.5	6.5	21.8	3.5
Public transportation 1/	269.4	274.4	276.3	277.7	15.3	7.7	10.1	8.2	11.4	9.2
Medical care	272.3	274.4	276.3	277.7	15.3	7.7	10.1	8.2	11.4	9.2
Medical care commodities	172.0	173.3	174.4	176.0	10.1	9.6	9.9	9.6	9.8	9.8
Medical care services 1/	294.3	296.6	298.7	300.0	16.2	7.4	10.1	8.0	11.7	9.0
Professional services 1/	260.4	261.9	263.8	265.0	16.9	12.3	8.6	7.3	14.6	7.9
Other medical care services 1/	335.6	339.2	341.6	342.9	15.4	2.6	11.6	9.0	8.8	10.3
Entertainment	208.3	209.4	210.4	210.2	15.4	8.5	9.8	3.7	11.9	6.7
Entertainment commodities	208.8	209.4	211.0	211.1	16.5	7.4	10.4	4.5	11.9	7.4
Entertainment services 1/	208.4	210.6	210.5	209.7	13.3	10.9	8.3	2.5	12.1	5.4
Other goods and services	218.4	219.2	220.4	222.6	11.5	8.7	11.2	7.9	10.1	9.5
Tobacco products 1/	204.3	204.3	206.8	210.4	14.2	10.5	1.4	12.5	12.3	6.8
Personal care 1/	216.6	218.0	218.5	220.0	11.1	8.1	9.4	6.4	9.6	7.9
Toilet goods and personal care appliances 1/	210.4	212.1	212.7	214.3	10.9	10.2	12.0	7.6	10.5	9.8
Personal care services 1/	222.9	224.0	224.4	225.8	11.1	6.3	7.1	5.3	8.6	6.2
Personal and educational expenses	247.2	247.7	248.5	249.8	9.5	8.1	27.6	4.3	8.8	15.3
School books and supplies	228.2	220.1	222.0	223.8	11.9	7.4	30.0	-7.5	9.6	9.7
Personal and educational services	252.3	254.4	255.0	256.3	8.9	8.5	26.9	6.5	8.7	16.3
Commodity and service group										
All items	-	-	-	-	18.1	11.4	7.3	13.2	14.7	10.2
Commodities	238.9	240.8	243.3	245.3	16.7	4.8	12.8	11.2	10.6	12.0
Food and beverages	255.5	257.7	260.6	263.3	4.3	6.8	18.3	12.8	5.5	15.5
Commodities less food and beverages	227.7	229.5	231.8	233.5	23.7	3.9	10.3	10.6	13.4	10.4
Nondurables less food and beverages	244.8	244.9	245.9	248.3	43.5	2.9	3.5	5.8	21.5	4.7
Apparel commodities	173.2	173.6	173.6	173.9	14.1	-1.9	10.6	1.6	5.8	6.0
Nondurables less food, beverages, and apparel	284.4	284.6	286.4	289.6	53.5	3.8	2.0	7.5	26.2	4.7
Durables	213.3	216.1	218.9	220.4	7.0	6.9	15.8	14.0	7.0	14.9
Services	275.0	278.4	281.2	283.5	20.5	22.8	-.9	16.2	21.6	7.3
Rent, residential 1/	194.8	196.8	198.0	199.4	8.4	9.8	8.7	9.8	9.1	9.2
Household services less rent	324.1	329.6	334.1	342.0	28.9	32.1	-10.1	24.0	30.5	5.6
Transportation services	249.4	250.4	252.3	254.5	14.9	21.0	11.0	8.4	17.9	9.7
Medical care services 1/	294.3	296.6	298.7	300.0	16.2	7.4	10.1	8.0	11.7	9.0
Other services	224.6	226.8	227.3	228.0	12.9	9.9	11.4	6.2	11.4	8.8
Special indexes:										
All items less food	248.2	250.6	253.1	255.9	22.3	12.7	4.8	13.0	17.4	8.8
All items less shelter	241.3	242.8	244.8	247.1	17.2	6.7	11.7	10.0	11.9	10.8
All items less mortgage interest costs	241.8	243.5	245.6	247.7	15.0	7.8	11.9	10.1	11.3	11.0
All items less home purchase and mortgage interest costs	239.9	241.3	243.4	245.6	16.3	7.0	11.6	9.8	11.5	10.7
All items less medical care	250.1	252.5	255.2	258.0	18.6	11.7	7.2	13.2	15.1	10.2
Commodities less food	225.9	227.6	229.9	231.6	23.0	4.3	10.2	10.5	13.2	10.3
Nondurables less food	239.9	240.1	241.2	243.7	41.5	3.1	3.6	6.5	20.8	5.0
Nondurables less food and apparel	271.9	272.3	273.9	276.9	49.8	4.1	2.4	7.6	24.9	4.9
Nondurables	251.0	252.3	254.2	256.9	21.9	4.4	11.1	9.7	12.8	10.4
Services less rent	290.2	293.9	297.0	301.9	22.4	24.8	-2.2	17.1	23.6	7.0
Services less medical care 1/	271.4	274.7	277.7	281.9	21.4	23.7	-.6	16.4	22.6	7.6
Energy	370.5	369.6	370.6	376.3	66.5	7.1	1.9	6.4	33.6	4.1
All items less energy	241.8	244.5	247.4	249.8	12.5	12.5	8.2	13.9	12.5	11.0
All items less food and energy	235.4	238.2	240.8	243.6	15.1	14.2	4.7	14.7	14.7	9.6
Commodities less food and energy	205.3	207.2	209.3	210.6	9.7	6.9	12.8	10.7	8.3	11.8
Energy commodities	398.3	398.7	401.7	407.5	96.5	-3.5	-4.0	9.6	37.7	2.6
Services less energy	271.5	275.3	278.9	283.3	20.6	21.2	-2.2	18.6	20.9	7.7

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. 1980	Oct. 1980	Nov. 1980	Dec. 1980	Percent change to Dec. 1980 from- Dec. 1979	Oct. 1980	Nov. 1980	Percent change to Nov. 1980 from- Nov. 1979	Sept. 1980	Oct. 1980
U.S. city average			251.9	254.1	256.4	258.7	12.5	1.8	0.9	12.7	1.8	0.9
Chicago, Ill.-Northwestern Ind.	M		249.5	252.8	258.9	258.9	13.7	2.4	-	14.8	3.8	2.4
Detroit, Mich.	M		257.7	261.4	263.6	265.5	14.3	1.6	.7	14.2	2.3	.8
L.A.-Long Beach, Anaheim, Calif.	M		252.0	254.9	258.4	262.2	14.0	2.9	1.5	14.4	2.5	1.4
N.Y., N.Y.-Northeastern N.J.	M		241.5	242.6	244.2	247.2	11.2	1.9	1.2	10.6	1.1	.7
Philadelphia, Pa.-N.J.	M		248.3	249.5	251.1	252.3	12.3	1.1	.5	12.2	1.1	.6
Anchorage, Alaska	1	10/67	226.7	-	232.0	-	-	-	-	9.5	2.3	-
Baltimore, Md.	1		253.2	-	257.4	-	-	-	-	12.9	1.7	-
Boston, Mass.	1		244.5	-	249.2	-	-	-	-	12.0	1.9	-
Cincinnati, Ohio-Ky.-Ind.	1		261.7	-	263.5	-	-	-	-	11.8	.7	-
Denver-Boulder, Colo.	1		271.6	-	276.7	-	-	-	-	11.3	1.9	-
Miami, Fla.	1	11/77	134.9	-	135.6	-	-	-	-	12.5	.5	-
Milwaukee, Wis.	1		263.2	-	267.5	-	-	-	-	15.1	1.6	-
Northeast Pennsylvania	1		246.9	-	249.5	-	-	-	-	12.8	1.1	-
Portland, Oreg.-Wash.	1		255.4	-	260.7	-	-	-	-	10.1	2.1	-
St. Louis, Mo.-Ill.	1		252.7	-	254.2	-	-	-	-	12.3	.6	-
San Diego, Calif.	1		267.7	-	275.1	-	-	-	-	12.4	2.8	-
Seattle-Everett, Wash.	1		254.6	-	259.4	-	-	-	-	15.0	1.9	-
Washington, D.C.-Md.-Va.	1		251.8	-	255.7	-	-	-	-	12.8	1.5	-
Atlanta, Ga.	2		-	252.4	-	260.3	14.7	3.1	-	-	-	-
Buffalo, N.Y.	2		-	238.2	-	245.2	11.1	2.9	-	-	-	-
Cleveland, Ohio	2		-	264.2	-	266.7	14.4	.9	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	262.9	-	268.2	15.0	2.0	-	-	-	-
Honolulu, Hawaii	2		-	233.5	-	237.0	10.0	1.5	-	-	-	-
Houston, Tex.	2		-	269.4	-	272.1	10.6	1.0	-	-	-	-
Kansas City, Mo.-Kans.	2		-	253.0	-	257.2	10.7	1.7	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	256.6	-	260.6	11.0	1.6	-	-	-	-
Pittsburgh, Pa.	2		-	257.6	-	262.9	14.5	2.1	-	-	-	-
San Francisco-Oakland, Calif.	2		-	252.6	-	255.7	11.7	1.2	-	-	-	-
Region 3/												
Northeast	2	12/77	-	133.3	-	135.8	12.7	1.9	-	-	-	-
North Central	2	12/77	-	138.3	-	140.6	12.3	1.7	-	-	-	-
South	2	12/77	-	136.7	-	139.3	12.5	1.9	-	-	-	-
West	2	12/77	-	138.2	-	141.1	12.5	2.1	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	134.8	-	137.6	12.8	2.1	-	-	-	-
A-2	2	12/77	-	137.5	-	139.8	12.6	1.7	-	-	-	-
B	2	12/77	-	138.5	-	141.0	13.0	1.8	-	-	-	-
C	2	12/77	-	136.8	-	139.1	11.9	1.7	-	-	-	-
D	2	12/77	-	135.0	-	137.4	11.6	1.8	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	130.6	-	133.0	11.9	1.8	-	-	-	-
North Central/A	2	12/77	-	140.5	-	142.9	13.1	1.7	-	-	-	-
South/A	2	12/77	-	137.0	-	139.4	12.9	1.8	-	-	-	-
West/A	2	12/77	-	138.1	-	141.4	13.4	2.4	-	-	-	-
Northeast/B	2	12/77	-	137.1	-	139.9	14.8	2.0	-	-	-	-
North Central/B	2	12/77	-	138.9	-	141.7	12.7	2.0	-	-	-	-
South/B	2	12/77	-	138.2	-	140.8	13.2	1.9	-	-	-	-
West/B	2	12/77	-	139.8	-	141.8	11.6	1.4	-	-	-	-
Northeast/C	2	12/77	-	140.8	-	143.2	14.1	1.7	-	-	-	-
North Central/C	2	12/77	-	134.3	-	136.1	10.7	1.3	-	-	-	-
South/C	2	12/77	-	136.6	-	139.0	11.8	1.8	-	-	-	-
West/C	2	12/77	-	136.8	-	139.4	11.4	1.9	-	-	-	-
Northeast/D	2	12/77	-	135.6	-	137.7	12.5	1.5	-	-	-	-
North Central/D	2	12/77	-	135.0	-	136.9	10.9	1.4	-	-	-	-
South/D	2	12/77	-	133.9	-	136.8	11.8	2.2	-	-	-	-
West/D	2	12/77	-	136.8	-	139.8	12.3	2.2	-	-	-	-

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.

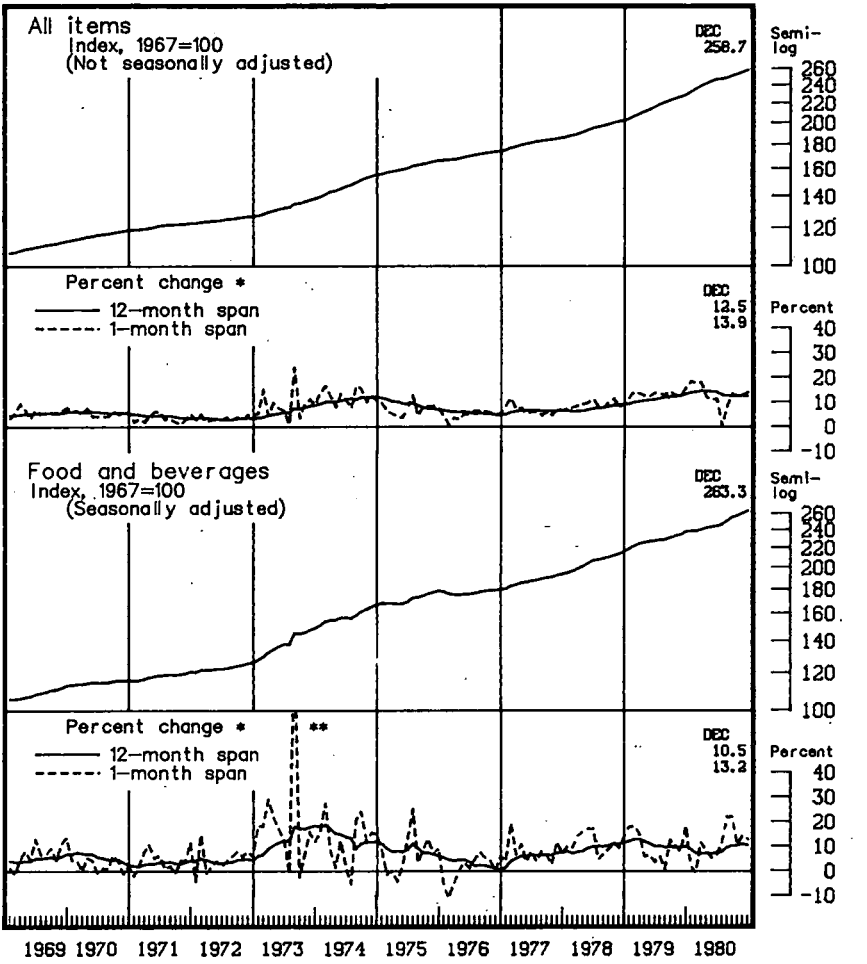
3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

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.

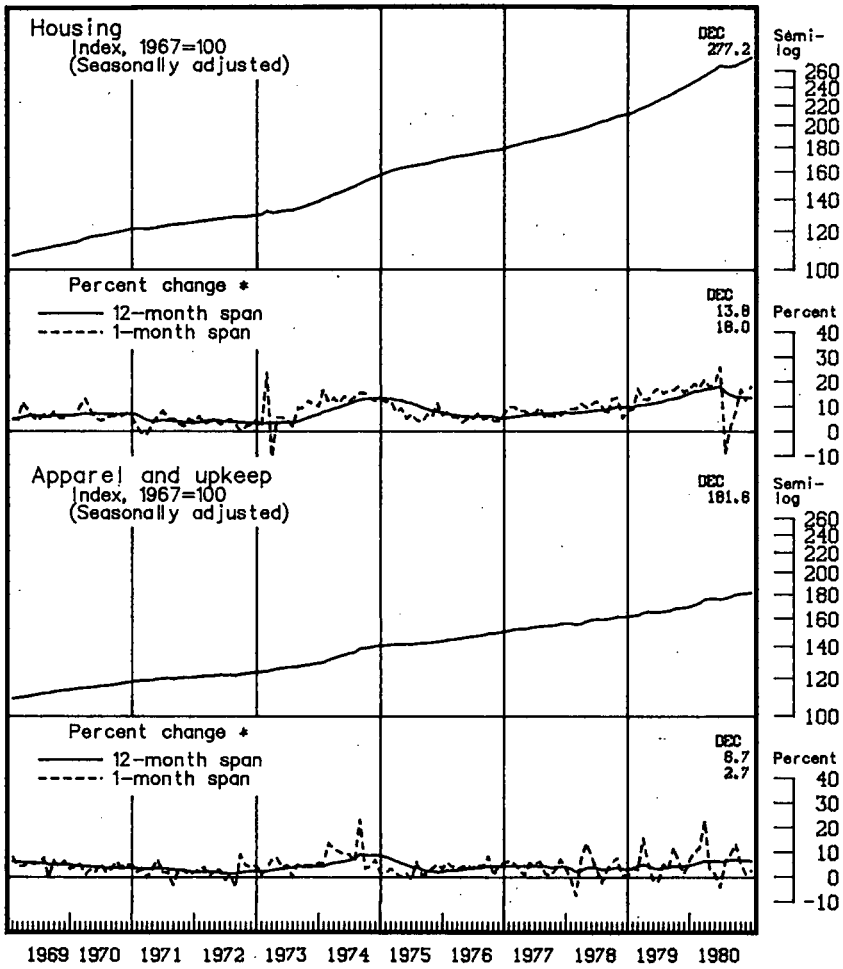
NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

CHART 1: CPI–W: All Items, food and beverages, 1969–80



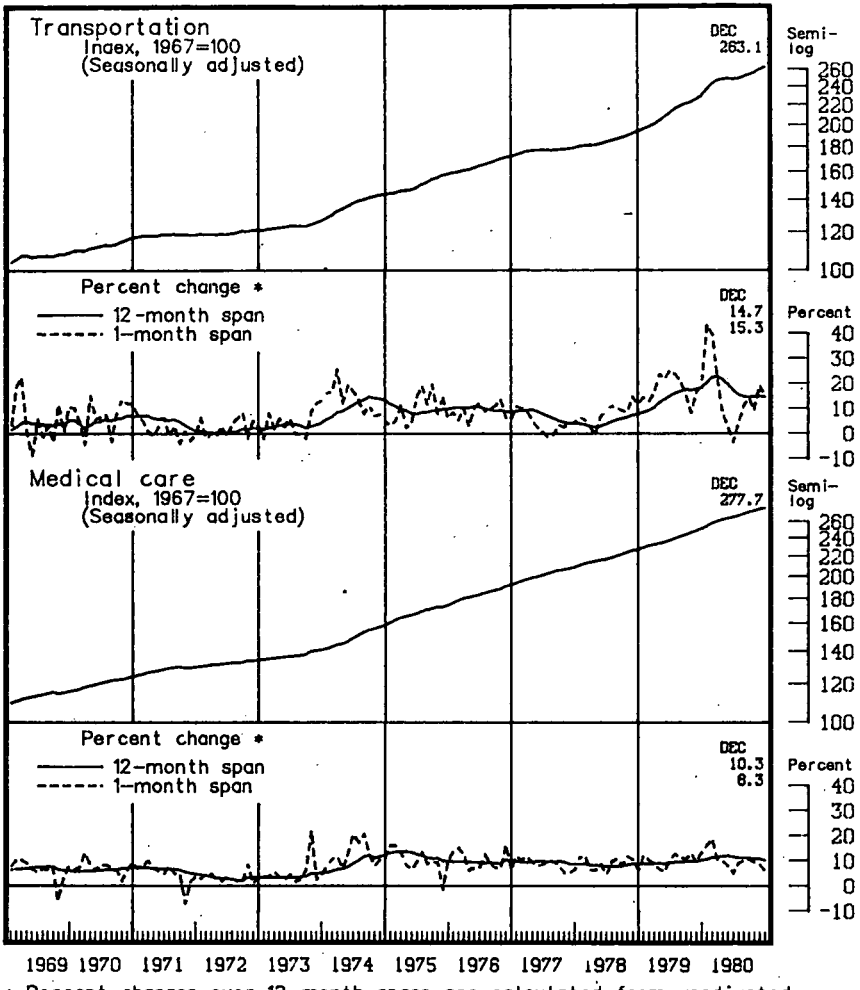
* Percent changes over 12-month spans are calculated from unadjusted data. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.
** August 1973 = 92 percent

CHART 2: CPI–W: Housing, apparel and upkeep, 1969–80



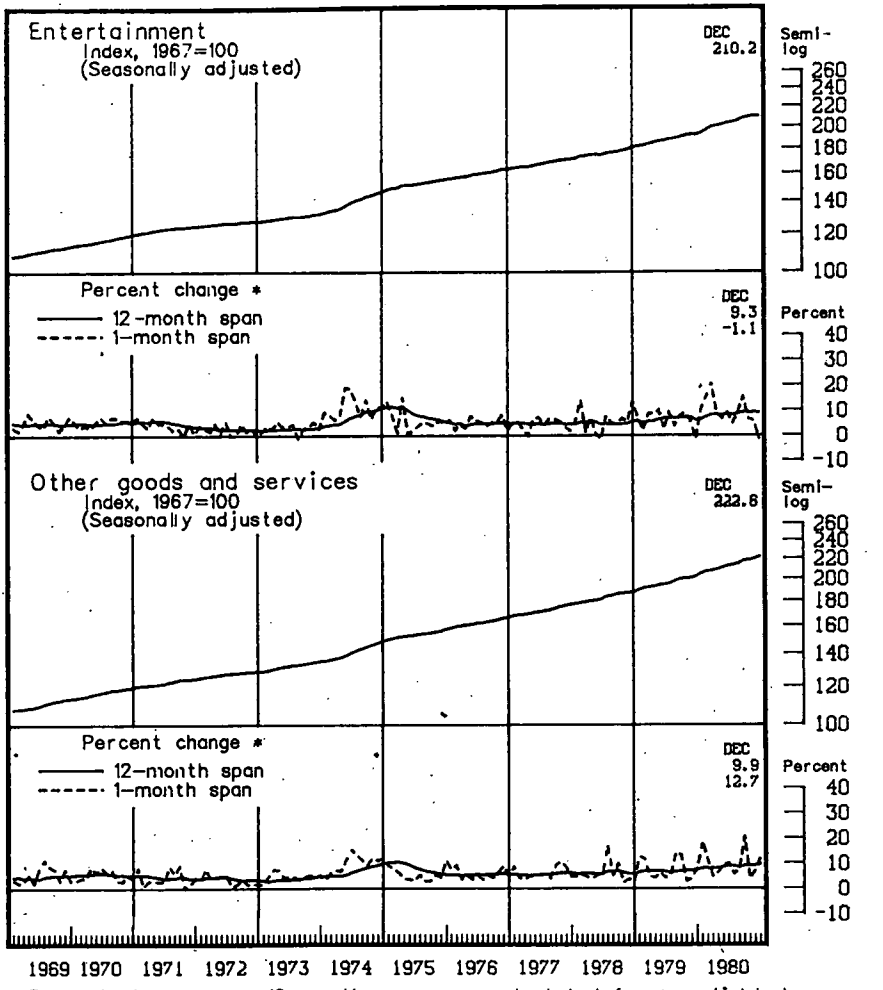
* Percent changes over 12-month spans are calculated from unadjusted data. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 3: CPI-W: Transportation and medical care, 1969-80



* Percent changes over 12-month spans are calculated from unadjusted data. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 4: CPI-W: Entertainment, other goods and services, 1969-80



* Percent changes over 12-month spans are calculated from unadjusted data. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

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 homeowner 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: (1) The weights for this outlays approach include expenditures actually made in the base period for property taxes, property insurance, and 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, and 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 weighted moving average also used in the X-3.

Table C. 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:						
1969	10.2	3.8	7.1	3.5	13.2	8.3
1970	10.2	4.5	4.2	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	3.2	4.8	6.2
1973	7.7	4.9	23.0	18.9	10.8	4.4
1974	13.3	5.4	16.9	12.9	14.9	9.1
1975	7.9	5.2	2.8	3.4	7.1	9.0
1976	3.8	5.5	-1.1	1.9	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
1979	19.8	7.9	28.2	20.5	22.6	11.2
January 1980	21.1	8.1	30.7	22.0	24.4	11.5
February 1980	20.6	8.5	31.2	23.3	24.5	12.1
March 1980	21.7	8.9	38.0	29.7	26.5	12.7
April 1980	22.2	8.7	42.3	33.1	27.7	12.9
May 1980	22.8	8.7	42.8	33.9	28.3	13.3
June 1980	23.8	9.4	47.7	36.5	30.6	13.5
July 1980	19.9	9.2	36.0	27.5	24.5	13.9
August 1980	17.9	8.8	26.1	18.6	20.6	13.8
September 1980	16.8	9.0	19.7	13.2	18.7	13.9
October 1980	17.0	8.7	18.9	12.1	19.2	14.0
November 1980	16.6	8.9	20.1	14.4	19.4	14.3
December 1980	16.5	9.1	25.0	19.8	20.0	14.5
Relative importance December 1977	22.8	14.5	11.4	10.0	10.0	8.7

Table D. 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 cost	X-3 User cost using average interest cost	X-4 Outlays using current interest cost	X-5 Outlays using average interest cost
December:						
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	10.4	10.0	9.2	8.7
1974	12.2	11.1	12.6	12.1	12.3	11.8
1975	7.0	6.6	6.4	6.4	6.8	6.9
1976	4.8	5.1	4.3	4.7	4.8	5.2
1977	6.8	6.3	5.9	5.7	6.6	6.5
1978	9.0	7.9	7.8	7.1	8.5	7.8
1979	13.3	10.8	13.2	12.1	12.5	11.3
January 1980	13.9	11.2	13.9	12.7	13.1	11.7
February 1980	14.1	11.6	14.3	13.1	13.4	12.1
March 1980	14.7	12.0	15.5	14.1	13.9	12.5
April 1980	14.7	11.7	15.7	14.2	13.8	12.3
May 1980	14.4	11.4	15.4	13.9	13.5	11.9
June 1980	14.3	11.1	15.6	13.7	13.4	11.5
July 1980	13.2	10.8	14.0	12.6	12.5	11.3
August 1980	12.8	10.9	13.0	11.9	12.2	11.4
September 1980	12.7	11.0	12.3	11.5	12.1	11.6
October 1980	12.6	10.9	12.1	11.3	12.1	11.5
November 1980	12.6	10.9	12.4	11.6	12.1	11.5
December 1980	12.4	10.8	12.8	11.9	12.0	11.3

News
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REAL EARNINGS IN DECEMBER 1980

Preliminary real earnings figures for December--covering full-time and part-time workers on production or nonsupervisory jobs in the private nonfarm sector of the American economy--were released today by the Bureau of Labor Statistics of the U. S. Department of Labor. Real earnings--or earnings in constant dollars--for December were calculated by adjusting earnings in current dollars for changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

*Real gross average weekly earnings decreased 0.5 percent from November to December after allowance for the usual seasonal variation. A 0.6 percent increase in average hourly earnings was offset by a 1.1 percent increase in the CPI-W. Average weekly hours were unchanged. (See table A.)

Over the year, real average weekly earnings were down 3.8 percent. An 8.8 percent increase in average hourly earnings was offset by a 0.6 percent decline in average weekly hours and a 12.5 percent increase in the CPI-W. Before adjustment for the CPI-W and seasonal change, average weekly earnings were $247.76 in December compared with $229.04 a year earlier. (See table 1.)

*Real spendable earnings--average weekly earnings reduced by social security and Federal income taxes applicable to a married worker with three dependents who earned the average amount and then deflated by the CPI-W--decreased 0.6 percent

Table A. Composition of change in real earnings (production or nonsupervisory workers on private nonfarm payrolls)

Month	(1) Average hourly earnings	(2) Average weekly hours	(3) Average weekly earnings	(4) Consumer price index 1/	(5) Real average weekly earnings	(6) Average tax effect 2/	(7) Real spendable earnings 3/
1979	Percent change from preceding month, seasonally adjusted						
Dec.	0.8	0.3	1.1	1.2	-0.2	0.2	-0.3
1980							
January	0.3	-0.3	(4)	1.4	-1.4	0.0	-1.4
Feb.	0.6	-0.3	0.3	1.4	-1.0	(4)	-1.1
March	0.9	-0.3	0.6	1.4	-0.7	0.1	-0.8
April	0.5	-0.3	0.2	1.0	-0.8	(4)	-0.8
May	0.5	-0.6	-0.1	0.9	-1.0	(4)	-0.9
June	0.8	-0.3	0.5	0.9	-0.4	0.1	-0.5
July	0.8	-0.3	0.5	(4)	0.4	0.1	0.4
August	0.6	0.6	1.2	0.7	0.5	0.2	0.3
Sept.	0.9	0.3	1.2	1.0	0.1	0.2	(4)
October	0.9	0.3	1.2	1.0	0.2	0.2	(4)
Nov. p	1.2	0.3	1.5	1.0	0.4	0.2	0.2
Dec. p	0.6	0.0	0.6	1.1	-0.5	0.1	-0.6
1979	Percent change from same month a year ago						
Dec.	8.0	-0.6	7.4	13.4	-5.3	(4)	-5.3
1980							
January	7.5	-0.6	6.9	14.0	-6.2	0.8	-7.0
Feb.	7.7	-0.8	6.8	14.2	-6.5	0.8	-7.3
March	8.1	-1.4	6.6	14.6	-7.0	0.8	-7.7
April	8.5	-0.3	8.2	14.5	-5.6	1.0	-6.5
May	8.1	-1.4	6.5	14.4	-6.9	0.8	-7.6
June	8.2	-1.7	6.4	14.2	-6.9	0.8	-7.7
July	7.8	-1.9	5.7	13.0	-6.5	0.8	-7.2
August	8.1	-1.4	6.6	12.7	-5.4	0.9	-6.2
Sept.	7.9	-1.4	6.4	12.6	-5.5	0.9	-6.3
October	8.7	-1.1	7.5	12.6	-4.6	1.0	-5.5
Nov. p	9.1	-0.8	8.2	12.7	-3.9	1.1	-4.9
Dec. p	8.8	-0.6	8.2	12.5	-3.8	1.0	-4.8

Note: The following relationships hold approximately:
column (1) + column (2) = column (3)
column (3) - column (4) = column (5)
column (5) - column (6) = column (7)

p = preliminary

1/ The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is used as the deflator for constant dollar series presented in this release.

2/ When comparing spendable earnings estimates for periods subject to the same Federal tax laws, the percent change in average tax effect is a measure of the progressive effect of the Federal tax system on average earnings. This is the case for comparisons within 1979 and 1980 and of 1980 to 1979 as the only tax law change effective in 1980 was an increase in the social security tax base which was already above the level that would affect such comparisons. When comparing spendable earnings estimates for periods subject to different tax laws, i.e. 1979 to 1978, the percent change in average tax effect reflects both the progressive effect and the effect of the tax law change.

3/ Married workers with three dependents who earned the gross average weekly earnings.

4/ Less than 0.05 percent.

from November, seasonally adjusted. Over the year, real spendable earnings were down 4.8 percent. (See footnote 2, table A, for explanation of over-the-year average tax effect.)

*The Hourly Earnings Index in dollars of constant purchasing power was down 0.7 percent from November to December. Compared with a year ago, the index was down 2.8 percent. (See tables 2 and 3.) The index excludes the effects of overtime in manufacturing and of interindustry shifts, such as the shift of workers between high-wage and low-wage industries.

Explanatory Notes

Spendable earnings are calculated by taking the average weekly pay for all production or nonsupervisory jobs, both full-time and part-time, and then deducting social security and Federal income taxes applicable to a single worker or to a married worker with three dependents who made this amount.

Real spendable earnings represents the buying power of the spendable earnings of a worker earning the average pay and with the applicable deductions, after allowance for price changes from the 1967 base period, that is, adjustment by the appropriate Consumer Price Index for Urban Wage Earners and Clerical Workers. (See Michael Buso, "Changes in the Spendable Earnings Series for 1979," *Employment and Earnings*, March 1979.)

The earnings series from which spendable and real spendable earnings are derived—gross average weekly earnings—is an arithmetic average of the earnings of all production or nonsupervisory jobs, including part-time jobs. Therefore, it is less than the average weekly earnings of full-time wage earners. It should be noted that the series on spendable earnings represents only the average earnings for those rank-and-file workers whose weekly pay approximates the averages indicated. The actual earnings level of married workers with three dependents tends to be higher than the average figures given above, since married workers with three dependents are generally older and more experienced and thus likely to command higher hourly wage rates and work more hours. Month-to-month and year-to-year changes in actual spendable earnings for this worker might also differ from the average estimates presented in this release.

The Bureau of Labor Statistics has also published data on annual after-tax earnings based on information obtained through the Current Population Survey. These series, which have been constructed for the 1962-1974 period, relate to the actual earnings of heads of households of specific size *and composition. For a discussion of these series, see Paul* M. Ryscavage, "Annual Earnings of Household Heads," *Monthly Labor Review*, August 1975.

The hourly earnings index is designed to measure underlying wage movements for production or nonsupervisory workers in the private nonfarm economy. It is adjusted to exclude the effects of two types of changes that are not related to underlying wage rate developments: Overtime in manufacturing (the only sector for which overtime data are available) and interindustry employment shifts, such as shifts of workers between high-wage and low-wage industries.

Seasonally adjusted data are preferred by some users for analyzing general earnings trends in the economy since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude each year, and therefore, reveal the underlying cyclical trends. These changes in average earnings may be due to seasonal changes in the proportion of workers in high-wage and low-wage industries or occupations, or to seasonal changes in the amount of overtime work, and so on. The seasonally adjusted data are presented in table 2.

Income tax law changes that become effective during the year may produce misleading year-to-year comparisons of changes in the tax liability from the spendable earnings series. For example, in 1977, the calculation of spendable earnings following the enactment of the Tax Reduction and Simplification Act of 1977 (effective June 1, 1977) concentrated the entire 1977 reduction in the subsequent 7 months. The Bureau of Labor Statistics develops and publishes "annual average" spendable earnings formulas which distribute the impact of tax law changes over the entire calendar year. These formulas should be used to compute year-to-year comparisons in tax liability changes.

For a comprehensive discussion of the spendable earnings series and hourly earnings index, and their relation to other wage data, see the following articles: Jack Alterman, "Compensation per Man-Hour and Take Home Pay," *Monthly Labor Review*, June 1971; Thomas Gavett, "Measures of Change in Real Wages and Earnings," *Monthly Labor Review*, February 1972; Norman Samuels, "Developing a General Wage Index," *Monthly Labor Review*, March 1971; Paul Schwab, "Two Measures of Purchasing Power Contrasted," *Monthly Labor Review*, April 1971.

Table 1. Earnings of production or nonsupervisory workers on private nonagricultural payrolls by major industry division

Industry	Gross average hourly earnings			Hourly earnings index [1] (1967 = 100)			Gross average weekly earnings			Spendable average weekly earnings [2]					
										Married worker with 3 dependents			Worker with no dependents		
	Dec. 1979	Nov. 1980p	Dec. 1980p	Dec. 1979	Nov. 1980p	Dec. 1980p	Dec. 1979	Nov. 1980p	Dec. 1980p	Dec. 1979	Nov. 1980p	Dec. 1980p	Dec. 1979	Nov. 1980p	Dec. 1980p
TOTAL PRIVATE: [3]															
Current dollars	$6.38	$6.92	$6.94	238.9	260.0	261.0	$229.04	$244.28	$247.76	$201.80	$213.37	$216.01	$184.59	$195.24	$197.67
1967 dollars	2.77	2.70	2.68	103.9	101.4	100.9	99.58	95.27	95.77	87.74	83.22	83.50	80.26	76.15	76.41
Mining:															
Current dollars	8.75	9.52	9.51	272.4	298.4	297.1	384.13	414.12	419.39	317.13	338.10	341.78	286.96	304.91	308.07
1967 dollars	3.80	3.71	3.68	118.4	116.4	114.8	167.01	161.51	162.11	137.88	131.86	132.11	124.77	118.92	119.08
Construction:															
Current dollars	9.58	10.24	10.32	228.4	244.0	244.9	356.38	375.81	381.84	296.90	311.06	315.46	269.83	281.98	285.59
1967 dollars	4.17	3.99	3.99	99.3	95.2	94.6	154.95	146.57	147.60	129.09	121.32	121.94	117.32	109.98	110.39
Manufacturing:															
Current dollars	6.97	7.59	7.70	245.1	269.0	271.5	285.07	305.12	315.70	244.31	259.52	267.26	223.38	236.98	243.85
1967 dollars	3.03	2.96	2.98	106.5	104.9	104.9	123.94	119.00	122.03	106.22	101.22	103.31	97.12	92.43	94.26
Transportation and public utilities:															
Current dollars	8.54	9.26	9.30	261.1	284.0	285.1	341.60	369.47	372.00	286.13	306.44	308.29	260.39	278.18	279.70
1967 dollars	3.71	3.61	3.59	113.5	110.8	110.2	148.52	144.10	143.80	124.40	119.52	119.17	113.21	108.49	108.12
Wholesale and retail trade:															
Current dollars	5.18	5.63	5.62	230.5	249.7	250.0	170.42	180.16	182.65	158.77	165.33	167.01	141.68	148.98	150.84
1967 dollars	2.25	2.20	2.17	100.2	97.4	96.6	74.10	70.27	70.60	69.03	64.48	64.56	61.60	58.10	58.31
Finance, insurance, and real estate:															
Current dollars	5.48	6.01	6.02	217.7	238.5	238.8	199.47	218.16	217.92	178.91	193.46	193.27	163.10	176.72	176.55
1967 dollars	2.38	2.34	2.33	94.7	93.0	92.3	86.73	85.09	84.24	77.79	75.45	74.71	70.91	68.92	68.25
Services:															
Current dollars	5.61	6.09	6.09	237.3	257.6	257.7	184.01	198.53	199.14	167.91	178.18	178.65	151.84	162.42	162.86
1967 dollars	2.44	2.38	2.35	103.2	100.5	99.6	80.00	77.43	76.98	73.00	69.49	69.06	66.02	63.35	62.95

[1] Adjusted for overtime (manufacturing only) and interindustry employment shifts.

[2] Spendable earnings are calculated by deducting social security and Federal income taxes applicable to a worker who earned the gross average weekly earnings of all production or nonsupervisory workers. A technical note on the calculation and uses of the spendable earnings series is available on request.

[3] Data relate to production and related workers in mining and manufacturing; construction workers in construction; and nonsupervisory workers in transportation and public utilities; trade; finance, insurance, and real estate; and services. Included in this group are approximately four-fifths of all workers on private industry payrolls.

p=preliminary.

Table 2. Earnings of production or nonsupervisory workers on private nonagricultural payrolls, seasonally adjusted

Series	1979	1980										
	Dec.	January	Feb.	March	April	May	June	July	August	Sept.	October	Nov. p	Dec. p
Gross average hourly earnings:													
Current dollars	$6.39	$6.41	$6.45	$6.51	$6.54	$6.57	$6.62	$6.67	$6.71	$6.77	$6.83	$6.91	$6.95
1967 dollars	2.77	2.74	2.72	2.71	2.69	2.68	2.68	2.70	2.70	2.69	2.69	2.69	2.68
Hourly earnings index[1] (1967=100):													
Current dollars	239.4	240.3	242.4	245.2	246.2	248.3	250.9	252.1	254.0	255.4	257.9	260.7	261.6
1967 dollars	103.8	102.7	102.2	102.0	101.4	101.4	101.5	102.0	102.0	101.5	101.5	101.6	100.8
Gross average weekly earnings:													
Current dollars	$228.12	$228.20	$228.98	$230.45	$230.86	$230.61	$231.70	$232.78	$235.52	$238.30	$241.10	$244.61	$246.03
1967 dollars	98.88	97.52	96.53	95.82	95.08	94.16	93.77	94.17	94.62	94.75	94.92	95.33	94.85
Spendable average weekly earnings[2]:													
Current dollars	201.10	201.17	201.76	202.87	203.18	202.99	203.82	204.64	206.72	208.83	210.95	213.62	214.69
1967 dollars	87.17	85.97	85.06	84.35	83.68	82.89	82.48	82.78	83.05	83.03	83.05	83.25	82.76

[1] See footnote 1, table 1.
[2] Calculated for married worker with three dependents who earned the average weekly earnings.

p=preliminary.

Table 3. Percentage change[1] over the year in earnings of production or nonsupervisory workers on private nonagricultural payrolls by major industry division

December 1979 - December 1980

Industry	Hourly earnings index[3] (1967 = 100)		Gross average weekly earnings		Spendable average weekly earnings[3]			
					Married worker with 3 dependents		Worker with no dependents	
	Current dollars	1967 dollars	Current dollars	1967 dollars	Current dollars	1967 dollars	Current dollars	1967 dollars
TOTAL PRIVATE	9.3	-2.8	8.2	-3.8	7.0	-4.8	7.1	-4.8
Mining	9.1	-3.0	9.2	-2.9	7.8	-4.2	7.4	-4.6
Construction	7.2	-4.7	7.1	-4.7	6.3	-5.5	5.8	-5.9
Manufacturing	10.8	-1.5	10.7	-1.5	9.4	-2.7	9.2	-2.9
Transportation and public utilities	9.2	-2.9	8.9	-3.2	7.7	-4.2	7.4	-4.5
Wholesale and retail trade	8.4	-3.6	7.2	-4.7	5.2	-6.5	6.5	-5.3
Finance, insurance, and real estate	9.7	-2.4	9.2	-2.9	8.0	-4.0	8.2	-3.8
Services	8.6	-3.4	8.2	-3.8	6.4	-5.4	7.3	-4.7

NOTE: Percentage change over the year in the revised CPI-W (all items, 1967 = 100) 12.5

[1] Based on preliminary data for the current month. Hourly earnings index changes are based on seasonally adjusted data. Gross and weekly changes are based on data that are not seasonally adjusted.
[2] See footnote 1, table 1.
[3] Calculated for workers who earned the average weekly earnings.

Representative REUSS. We would now like to ask you to each proceed in his own way. First, Mr. Benderly.

STATEMENT OF JASON BENDERLY, VICE PRESIDENT, WASHINGTON ANALYSIS CORP., WASHINGTON, D.C.

Mr. BENDERLY. Thank you. I've been asked to focus my comments this morning on the food component of the CPI and on matters related to the outlook for food prices.

Within this framework, there are three topics I'd like to discuss briefly—first, the near-term food price situation; second, the more general outlook on food prices and specific problems that could worsen that outlook; and third, current and prospective agricultural policies.

It's often the case that the near-term outlook differs substantially from that which is expected for the longer term. I think that's the case with food prices today. Reflecting the extremely large increases in livestock and poultry prices that occurred from April to August of 1980, the total CPI food index price increased at a 19 percent annual rate in July, August, and September 1980. The passthrough of these large livestock price increases was basically complete by early October, and the CPI food index slowed to a 12.5 percent average rate in the last 3 months of the year.

Today's CPI shows that food prices, as you mentioned, were up by 1 percent in December alone. We expect that food prices will continue to decelerate in the first quarter of 1981 to perhaps the 5- or 6-percent range on a seasonally adjusted basis, and then we expect that they should reaccelerate in the second or third quarter of 1981, back up perhaps to the 12- to 15-percent range.

There are basically two reasons for expecting this pattern. First, livestock prices have not yet started what will probably be their next runup, and in fact they are still declining. From August of 1980 to January of 1981, average livestock and poultry prices have fallen by more than 15 percent, and it's only with a 2- to 3-month lag after livestock prices have started increasing again before retail food prices will be adversely affected.

Second, there is a technical problem with the seasonal adjustments on the CPI food index which will cause an understatement of food price increases in the first quarter of the year and then an overstatement probably in the third quarter. This near-term outlook sounds far more sanguine than what has been stated by many analysts regarding the consequences of the drought-induced grain shortfall last summer.

I think the reasons are very simple. Grain prices themselves do not directly influence food prices significantly. Only through their effect on livestock profitability and hence livestock production do grain prices eventually affect the retail market. It's without question that the price of meat will eventually fully reflect the price of grain, but it takes time, and less than one-quarter of the cost of producing a pound of meat in the supermarket represents the cost of grain. Simply put, this means that a 30-percent increase in the price of grain will eventually result in about a 6- to 8-percent increase in the

retail price of meat over and above what would have occurred anyway; 30 percent is the increase that we have seen in average grain prices over the past year.

In addition, for a variety of reasons, there is a seasonal pattern of livestock production that causes livestock prices to weaken from August of one year to somewhere between January and April of the next year. It doesn't matter how much of an increase is going to occur for the year as a whole. Prices do not increase during that part of the year. We are in that lull right now.

As I indicated earlier, I expect that there will be a renewed surge in livestock prices in 1981, but it shouldn't be any worse than last year's, and it may not start until the second quarter.

When analyzing the general outlook for food prices, it is important to put into context specific problems such as the 2-day freeze in the Florida citrus-producing areas, which certainly do affect the price of food. But that type of problem is not fundamental in the sense that nothing else within the agricultural sector is affected by those price increases and also in the sense that only a small part of retail food expenditures are directly involved.

For example, less than 2 percent of all food prices are for citrus fruits and citrus-related products. A 20- to 25-percent increase in these prices—and that is just a guess—would add only 0.4 to 0.5 percent to the average price of food, and will do so in strictly a transitory manner.

The more general fundamental outlook for food prices is a direct function of the grain sector, the livestock sector, and the poultry sector. These account in total for roughly two-thirds of the farm value of U.S. food consumption with only a very small percent reflecting the direct consumption of grain products.

In these areas, the fears that were and still are being expressed for this year's food prices are, I think, 1 year too early. The risky period will be 1982, not 1981. The United States began the 1980–81 crop year with stocks of grain and oilseeds at quite comfortable levels. The United States will begin the next crop year with stocks far too low for anyone's comfort, and grain prices as a result will be determined solely by next year's production. There's no buffer of any consequence for next year.

Grain prices have increased by approximately 30 percent from last year, as I mentioned previously. Livestock and livestock product prices will reflect these grain price increases, but there is no automatic mechanism for that to happen. Livestock producers must reduce production, and they will do so in response to a profit squeeze, but demand must support those price increases.

The producers of high-grade beef have been in a fairly moderate profit squeeze for the last 2 years. For eight of the last nine quarters, there has been a decline in the number of cattle placed onto feed lots as a result of that reduced profitability. High-grade cattle slaughter has, as a result, declined by 15 percent since 1978. The saving factor for beef consumers and the culprit, as far as the cattle producers are concerned, was the 24-percent increase in pork production during exactly the same period. This increase in pork production put a lid on overall meat prices until the second half of 1980 and in actuality helped postpone a more serious price runup until 1981.

If corn prices stay in the $3.50 to $3.75 per bushel range for the time being, then the appropriate levels for livestock and poultry prices are approximately 15-percent higher than they are now. These increases will occur during 1981, probably by the third quarter, and are the major reasons why I expect food prices to accelerate back into the 12- to 15-percent range during some 6-month period during 1981. I expect that the net result will be about an 11-percent increase in food prices during the year as a whole.

The step beyond that in food prices will be totally dependent upon next year's grain production, which is so uncertain at this point that all one can do is speculate. The risks are enormous at this point, but it is not a certainty that the worst is going to happen.

One more specific topic regarding the food price outlook I think is appropriate at this point. That is that the cattle cycle is not yet turning back into liquidation. I don't think that it will turn back to liquidation unless there are new major increases forthcoming in grain prices next year.

Without a return to liquidation, the worst of the cattle cycle's price impact is behind us. It has always been true that most of the cattle price increases that occurred during the cattle cycle do so not after liquidation ends but before it ends, and that occurred in 1979.

The long-term equilibrium relationship between the grain and livestock sectors indicates that as long as cattle prices remain about 19 times the price of corn, that liquidation will not return. The herd will continue to be rebuilt.

My expectation is that cattle prices will reach about $75 a hundredweight in 1981. That's really a desire that they do so as well as a forecast.

Regarding agricultural policy, it is not unusual for an economic problem to be addressed only after the worst of the problem has passed. This has been particularly true with respect to agricultural policy, which, with some exceptions, has often been a response to changing circumstances rather than a force helping to shape those conditions.

Last year's low level of farm income became a concern only after the worst quarter by far had already passed. That was the second quarter of 1980 when farm income hit a $20 billion annual rate. I don't mean this as a criticism; I simply mean that supply and demand conditions can change so rapidly in the agricultural sector that they render obsolete almost overnight a given direction of agricultural policy. Supporting grain prices with higher loan rates is certainly no longer the major policy concern.

There are three basic problems or conflicts that are inherent in a continuation of the past agricultural policy or any variation of it.

First, a rebuilding of the farmer-held grain reserves which are well stocked now but which will be almost depleted by the end of this crop year will necessitate higher grain prices in the short term. This does not mean that there are no potential long-term benefits; it simply means there's a price to pay.

Second, any attempts to raise or support grain prices necessarily affects the livestock sector adversely. In this context, it is important to remember that last year's depressed commodity prices and low

farm income that were of such concern were mostly the result of extremely low livestock and poultry prices, not a result of low grain prices. The only mechanism by which the livestock sector can offset grain price increases is by cutting back production.

Third, the aggregate farm income data on which so much emphasis is placed in policymaking can distort the true picture of the agricultural sector's financial health. The number of farm producers continues to decline each year as has been the case for decades, and hence total net farm income is divided among fewer and fewer farmers. This has kept per capita farm income increasing fairly steadily on a year-to-year basis. Even with the severe decline in total farm income during 1980, per capita farm income as a percent of nonfarm income was still above 90 percent.

In addition, an increasing proportion of the farm sector's income comes from providing labor off of the farm. That is not included in the reported farm income data. This shift represents the movement of labor out of the agricultural sector in response to increasing productivity, and it is a natural part of the evolution of farming technology.

I'd like to end my comments with a very brief statement on the CPI in general, and hopefully I won't be stepping out of bounds on someone else's comment.

Today's CPI release showed a 1.1 increase for December. I hope it is well understood by everyone that inflation was not really that high in December. Just as the CPI overstated inflation in early 1980 by as much as 5 percent, that's when the CPI was saying 18 percent in the first quarter. I think in the real world inflation was much closer to about 13 percent; and just as it understated the rate of inflation in the summer months—as when in July it showed a zero percent increase—it's currently overstating the rate of inflation. Inflation has been more or less in a holding pattern for the last 8 months at a very high and unacceptable rate, but it is not now in the process of showing the widespread acceleration which was true in 1979 and early 1980.

The CPI, excluding mortgage interest costs and home purchase prices, is a good proxy for a better measure of consumer inflation. It increased by only 0.7 percent in December instead of the reported "all items" increase of 1.1 percent.

If you look at the quarterly pattern in that reconstruction of the CPI, it climbed to a 16-percent rate in the first quarter of the year, fell to a 7-percent rate in the second quarter, to 11.7 percent in the third, and back down to 9 percent in the fourth.

That's what I'm essentially saying about its being in a holding pattern. We've been roughly in the 8-to-10-percent range—slightly above it, slightly below it—for the last 8 or 9 months. Thank you.

[The prepared statement of Mr. Benderly follows:]

PREPARED STATEMENT OF JASON BENDERLY

I have been asked to focus my comments on the food component of the Consumer Price Index (CPI) and on matters related to the outlook for food prices. Within this framework, there are three topics I will discuss briefly: (1) the near-term food price situation; (2) the more general outlook for food prices and specific problems that could worsen the outlook; (3) current and prospective agricultural policies.

(1) Near-term Outlook: reflecting the huge increase in livestock and poultry prices that occurred from April to August of 1980, the total CPI food price index (CPI–F) increased at a 19.0 percent average annual rate in July, August, and September. The pass through was basically complete by early October, and the CPI–F index slowed to a 12.5 percent average rate in the last three months of the year. The CPI released today showed food prices increasing at a 13 percent annual rate for December alone. Food prices will continue to decelerate in the first quarter of 1981 to perhaps the 5.0 percent range (seasonally adjusted) and then should reaccelerate in the second or third quarter to the 12-15 percent range. There are two reasons for this pattern. First, livestock prices have not yet started their next runup, and in fact are still declining. From August 1980 to January 1981, average livestock and poultry prices have fallen by more than 15 percent. Only with a two-to-three-month lag after livestock prices have started rising again will retail food prices be affected. Second, there is a technical problem with the seasonal adjustments on the CPI–F index which will cause an understatement of actual food price increases in the first quarter (and a corresponding overstatement in the third quarter).

This near-term outlook sounds far more sanguine than what has been stated by many analysts regarding the consequences of the drought-induced grain shortfall last summer. The reasons are simple. Grain price increases do not directly influence food prices significantly. Only through their effect on livestock profitability and hence livestock production do grain prices eventually affect the retail market. Without question the price of meat will fully reflect the price of grain but it takes time, and less than one-quarter of the cost of producing a pound of meat in the supermarket represents the cost of grain. Simply put, this means that a 30 percent increase in the price of grain will eventually result in a 6–8 percent increase in the retail price of meat over and above what would have occurred anyway. Thirty percent is the increase that we have seen in average grain prices over the past year.

In addition, for a variety of reasons there is a seasonal pattern of livestock production that causes livestock prices to weaken from August of one year to somewhere between January and April of the next year. It doesn't matter how much of an increase in prices is forthcoming for the year as a whole; prices will not increase during this part of each year. We are in that lull right now. As indicated earlier, I do expect a renewed surge in livestock prices in 1981 but it shouldn't be any worse than last year's and it may not start until the second quarter.

General Outlook: Specific problems, such as the two day freeze in the Florida citrus producing areas certainly do affect the price of food. But this type of problem is not fundamental in the sense that nothing else within the agricultural sector is affected and also in the sense that only a small part of retail food expenditures are directly involved. Less than 2 percent of all food prices are for citrus fruits and citrus related products. A twenty to twenty-five percent increase in these prices, and that is a guess only, would add only 0.4–0.5 percent to the average price of food, and do so in a strictly transitory manner.

The more general fundamental outlook for food prices is a direct function of the grain/oilseed/livestock and poultry sectors. These account in total for approximately two-thirds of the farm value of U.S. food consumption, with only a small percent representing the direct consumption of grain products. In these areas, the fears that were and still are being expressed for this year's food prices are I think one year too early. The risky period will be 1982, not 1981.

The U.S. began the 1980/81 crop year with stocks of grain and oilseeds at quite comfortable levels. The U.S. will begin the next crop year with stocks far too low for anyone's comfort, and grain prices as a result will be determined solely by next year's production. There is no buffer of any consequence for 1981/82. Grain prices have increased by approximately 30 percent from last year, and as I mentioned previously, livestock and livestock product prices will reflect the grain price increases, but there is no automatic mechanism for this to happen. Livestock producers must reduce production and they will do so in response to a profit squeeze, but demand must support the potential price increases.

The producers of high grade beef have been in a moderate squeeze (profitable but only marginally so) for over two years. For eight of the last nine quarters (1978:4 to 1980:4 inclusive), there has been a decline in the number of cattle placed onto feedlots. (The one exception was the third quarter of 1980 which was a result of the past summer's drought and did not represent a turnaround.) High grade cattle slaughter has as a result declined by 15 percent since 1978. The saving factor for beef consumers, and the culprit as far as the cattle producers are concerned, was

the 24 percent increase in pork production during the same period. This increase put a lid on overall meat prices until the second half of 1980, and in actuality helped postpone a more serious price run-up until 1981.

If corn prices stay in the $3.50–$3.75 per bushel range for the time being, then the appropriate levels for livestock and poultry prices are approximately 15 percent higher than they are now. These increases will occur during 1981, probably by the third quarter and are the major reasons why I expect food prices overall to increase at a 12–15 percent annual rate for some six-month period during the year. I expect the net result to be an 11 percent increase for food prices during 1980.

The next step in food prices will be totally dependent on next year's grain production, which is so uncertain that one can only speculate. The risks are enormous, but it is not a certainty that the worst will happen.

One more specific topic is appropriate at this point. The cattle cycle is not yet turning back into liquidation and it won't unless new major increases are forthcoming in grain prices next year. Without a return to liquidation, the worst of the cattle cycle's price increases have already occurred. It has always been true that most of the cattle price increase that occurred during the cattle cycle did so not after rebuilding of the herds began, but by the time liquidation ended. For this cycle that was 1979. The long-term equilibrium relationship between the grain and livestock sectors indicates that as long as cattle prices are not less than nineteen times the price of corn for a sustained length of time, rebuilding of the cattle herds will continue, albeit probably slowly. My expectation that cattle prices will reach $75 per hundred weight in 1981 therefore translates into a desire that they do so.

Agricultural Policy: It is not unusual for an economic problem to be addressed only after the worst of the problem has passed. This has been particularly true with respect to agricultural policy, which, with some exceptions, has often been a response to changing circumstances rather than being a force helping to shape those conditions. Last year's low level of farm income became a concern only after the worst quarter by far had already passed; that being the second quarter when farm income reached a $20 billion annual rate. This is not necessarily meant as a criticism. It is simply meant to point out that supply and demand conditions can change so rapidly in the agricultural sector as to render obsolete overnight a given policy direction. Supporting grain prices with higher loan rates (ones that are effective) is certainly no longer the major policy concern.

There are three basic problems or conflicts that are inherent with a continuation of the current policy thrust or variants of it. First, a rebuilding of the farmer held grain reserves, which are well stocked now but which will be almost depleted by the end of the crop year, will necessitate higher grain prices in the short-term. This does not obviate the potential longer-term benefits, but there is a price to pay. Second, any attempts to raise or support grain prices necessarily affects the livestock sector adversely. In this context it is important to remember that last year's depressed commodity prices and farm income were mostly the result of extemely low livestock and poultry prices, not low grain prices. The only mechanism by which the livestock sectors can offset grain price increases is by cutting back production. And third, the aggregate farm income data on which so much emphasis is placed in policy making can distort the true picture of the agricultural sector's financial health. The number of farm producers continues to decline each year as has been the case for decades and hence total net income is divided among fewer and fewer farmers. This has kept per capita farm income increasing fairly steadily on a year to year basis. Even with the severe decline in total farm income during 1980, per capita farm as a percent of non-farm income will still be above 90 percent. In addition, an increasing proportion of the farm sector's income comes from providing labor off the farm and is not included in the farm income data. This shift represents the movement of labor out of the agricultural sector in response to increasing productivity and is a natural part of the evolution of farming technology.

I would like to end my comments with a very brief statement on the CPI in general. Today's CPI showed a 1.1 percent increase for December. I hope that it is well understood by the members of this committee that inflation was not really that high in December. Just as the CPI overstated inflation in early 1980 by as much as 5 percent on an annual rate, then understated inflation in the summer months, it is overstating again. Inflation has been in a holding pattern for the past eight months or so at an unacceptably high rate. But it is not now in the process of a widespread acceleration in sharp contrast to the acceleration of 1979 and early 1980.

Representative REUSS. Thank you, Mr. Benderly. Before passing on to Mr. Clifton, may I ask, can you describe the Washington Analysis Corp.?

Mr. BENDERLY. We're a private research firm that specializes in economic forecastings, particularly with respect to inflation, energy policy, and the oil-producing sector and a few other industries basically centered on policymaking. Our clients are financial institutions and nonfinancial corporations.

Representative REUSS. Thank you very much.

Now, Mr. Clifton of the Chamber of Commerce.

STATEMENT OF JAMES A. CLIFTON, DIRECTOR, ANTI-INFLATION PROGRAM, CHAMBER OF COMMERCE OF THE UNITED STATES, WASHINGTON, D.C.

Mr. CLIFTON. Thank you, Mr. Chairman. On behalf of the chamber's 103,000 members, we welcome this opportunity to testify on the Consumer Price Index and inflation. Let me first of all summarize our recommendations, and then go into some detail on the last two. Let me say at the outset, however, that we commend the Joint Economic Committee for the process of consensus building in economic policy that it has pioneered over the past few years. We hope and trust that this process will continue under the distinguished chairmanship of Mr. Reuss.

Inflation remains the Nation's No. 1 economic problem. The basic rate of inflation, however measured, has increased during the past few years and in all probability will continue to be about as high in 1981; however, behavior by the Consumer Price Index—and forecasts for the CPI for 1981 through 1985—can sometimes give the misleading impression that inflation is abating significantly, and could seriously weaken the national focus on inflation and the commitment to implement substantive anti-inflation policies.

And sometimes the CPI can give us an exaggerated impression of the true level of inflation, as, for example, when we annualize last January's 1.4 percent CPI number to arrive at an 18-percent annual rate of inflation, which as Mr. Benderly correctly pointed out, is a gross exaggeration of our true inflation experience.

In order to maintain and extend the focus and commitment to fighting inflation while removing the distortions in and the misimpressions surrounding the CPI, the U.S. Chamber recommends the following actions:

First, the monthly JEC hearings on inflation should begin to focus more on trends in the underlying or basic rate of inflation, and less on the short-term behavior of the CPI.

Alternatively, monthly JEC hearings coinciding with public release of the CPI should be abandoned in favor of quarterly hearings to move the CPI out of the limelight.

Third, the JEC should assume responsibility for producing "Inflation Update," a very useful Council on Wage and Price Stability semiannual report, now that the Council is almost defunct.

Fourth, the JEC and other appropriate committees of Congress should work toward building a consensus on the method and timing

for a technical change in the CPI which eliminates the troublesome homeownership problem.

Finally, using the recent Office of Management and Budget study on indexation of Federal programs as a starting point, the JEC should develop a set of studies and hearings with respect to the desirability of modifying indexation procedures for Federal programs.

The following principles should be considered:

First, the degree of indexation of Federal programs should be comparable to private sector escalators so as not to cause unintended income transfers between different groups on account of inflation protection clauses.

Second, overall budgetary control and resource availability should be the final arbiter in the extent to which automatic income escalators operate for large transfer programs.

Let me now focus on the last two recommendations in greater detail. Measurement distortions have highlighted recent criticisms of the CPI as a true measure of inflation. Thc roller coaster behavior of mortgage interest rates in 1980 produced wide variations in the monthly CPI figures, from zero percent in July to 18 percent in January, February, and March, on an annualized basis. Naturally, no monthly statistics presume to be accurate gages of inflation, but historically, different measures of inflation, such as the GNP deflator, average hourly earnings, and the CPI, tend to move together. In 1979 and 1980, however, the CPI diverged substantially from the other price indexes, calling it into question as a legitimate measure of inflation.

It would be redundant for me to repeat in detail all the technical difficulties with the CPI as a cost-of-living index. These have been widely discussed during the past 18 months in the popular media as well as in political and professional forums.

To put it simply, the problems have been studied to death. Let me summarize for the committee the current state of the CPI debate as I view it, and make some suggestions for avoiding another stalemate over the homeownership problem—as happened in the mid-twenties, when business and labor advisory councils to the Department of Labor were unable to reach agreement on a substitute for the official homeownership measure in the index.

As a practical and political matter, the vast array of technical problems with the CPI has now boiled down to one major issue, and only one: The method to be used, and timing for a change in the official measure of homeownership. What, in brief, are the other issues, and how have they evaporated during the past 18 months of debate?

One criticism that has been leveled at the CPI is that it has an upward bias, because many price increases reflect quality improvements in products or services. However, a thorough survey of research on this issue concluded that the overall bias from changes in quality, both losses and gains, may be either upward or downward.

There is virtually no consensus on either the direction of the bias or the magnitude, a very poor basis from which to make any change in the Consumer Price Index.

Further, it is by no means evident that a technical solution to the problem could be developed if the nature of it were even clearly understood, since quality is almost impossible to measure.

The frequently mentioned substitution bias inherent in the fixed-weight index used in constructing the CPI has been found to be very small for the years 1958–73, an upward bias of about 0.1 percent in the index per year on average, for that period. Since 1973, unofficial estimates of the bias given to me by the Department of Labor are about 0.2 percent on average, and as much as 0.5 percentage points for 1979.

But whether one interprets such estimates as implying a large or a small substitution bias, I think, is largely beside the point at this stage.

As a result of the new Continuous Consumer Expenditure Survey (CCES) conducted by the Bureau of Labor Statistics, weights in the CPI will be capable of adjustment as often as is necessary to correct for a substitution in consumer products and services. This capability for the Consumer Price Index will be available in 1984. In the past, such adjustments were made once every 12 years on an average.

In my view, this procedural change also eliminates the frequently made case for using a version of the personal consumption expenditure (PCE) deflator as a superior substitute for the CPI.

The alleged superiority of the Commerce Department's implicit PCE deflator is that it is a shifting weight index. Yet with a substitution bias, such Paache indexes tend to understate the true increase in the cost of living, just as the Laspeyres index used in the CPI tends to overstate it.

Two other versions of the PCE, the chain price index and the 1972 base fixed weight index, use a rental equivalence concept for homeownership that is entirely as unsatisfactory as that used in the Consumer Price Index. When the same homeownership measure is used in each index over a period of years, there is practically no difference between inflation as measured by the different indexes. Furthermore, prices used in the personal consumption expenditure deflator come from the Bureau of Labor Statistics' surveys.

Other major criticisms of the CPI have tended to confuse what it is with how it is used. An increase in our foreign oil bill is a loss in real national income, a reduction in our standard of living. It cannot be directly compensated for through indexation. That does not mean, however, that the CPI should not measure the change in current market prices for a gallon of fuel oil or gasoline, only that users of the index, such as corporations and the Federal Government, should not include this element for cost-of-living adjustments. Denmark, Brazil, and several other countries have recognized this point and made adjustments for this factor.

Similarly, suggestions for regional, elderly, and other special indexes are not implicit criticisms of the CPI, but of any general index. Data are available to adjust the CPI by region and city. Consumption patterns of different groups do not appear to warrant specific indexes, but more work in this area is needed.

In light of the above considerations, we feel the effort to improve the CPI focuses on a change in the homeownership measure, which is universally acknowledged to have caused a substantial upward bias to the CPI during the past 2 years, and in the December figures reported this morning by the Department of Labor.

The problem with this measure is that a house is an asset as well as a consumer good. High home values and their rapid rise may reflect expectation of a return on the asset, not so much an increase in the cost of living. Second mortgages, based upon real estate appreciation, are often used for additional consumption. No correction is made in the CPI to distinguish the increase in the capital value of a home from the increase in the cost of shelter services provided by it.

This mixture of "current service" and "investment accounting" in the homeownership measure creates a second problem: A gross overstatement of its share in total consumption in the CPI. The weights of five experimental current service measures of homeownership applied to the CPI by the Department of Labor range from 8.7 percent to 14.5 percent—compared to 22.8 percent for the official measure now used.

Furthermore, it is gross outlays on home purchases and contracted mortgage interest costs that are priced by the Bureau and on which weights are based, not outlays net of tax savings from homeownership.

Despite these above deficiencies, the homeownership measures would not give a problem to the CPI if the costs of homeownership were rising only at the all-items rate; however, home prices and contracted mortgage interest costs have risen considerably faster than the total CPI in the past decade, 150 percent for homeowner shelter costs, generally, compared to 113 percent for the all-items CPI. The figures are from June 1970 to June 1980.

Along with five experimental measures now published monthly with the official CPI release for homeownership, a sixth alternative may be preferable if it is feasible. This option would expand the rental survey to provide a satisfactory sample of homes from which the current service cost of owned homes could be estimated.

Because of the past stalemate in making a much-needed change in the homeownership measure, I urge this committee and the Congress to help us to reach a consensus on the method and timing for a change in the homeownership measure. I believe it is the responsibility of the 97th Congress to become actively involved in resolving this issue once and for all.

I would like to end my comments with some brief statements about indexation of Government programs to the Consumer Price Index. In our view, a serious look should be taken at the indexation procedures for Government programs. Again, this is an area pertaining to the use of the CPI, and not the nature of the index itself. It is true that budgetary savings can be forthcoming from making an improvement in the homeownership measure; however, even greater budgetary savings are possible.

First, the six major Federal civilian and military retirement programs currently adjusted semiannually to CPI changes could be indexed once a year, as is the practice in the private sector and the bulk of Federal programs already indexed.

Second, the degree of indexation of Federal programs, which is almost always 100 percent of CPI changes, could be made more comparable to private sector norms. Pensions in the private sector, on average, hardly compensate for inflation at all, while wage escalators compensate for about 57 percent of the rise in the Consumer Price Index. That's a decade average.

At the very least, price increases which represent a real loss of national income should be excluded from the Federal indexation procedures. Any attempts to protect incomes from such increases only contributes to inflation and does not protect against it.

Preferably, consideration should also be given by the Congress to private-public sector comparability in the degree of indexation. As it now stands, there is an income transfer to beneficiaries of the fully indexed Federal programs as a result of the indexation procedure used.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Clifton follows:]

PREPARED STATEMENT OF JAMES A. CLIFTON

My name is James A. Clifton. I am director of the anti-inflation program of the Chamber of Commerce of the United States, on whose behalf I am appearing today. The U.S. Chamber is the world's largest business federation, comprised of more than 103,000 businesses, Chambers of Commerce in the United States and abroad, and trade and professional associations. On behalf of our members, we welcome this opportunity to testify on the Consumer Price Index and inflation.

SUMMARY

Inflation remains the nation's number one economic problem. The basic rate of inflation, however measured, has increased during the past few years and in all probability will continue to increase in 1981. However, recent behavior by the CPI (and forecasts for 1981–1985) can give the misleading impression that inflation is abating, and could seriously weaken the national focus on inflation and the commitment to implement substantive anti-inflation policies.

In order to maintain and extend this focus and commitment, while removing the distortions in and misimpressions surrounding the CPI, the U.S. Chamber recommends the following actions:

The monthly JEC hearings on inflation should focus more on trends in the underlying rate of inflation and less on the short-term behavior of the CPI.

Monthly JEC hearings coinciding with public release of the CPI should be abandoned in favor of quarterly hearings, if necessary, to move the CPI out of the limelight.

The JEC should assume responsibility for producing "Inflation Update", a Council on Wage and Price Stability semi-annual report, now that the Council is almost defunct.

The JEC and other appropriate Committees of the Congress should work toward a consensus on the method and timing for a technical change in the CPI which eliminates the "homeownership problem".

Using recent Congressional Budget Office and Office of Management and Budget studies on indexation of federal programs as a starting point, the JEC should develop a set of studies and hearings with respect to the desirability of modifying indexation procedures for federal programs. The following principles should be considered:

1. The degree of indexation of federal programs should be comparable to private sector escalators, so as not to cause unintended income transfers between different groups on account of inflation protection clauses.

2. Overall budgetary control and resource availability should be the final arbiter in the extent to which "automatic" income escalators operate for large transfer programs.

THE CONSUMER PRICE INDEX AND PURE INFLATION

A trend deceleration in the Consumer Price Index does not mean that inflation is abating. Between January and June, 1980 the CPI was increasing at a 15 percent annual rate. In the six months of 1980 ending with November, the CPI increased at about a 10 percent annual rate. Economic forecasts for 1981 suggest the CPI will decelerate by comparison with 1980 on a seasonally adjusted basis. Such CPI figures, which capture many other factors than pure inflation (changes in relative prices due to increasing scarcity or changes in preferences, for example), tend to dominate the news. By pure inflation I mean a rise in the general level of prices caused by excessive growth in the supply of money and credit.

Better measures of true inflation recently developed, the so-called Basic or underlying rate of inflation, indicate that inflation has not subsided this year, even with recession. Instead, inflation has become even more deeply embedded in the economy as energy, housing and food shocks to the CPI have become incorporated throughout the economy in the wage structure and even more fully incorporated in indexed government programs. Forecasts for 1981 and beyond for core or basic inflation suggest at best no deceleration.

News of an improving CPI picture—if it materializes—may affect the commitment to implementing substantive anti-inflation policies. Most of the public relations efforts, Congressional hearings, and other activity of the past three years, which aimed at focusing the national pysche on inflation, have run their course and expired. What is worse, they may have worsened inflationary psychology by making the CPI the world's most politicized number.

To correct the misimpressions surrounding the CPI and help maintain the national focus on inflation in a constructive way, (1) the monthly JEC hearings on inflation should focus more on trends in the underlying and core rates and less on the CPI and its short term behavior; (2) the monthly JEC hearings coinciding with public release of the CPI should be abandoned in favor of quarterly hearings, if necessary, to move the CPI out of the limelight; and (3) the JEC should assume responsibility for producing "Inflation Update", a highly useful semi-annual report of the Council on Wage and Price Stability now that the Council is almost defunct.

TECHNICAL PROBLEMS WITH THE CPI

Measurement distortions have highlighted recent criticism of the CPI as a true measure of inflation. The roller coaster behavior of mortage interest rates in 1980 produced wide variations in the monthly CPI figures, from 0% to 18% on an annualized basis. Naturally, no monthly statistics presume to be accurate gauges of inflation, but historically different measures of inflation such as the hourly earnings and the CPI tend to move together. In 1979 and 1980, the CPI diverged substantially from other price indexes, calling it into question as a legitimate measure of inflation.

It would be redundant to repeat in detail all the technical difficulties with the CPI as a cost of living index. These have been widely discussed during the past eighteen months in the popular media as well as in political and professional forums. To put it simply, the problems have been studied to death. Perhaps the biggest question remaining is whether we have the will and energy left to effect needed changes. Let me summarize for the Committee the current state of the CPI debate, as I view it, and make some suggestions for avoiding another stalemate over the homeownership problem, as happened in the mid-1970's when business and labor advisory councils to the Department of Labor were unable to reach agreement on a substitute for the homeownership measure now used.

As a practical and political matter the vast array of technical problems with the CPI has now boiled down to one major issue: the method to be used and timing for a change in the official measure of homeownership. What are the other issues and how have they evaporated?

One criticism has been that the CPI has an upward bias because many price increases reflect quality improvements in products. However, a thorough survey of research on this issue concluded that the overall bias from changes in quality, both losses and gains, may be either upward or downward. There is virtually no consensus on either the direction of the bias or the magnitude, a poor basis from which to make any change in the index. Further, it is by no means evident that a technical solution to the problem could be developed if the nature of it were understood, since quality is almost impossible to measure.

The substitution bias inherent in the fixed weight Laspeyres index used in the CPI has been found to be very small for the years 1958–1973, an upward bias of about 0.1 percent in the index per year on average. Since 1973, unofficial estimates of the bias are about 0.2 percent on average and as much as 0.5 percent for 1979. Whether one interprets such estimates as implying a large or a small substitution bias is largely beside the point. As a result of the new quarterly Consumer Expenditure Survey conducted by the Bureau of Labor Statistics, weights in the CPI will be capable of adjustment as often as is necessary starting in 1984. In the past such adjustments were made once every twelve years on average.

In my view this procedural change also eliminates the frequently made case for using a version of the Personal Consumption Expenditure (PCE) deflator as

a superior substitute for the CPI. The alleged superiority of the implicit PCE deflator is that it is a shifting weight index. Yet such Paache indexes tend to understate the increase in the cost of living, just as the Laspeyres index used in the CPI tends to overstate it. Two other versions of the PCE, the chain price index and the 1972 base fixed weight index use a rental equivalence concept for homeownership that is entirely as unsatisfactory as that used in the Consumer Price Index. When the same homeownership measure is used in each index over a period of years, there is practically no difference between them. Further, prices used in the PCE deflators come from the BLS surveys.

Other major criticisms of the CPI have tended to confuse what it is with how it is used. An increase in our foreign oil bill is a loss of real national income, a reduction in our standard of living. It cannot be directly compensated for through indexation. That does not mean, however, that the CPI should not measure the change in current market price for a gallon of fuel oil or gasoline, only that users of the index should not include this element for cost of living adjustments. Denmark, Brazil and several other countries have recognized this.

Similarly, suggestions for regional, elderly and other special indexes are not implicit criticisms of the CPI, but of any general index. Data are available to adjust the CPI by region and city. Consumption patterns of different groups do not appear to warrant specific indexes.

In light of the above considerations, we feel the effort to improve the CPI focuses on the homeownership measure, which is universally acknowledged to have caused a substantial upward bias to the CPI during the past two years.

The problem with this measure of living costs is that a house is an asset as well as a consumer good. High home values and their rapid rise may reflect expectation of a return on the asset, not so much an increase in the cost of living. Second mortgages, based upon real estate appreciation, are often used for additional consumption, hardly an increase in the cost of living for those homeowners. No correction is made in the CPI to distinguish the increase in the capital value of a home from the increase in the cost of shelter services provided by a home.

This mixture of current service and investment accounting in the homeownership measure creates a second problem: a gross overstatement of its share in total consumption in the CPI. The weights of five experimental current service measures of homeownership applied to the CPI by the Bureau of Labor Statistics range from 8.7 to 14.5 percent compared to 22.8 percent for the official measure (December 1977 weights). Furthermore, it is gross outlays on home purchases and contracted mortgage interest costs that are priced by the Bureau, and on which weights are based, not outlays net of tax savings from homeownership.

Despite the above deficiencies, the homeownership measure would not be a problem in the CPI if the costs of homeownership were rising only at the all items rate. However, home prices and contracted mortgage interest costs have risen considerably faster than the total CPI in the last decade (150 percent for homeowner shelter costs generally compared to 113 percent for the all items CPI, June 1970–June 1980). This has led to an overstatement of the increase in the cost of living experienced by the sample urban population from which the CPI is constructed. It is in this situation that the investment component of the homeownership measure and the excessive weight become actual deficiencies, and not merely theoretical deficiencies.

Along with the five experimental measures now published monthly with the official CPI release, a sixth alternative to the current homeownership measure may be preferable if it is feasible. This option would expand the rental survey to provide a satisfactory sample of homes from which the current service cost of owned homes could be estimated.

Because of the past stalemate in making a much needed change in the homeownership measure, however, I would urge this Committee and the Congress to help us reach a consensus on the method and timing for a change in the homeownership measure. I believe it is the responsibility of the 97th Congress to become actively involved in resolving this issue. Specifically,

The JEC and other appropriate Committees of the Congress should work toward a political consensus on the method and timing for a technical change in the CPI which eliminates the "homeownership problem."

INDEXATION OF GOVERNMENT PROGRAMS TO THE CONSUMER PRICE INDEX

In our view a serious look should be taken at the indexation procedures for government programs. Again, this is an area pertaining to the use of the CPI and not the nature of the index itself.

It is true that budgetary savings can be forth coming from making an improvement in the homeownership measure. However, even greater savings are possible. First, the six federal civilian and military retirement programs currently adjusted semi-annually to CPI changes, could be indexed once a year, as is the practice in the private sector and the bulk of federal programs. Second, the degree of indexation of federal programs, usually 100 percent of CPI changes, could be made more comparable to private sector norms. Pensions in the private sector on average hardly compensate for inflation at all, while wage escalators compensate for about 57 percent of the rise in the Consumer Price Index.

At the very least, price increases which represent a real loss of national income should be excluded from federal indexation procedures. Any attempt to protect incomes from such increases only contributes to inflation and does not protect against it. Preferably, consideration should be given by the Congress to private/public sector comparability in the degree of indexation. As it now stands, there is an income transfer to beneficiaries of the fully indexed federal programs as a result of the indexation procedure used. Specifically, we recommend:

Using recent CBO and OMB studies on indexation as a starting point, the JEC should develop a set of studies and hearings which aid in the development passage of legislation to modify indexation procedures for federal programs according to the following principles:

1. Indexation of federal programs should be comparable to private sector norms, so as not to cause unintended income transfers between different groups being protected against inflation.
2. Overall budgetary control and resource availability should be the final arbiter in the extent to which "automatic" income escalators operate for large transfer programs.

Representative REUSS. Thank you, Mr. Clifton. Next we have Mr. Lichtblau.

STATEMENT OF JOHN H. LICHTBLAU, EXECUTIVE DIRECTOR, PETROLEUM INDUSTRY RESEARCH FOUNDATION, INC., NEW YORK, N.Y.

Mr. LICHTBLAU. Thank you, Mr. Chairman. I wish to apologize for not having a prepared statement, but since I only was recruited yesterday for this testimony here, there was no time for it.

Representative REUSS. We're delighted to have you.

Mr. LICHTBLAU. Thank you, sir. I'd like to talk briefly about oil prices, likely oil price increases, and what has happened to oil prices in the recent past. None of the news is good, of course.

Oil prices have increased in 1980 perhaps something on the order of 15 to 20 percent, which is substantially faster than the CPI, and there's no reason to assume that they won't increase faster than inflation in 1981.

There are two principal reasons for this. One is that foreign crude oil prices are rising. They have risen significantly recently. There has been a roughly $3 price increase abroad instituted on January 1, 1981. At the same time, domestic crude oil price controls are either being phased out or are being ended very rapidly. We don't quite know when, but it's a question of whether controls on domestic crude oil prices will end next September or earlier.

In fact, the difference isn't even all that much, because the way the so-called entitlement system is phasing itself out, I think all the benefits of controlled prices would have ended by next May or June, so that for practical purposes, the advantages of domestically controlled prices will end by midyear, even if nothing is done. But it's likely that the new administration will end it somewhat earlier.

We expect, on the basis of decontrol and price increases which have already taken place abroad, an increase in crude oil costs of 18 to 20 cents a gallon in 1981. That assumes no further price increases abroad—which may be an optimistic assumption, particularly in view of the Iranian-Iraqi war, which may possibly create a crisis in the world market. It has not yet, at the end of the fourth month of this war. It depends, of course, on how the war continues, and at what level Iran and Iraq are able to export oil during this war. Exports from these countries have recently started again on a fairly significant scale, so that the situation has improved, but we don't know how much longer this will continue.

The kind of price increase that we expect is primarily a passthrough of crude oil costs. If the refinery margins and the retail margins, increase at the same time, we could, of course, have a bigger increase in gasoline costs and in heating oil prices.

In 1980 in general, heating oil prices increased slightly less than crude oil costs. That's largely because until recently there were substantial surpluses in the heating oil market and resulting margin declines.

You had a somewhat similar situation in gasoline. As you know, gasoline prices are still under control under the Energy Act. Of course, these controls would automatically expire together with the controls on crude oil. Again, they may be lifted earlier, but the increase in 1980 in gasoline prices was approximately in line with the increase in the acquisition costs of crude oil to U.S. refiners.

We have a declining gasoline demand in the United States, which means there is substantial excess capacity in refineries, and of course, the distribution system also has its excess capacity, and this is having a downward effect on margins. If that continues, you may not see any increase over and above the actual cost increases; however, even the cost increases are likely to be more than just 18 to 20 cents a gallon which reflects only our estimated crude oil cost increases in 1981.

Labor costs are, of course, also increasing. The cost of making gasoline is increasing, because you need crude oil as a refinery fuel to make the product. And the distribution system costs are increasing, so you may very well, just in the cost passthrough, see a higher increase than 18 cents a gallon in 1981.

If that's the case, you may see a 20-percent increase or more in gasoline prices in 1981, perhaps even more; perhaps 25 percent. The $1.50 a gallon is not an unlikely price by the end of the year. In fact, it assumes not much further increase in world oil prices, which may be the case or, it may not. We simply don't know. OPEC does not rationally increase prices, but increases them on the basis of strategic developments, political developments, and other factors. If a world oil surplus develops, which is likely to be the case if the war is over when OPEC meets again by next May, it's possible there will be no further increases in the world price of oil for the remainder of 1981. In that case, the lower estimate that I have given would probably apply.

Thank you very much.

Representative REUSS. Thank you very much, Mr. Lichtblau. Mr. Viscusi, please proceed.

STATEMENT OF KIP VISCUSI, STAFF ASSOCIATE, NATIONAL COMMISSION FOR EMPLOYMENT POLICY, WASHINGTON, D.C.

Mr. VISCUSI. Mr. Chairman, I'm happy to be here today to discuss wages and unit labor costs. These are not subsidiary inflation issues; they are the driving force behind the recent CPI increases. They're the most fundamental determinants of our long-run inflation prospects.

The trend rate of increase in unit labor costs, of which wage increases are the most volatile component, is the principal determinant of the primary measures of the underlying inflation rate or the core rate of inflation. The story that I will tell today is that unit labor cost patterns will lead to sustained inflation in the 9-percent range for the foreseeable future. Additional shocks, such as those of food or energy prices, will push us well into the double-digit levels.

There are two pieces to the unit labor cost story: wages and productivity. I will start with wages.

Let me first say a few words about the wage determination process. Higher prices lead to higher wages on almost a one-for-one basis through the effect of prices on workers' price expectations. Similarly, higher wages drive up prices on almost a one-for-one basis through their effect on unit labor costs.

These are the essential ingredients for the classic wage-price spiral. Let's take a look at this process in action during the past year.

In the first quarter of 1980, we witnessed a spillover of the energy price shock throughout the entire economy. The CPI escalated at a rate of 18 percent. The Council on Wage and Price Stability's measure of the underlying inflation rate was at 13 percent. Wages also increased at double-digit rates, by over 10 percent.

Wage increases following this pattern continued through the second quarter of 1980. In the third quarter of 1980, we had a deceleration of wage increases of roughly two to three points, due to the recession. Overall for 1980, preliminary estimates of wage increases put them at about 10 percent for the year.

What do we foresee for 1981?

First, there should be no wage rebound after the end of the Council on Wage and Price Stability's standards, because our pay standard had been liberalized last year and it was not binding for the majority of firms. In addition, the absence of a large number of major collective bargaining agreements in 1981 doesn't assure stable wages, because wage increases have spread throughout the entire economy.

Unless there is a major recession, wages will be driven by the double-digit inflation rates of the past 2 years, and we should expect increases in the 9-to-10 percent range. More likely, wages will increase at close to 10 percent during the coming year.

While in 1980 and in 1981, wage increases should be about two points below the rate of increase in the CPI, the question is, is this a sign of restraint on the part of labor? And my answer is "No"; that it is not.

Some loss of real spendable income is inevitable. Higher petroleum prices and the necessity of imports will reduce the real wealth of U.S. citizens. This loss of wealth could be offset by higher productivity, but productivity has been sagging. So long as wage increases exceed productivity increases, these increases will be inflationary and will undermine workers' attempts to keep pace with inflation.

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Clearly, the critical link between wages and prices is productivity, and this is the second part of the unit labor cost story. Productivity has been perhaps the most talked about economic issue of the past year, for good reason. Until the deterioration of productivity growth is reversed, real spendable incomes of workers cannot rise.

The standard labor productivity measure, output per man-hour, fluctuates wildly. It declines at the end of expansions and during recessions. For example, it dropped by 4 percent in the second quarter of 1980. And it increases during recoveries. It increased, for example, by 3 percent in the third quarter of 1980.

However, the recent upsurge in productivity growth is a cyclical aberration and should give us no basis for optimism. More relevant for the inflation picture is the trend rate of productivity growth, since it is that trend which influences pricing decisions. Most measures of trend productivity place it at or just below 1 percent.

So long as the trend productivity increase is outpaced by the rate of increase in wages, prices will continue to rise. If you combine the wage and the productivity projections, it will give us a trend unit labor cost estimate of 8 to 9 percent. As I indicated, it should be closer to the upper end of the range, or 9 percent.

What this means for inflation is that the underlying, long-run inflationary pressures as reflected in the trend unit labor costs will be at 9 percent, or very close to the double-digit range. Any price shock will push us into the double-digit range for overall price increases.

The fundamental question then becomes, what can we do to bring this situation under control? Well, clearly, we can attack either the wage side or the productivity side of unit labor costs in order to drive them down. Although I'm going to outline several possibilities, I should emphasize at the outset that there are no obvious or easy answers to these problems.

For wages, three things come to mind: First, we could stabilize price expectations through policies of long-run fiscal and monetary restraint. It's a good time to make such a long-run commitment, but it's not clear if the political will is there to cut the Federal budget sufficiently.

The second thing we could pursue is incomes policies. In some respects, I think it's 1 year too late to be doing this, since the major acceleration in prices and wages is over. The time this should have been done is 1 year ago. In addition, few major collective bargaining agreements are coming up in the coming year, so it's harder to get a handle on wages than it would be in a normal year. However, some form of incomes policy could be useful, principally on the wage side, if it were also coupled with fiscal restraint.

The third policy option is to have another recession. We may get one without trying anyway in the first two quarters of 1981. And it's not clear how much a recession will benefit us in terms of driving down the core rate of inflation.

As for productivity, I also have three policies that come to mind: First, I would urge that we eliminate inefficient regulatory policies with more stringent regulatory reform. We need a major revision in the legislative mandates of regulatory agencies to introduce the requirement that the benefits of regulations exceed their costs.

Second, we should try to control inflation to provide a more stable environment for investment.

Third, we could cut taxes to enhance productivity, principally if we cut those taxes directly related to investment and if we also couple those tax cuts with budget cuts to offset the inflationary effect.

To summarize, the worst is behind us, and there is no wage explosion on the horizon unless we pursue tax cuts without budget restraint. The problem is that we have settled into a double-digit inflation situation from which there is no easy or rapid exit.

I'll be happy to respond to any questions you have.

Representative REUSS. Thank you very much. I have two questions for the panel.

Mr. Lichtblau, you've envisaged the $1.50-a-gallon gasoline price this year.

Mr. LICHTBLAU. Toward the year end, yes, sir.

Representative REUSS. What was the average gasoline price at the end of 1980; last month?

Mr. LICHTBLAU. Of course, it depends on the quality.

Representative REUSS. I want to relate the $1.50——

Mr. LICHTBLAU. About $1.20 to $1.25.

Representative REUSS. So there would be about a 25- or 30-cent increase?

Mr. LICHTBLAU. Yes.

Representative REUSS. How does that increase, assuming it comes to pass, compare with increases in past calendar years?

Mr. LICHTBLAU. It's approximately the same, probably, as we had in 1980 in terms of percentage increases. We had roughly a 20-percent increase in gasoline prices in 1980, and this would be somewhere between 15 and 20 percent in 1981. So it would be roughly twice as fast as the CPI in both years.

Representative REUSS. Of course, as the base goes up, you get more money out of your pocket with less percentage——

Mr. LICHTBLAU. Yes, sir.

Representative REUSS. So it's about as bad percentagewise as 1980, but somewhat worse dollarwise.

Mr. LICHTBLAU. Yes, sir. It might be the last year in which you have that sharp increase, because it reflects, of course, the process of decontrolling domestic crude prices which will no longer be the case after 1981.

Of that 18- or 20-cent increase, almost half will be due to decontrol of domestic crude oil prices. The other half will be due to increases in foreign prices. So once the domestic crude oil price decontrol is completed, future price increases will be less.

It's primarily not the foreign price increase—or rather, the foreign price increase will cause only 50 percent of the total increase in gasoline prices this year. The other half will reflect our own domestic policy.

Representative REUSS. Mr. Viscusi, you made the point that you expect wage increases in the 9- and 10-percent range this year, which would be 2 or 3 points below the present consumer price index rate of increase. And you went on to say that doesn't, in your view, represent labor belt tightening. It simply represents the fact that because there is less, I think the point was, somebody has to absorb it, and that's

why you get lower wage-rate increases than the cost of living or Consumer Price Index increases. This isn't necessarily a cause for encouragement.

Is that a fair statement?

Mr. VISCUSI. Yes; I think, clearly, workers are worse off. This is inevitable because of the petroleum price increases, which reduce the real incomes of U.S. citizens. Also, there is redistribution within the United States. Homeowners, for example, become better off as home prices rise.

So unless we have productivity rising faster than it has been in recent years, I don't see how workers can avoid a real income loss in this situation.

Representative REUSS. I would have two questions. One, tell me why you feel that the 2 or 3 percentage points difference between the CPI increase and the probable wage increase actually reflects the real income loss, why it isn't greater or less. And how do we determine real income loss?

Mr. VISCUSI. I think to get at the real income, we have to start getting more meaningful CPI figures. A lot depends on where you are in the country. If you are a homeowner, the CPI obviously overstates your real income loss. If you're not a homeowner, clearly, it also overstates your real income loss because you rent and do not have to purchase a home. And the CPI, based on the rental index measure, rose at a rate of something like 10.8 percent last year, which is closer to the rate of increases in wages, which is roughly 10 percent.

So I think we get back to what Mr. Clifton raised, that the CPI, to the extent that it distorts the effect of prices on the individual's purchasing power, will tend to overstate the real income losses that people are experiencing from inflation.

I should also mention in this regard that the Carter administration in its last days issued a report which advocated many of the things that Mr. Clifton was talking about. In particular, it advocated that we switch from the CPI as it is currently constructed to the CPI where we replace the housing component with a rental cost based measure. The current X–1 version of the CPI will eliminate the principal distortions, although not all the distortions, in the CPI.

Also, in that report they had several recommendations for indexing which, if they were implemented, would serve to reduce the costs imposed by indexing.

Representative REUSS. Let me ask another question.

You say that wages lagged behind Consumer Price Index increases by 2 or 3 percent, but that was only the outward and visible sign of everybody's getting poorer generally by reason of higher energy costs and similar unavoidables. My question is, How did that 2 to 3 percentage point lag of wage earners compare with the belt tightening experienced by professionals and executives, for example, and all others?

Mr. VISCUSI. I don't know that breakdown. I can tell you the union-nonunion split.

Representative REUSS. They're about the same, union and nonunion?

Mr. VISCUSI. About a three-point difference between their wage increase, at least over the first three quarters of the past year.

Representative REUSS. But a very important question is how the boss is doing and how the doctor and lawyer are doing?

Mr. VISCUSI. I don't have the numbers at my fingertips, but I expect the doctor is doing much better than people at the bottom of the pay scale, based on my casual empiricism.

Representative REUSS. That isn't a very good way to enlist the loyalty of the troops, is it?

Mr. VISCUSI. Certainly, I do think there is an equity question involved. Part of the problem of pay standards is that monitoring professionals is very difficult. There are roughly 100,000 doctors' in this country.

So I think if we go to an incomes policy in the future, one with teeth, we should monitor not simply the workers covered by collective bargaining agreements—those you can get a handle on—but all workers throughout society.

Representative REUSS. I would like to request the staff to develop figures on nonwage earners' income lags, because if we are going to get out of our troubles, it seems we need some equality of sacrifice. The first step for determining that is to find out how others are faring.

Mr. Clifton, we are grateful to you for the very specific suggestions you made to our committee as to how we should perform in the future with respect to monthly inflation hearings and some of the technical changes in the CPI. I promise you that each one of your suggestions will be carefully considered, and we'll either adopt your suggestions or come up with some good reason why not.

I would have a question about one point you made. You seemed to suggest that we cease our preoccupation with the Consumer Price Index and instead look at pure inflation. Where do we find pure inflation?

I'm sympathetic to the suggestion, but I want to know how to carry it out.

Mr. CLIFTON. First of all, let me say that if I gave you the impression that you cease to concern yourself entirely with the CPI, I didn't want to say that. I think it should simply be put in perspective.

Let me first of all define pure inflation. I don't think there is any perfect measure of it. I think pure inflation is an excessive growth in the supply of money and credit. To put it differently, it's excessive growth in the supply of money and credit relative to the rate of economic growth.

So I would contrast my definition of pure inflation with that implicit in Mr. Viscusi's comments about unit labor costs and wage inflation, although that's an important secondary phenomenon.

Representative REUSS. If I could interrupt you there, I certainly take kindly to the suggestion that we take a very close and continuing look at money, however defined, and we do. I want to improve our surveillance there. Yet history abounds with examples where rates of monetary growth, for long periods at least, have absolutely nothing to do with the consumer price index of a particular nation involved.

Mr. CLIFTON. That may be in part——

Representative REUSS. The Federal Republic of Germany, for example, in recent years has had many periods of simply enviable price stability but very questionable money creation.

Mr. CLIFTON. I think you have to look at it in relation to the rate of economic growth. I think you would find—because I've gone over this very carefully—a fairly close correlation once you adjust for the rate of economic growth. You also have to consider fiscal and monetary policy in looking at these things.

You asked before what I would use as a measure of pure inflation. I don't think there are any perfect measures of pure inflation. I do feel that the recently developed measure of so-called underlying rates developed by the Council on Wage and Price Stability and the core or basic rate developed by Otto Eckstein at Data Resources, Inc., is an improvement over the CPI as a basic measurement.

Representative REUSS. Have you any idea now that COWPS is breathing its last, who, if anybody, will fall heir to that responsibility of keeping the underlying inflationary rate? Maybe we ought to get BLS to do that.

Mr. CLIFTON. That is part of my suggestion that the Joint Economic Committee become responsible for producing an "Inflation Update," the semiannual publication in which the underlying rate was first brought forth. For those who are not familiar with it, it's a CPI "all items" index minus the energy component, the homeownership component, the food component, and the used car component.

Representative REUSS. Maybe we could do that inexpensively by assigning somebody else the task and putting our name on it, as we do with the indicators for the last few years, and win international credit for it.

Senator Proxmire.

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Viscusi, the Congressional Budget Office and the Joint Committee on Taxation's staffs put together a chart recently which alarmed me very much. I'd like to have your comment.

What they did was to take the Carter budget for 1981–82, and so forth, and made projections through 1983–84, and they dragged in the Kemp-Roth proposal, and they made assumptions that we would have a substantial increase in real growth. In the latter years, it's around 3 percent or below 3 percent. They assumed an inflation rate of about 10 percent. It all seemed very realistic to me.

Their conclusion was, we would have a deficit in 1981, this year, of $70 billion; in 1982, $114 billion; in 1983, $133 billion; and in 1984, about $150 billion. It seems to me that that kind of a deficit would be horrendous. It would have a devastating effect on interest rates, because it would mean an enormous new intervention in the credit markets by the Federal Government, and it seems to me that the psychological effect on businessmen, labor, and others would be very bad. I think we'd be off to a tremendous inflation. Maybe I'm wrong.

So my question is, do you feel that kind of analysis can give us any notion of what we're up against, and what policies do you think we can adopt to overcome this?

Now this was based—I just have one more point—on the assumption that we would not have any substantial reductions in the budget. And it was also based on the assumption that we'd have no substantial increase in the defense budget. If we obviously just have offsetting elements here—in other words, increasing the defense budget by a

certain amount and cut the domestic budget by a corresponding amount—the assumptions here would still work out about as they foresaw.

Mr. VISCUSI. I haven't seen the study, but based on what you've said, I think that, if anything, if they assumed a 10-percent rate of inflation, I expect that that would be an underestimate with the presence of Kemp-Roth. These budget deficits would drive up inflation above 10 percent. With indexing of Federal programs, that would drive up the budget deficits even further.

In general, I think the problem with Kemp-Roth is that unless it's combined with some offsetting budget cuts, I think we're in a very precarious situation. We're almost in the double-digit range of inflation now with the food and energy prices factored in.

Senator PROXMIRE. We're all in the double-digit range of inflation last year, this year, and so forth.

Mr. VISCUSI. The core rate, the underlying rate, is roughly 9 percent. Then if you add on the other things, it takes you into double digits. Put on top of that Kemp-Roth, and I think we may be back where we were a year ago when we were talking about 18 percent inflation, unless you have offsetting budget cuts.

I think the principal problem with Kemp-Roth is that it's based on a theory in search of some facts. Everybody's hoping that it's going to unleash everybody's productive urges, but I think that as tax cuts go, a tax cut for business would be better. And unless we get inflation under control and budget cuts to accompany any kind of tax cut, I think you'll create a disincentive for investment, because inflation creates an environment of uncertainty. It depresses investment; it depresses productivity.

Senator PROXMIRE. Do you agree, for example, with Mr. Burns who testified the other day that we should limit our tax cuts to business tax cuts? In his view, this would stimulate business activity.

Mr. VISCUSI. Certainly I think it's more stimulative, but at the same time there's also an equity question or a personal welfare question. Individuals do profit from having lower taxes, and that increases their real spendable incomes. So that although I beleive it should probably be tilted toward business, I'd be reluctant to say that it should be strictly a business-oriented tax cut.

But regardless, I agree with him in terms of the importance of having budget cuts to go along with any tax cuts. I think it may be a good idea to have these budget cuts first, because they've proved to be harder to achieve than most people think.

Senator PROXMIRE. Could I ask you to comment Mr. Clifton?

Mr. CLIFTON. Yes, Senator Proxmire.

First of all, I should point out, as a matter of policy, we have not endorsed any particular form of personal income tax cut at the U.S. Chamber such as Kemp-Roth. I think it is true, however, that just as business has over the past several years suffered from the structure of taxation as a result of what's called "bracket creep," the same is also true for individuals. It is quite true that there are studies available to prove that a Kemp-Roth type tax cut would create a lot of work incentives, but let me ask you, what are the alternatives to trying something like this?

And further, I think it is an unrealistic assumption of the report by CBO to base it on not having any budget cuts. I think we feel very strongly in my organization that the process of tax cuts——

Senator PROXMIRE. In fairness to them, I think they were given a particular scenario. As I tried to point out, I think from a realistic standpoint we would have to assume that it's going to be very difficult to make cuts in that relatively short a period overall if you're going to have the substantial increases in military spending which I think it is realistic to expect.

Mr. CLIFTON. May I read you some statistics on budget cuts which I worked out by simply reducing some of the indexation of Federal programs? Eighty-five percent of the CPI indexation would have saved $11.5 billion in the fiscal year 1981 budget. The private sector, I should point out, is indexed to about 58 percent of the CPI.

Senator PROXMIRE. The fiscal year 1981 budget beginning when? When do you begin?

Mr. CLIFTON. I begin that when the Federal Government began it, during the current fiscal year, October 1, 1980.

Senator PROXMIRE. You only have two-thirds of the year left.

Mr. CLIFTON. I'm simply pointing out some representative statistics. This is how much could be saved on a 12-month fiscal year basis. Each 1 percent decline in the CPI would have reduced the fiscal year 1981 budget by $5.87 million.

Senator PROXMIRE. Let me just interrupt to say that I don't know if you noticed the document in the testimony yesterday, if there's anybody who's in favor of cutting everything in sight, it's Mr. Stockman. I like him. He's a good appointment. However, he said that there is no way that they're going to cut indexing for social security, for example. I think he's right. I don't think he'd get two votes in the Senate. You might, but I'd be surprised if you did.

Mr. CLIFTON. Social security is a very important part of the indexation program. There are other programs, however, such as civilian and military retirement in which budgetary savings could be realized. But as a matter of principle, we do believe, Senator, that tax cuts enacted by the 97th Congress should entail budgetary savings as well.

Senator PROXMIRE. How about the injustice involved? Here you'd be cutting the incomes of people whose average income on social security is $6,000 a year. You're cutting their indexing by 15 percent which would mean their real income would be dropping. At the same time, you'd be cutting taxes substantially for people with much higher incomes.

What about the injustice involved here in shifting income from people with very, very modest incomes who have to struggle to survive to people with high incomes?

Mr. CLIFTON. In my comments today I did not want to talk about specific cuts. I specifically did not want to talk about cuts in social security. I believe that income distribution is always an important issue. But if one is interested in keeping a reasonable distribution of income, it seems to me it should be done in a very upfront way, so to speak.

I think one of the problems of indexation procedures is that they redistribute income in a covert fashion. I think that indexation as such, because we have such a severe inflationary problem in this country, should not result in unintended income transfers. If we believe in income transfer programs, we should lay them out on the table as such, but we should not, it seems to me, through indexation procedures cause unintended income transfers.

Senator PROXMIRE. I'd like to ask each of you gentlemen in your particular area—I understand, Mr. Benderly, you're a food price expert among other things; Mr. Clifton, you're an expert in many things but also homeowners' problems; Mr. Lichtblau, of course, in oil—of course, you have a fine reputation; and Mr Viscusi, wages and unit labor costs.

So I'd like to ask each of you if the anti-inflation program—starting with Mr. Benderly—of the new administration, seems to stand on the legs of, No. 1, cutting the budget, of course, which I enthusiastically support, and reducing the monetary rate of increase, monetary growth—if, I should say, prices in the food area will be restrained by that measure in any way?

Mr. BENDERLY. It's quite possible, yes.

Senator PROXMIRE. Will you explain?

Mr. BENDERLY. When you impose a monetary restraint on an income system which contains as many rigidities as ours does, particularly in the price area, you end up with a classic case of combining rigid costs with flexible prices or rigid prices with flexible costs.

The agricultural sector is one where prices tend to be more flexible, more responsibe to overall demand conditions, than many other sectors, in which case it would help to put an overall lid on the extent to which certain agricultural commodity prices would rise in 1981–82.

Senator PROXMIRE. Did the recession this summer, the very deep recession we had in the second quarter—did that have any effect on the prices?

Mr. BENDERLY. Yes. There's no way in my mind——

Senator PROXMIRE. Can you tell us how, roughly—roughly how much that was?

Mr. BENDERLY. I'm not sure I could disentangle the large increases in pork production in the second quarter with the change in expectations that occurred within the agricultural sector having to do——

Senator PROXMIRE. Would you not acknowledge there are many experts in your area who would disagree?

Mr. BENDERLY. I did not say there were factors that were not more important. I said there is some degree of flexibility on the demand side and that food prices would rise more slowly under a program of monetary restraint than they would rise under a program of monetary lapses.

Senator PROXMIRE. People must eat less.

Mr. BENDERLY. They've changed their consumption patterns from more expensive to less expensive types of food.

Senator PROXMIRE. Overall, what effect does that have, especially on the food stamp program?

Mr. BENDERLY. It could have substantial effect, because it can shift from beef which is at a substantially higher price per pound at

retail than poultry. We've seen such increases in the last 3 years enormously. Meat consumption is down by the magnitude, I think, of about 12 percent in the last few years. Poultry consumption is up by about 21 percent. That's a tremendous shift in the consumption patterns, and given the relative differences in the price levels, it has an impact on food prices, yes.

Senator PROXMIRE. Can I ask you, Mr. Clifton, how about the effect of this kind of program in homeownership?

Mr. CLIFTON. May I ask the Senator if he's talking about making a technical change?

Senator PROXMIRE. What I'm talking about is whether an anti-inflation program which relies on fiscal and monetary policy restraint in those areas would have an effect on prices and wages in the housing area.

Mr. CLIFTON. I think that's almost impossible to predict, Senator Proxmire. The housing sector in the current economic situation is particularly hurt. I do not expect myself that we will move into the "double-dip" recession as some of the forecasts have suggested, but I do think that the housing and automobile sectors will continue to be problem sectors.

Senator PROXMIRE. I suppose the most profound effect would be in the interest rate, the extent that this kind of policy of restraint, to the extent that it would have an effect in reducing inflation, I think that would be the most direct, clear effect on housing.

Mr. CLIFTON. That is clearly true. I think if the administration is able to move forcefully with some of the budgetary cuts suggested, iwith some of the regulatory reforms, it would help productivity growth in the very short term. There would be an impact, a good impact on inflationary expectations, and I think that might be very helpful in bringing down the rate of interest and helping those severely hurt sectors to recover.

Senator PROXMIRE. How about the accompanying restrained monetary policy? Would that go in the other direction?

Mr. CLIFTON. It depends upon what type of monetary policy that is pursued. Of course, since October 1979, the Federal Reserve has largely, though not exclusively, focused on trying to control the growth of the monetary aggregates on a year-by-year basis in accordance with the targets which your committee has received from time to time from Chairman Volcker. In the process, in 1980, we found that without focusing a lot of attention on interest rates, they behaved, as I mentioned earlier, like a roller coaster. That's a problem. It's a big problem for the business community.

We don't have any solution to it so far as I'm aware of at the moment. I don not know of any top academicians or any other people who have a solution to that problem, but I think the key is trying to break inflationary expectations, as Mr. Greenspan suggested before this committee yesterday. That would do a lot to reduce interest rates without creating excessive growth in the supply of money, in fact, so long as the Fed does still focus on those monetary aggregates.

Senator PROXMIRE. Could I ask you, Mr. Lichtblau, with respect to the energy area, what effect, if any, would this kind of restraint have?

Mr. LICHTBLAU. I would see virtually none, Senator, because crude oil prices are administered. The foreign prices are administered by

OPEC—and domestic uncontrolled prices, of course, follow the OPEC prices, the remaining domestic controlled prices are by definition administered by the U.S. Government. So there is no free market. There is no indication of a supply-and-demand impact on crude oil prices in the near future.

In the longer run, I think you would see it, but this year prices will move based on administrative changes. The remaining domestic crude oil prices are being decontrolled, and they would automatically move to the world price level. The world price level is not determined by any domestic economic development in the United States. So I don't see any significant impact of any domestic anti-inflation measure on the cost of gasoline, of heating oil, in 1981.

The same applies to natural gas, because gas prices are also controlled. They've risen about 20, 22 percent in 1980 and will continue to rise based on the formula that's in the Natural Gas Policy Act.

Senator PROXMIRE. I understand that the oil industry is not labor-intensive at all.

Mr. LICHTBLAU. That's correct.

Senator PROXMIRE. A relatively small labor input. Is it so small that the effect on wages would have no effect on prices?

Mr. LICHTBLAU. Almost none. The largest factor in the cost of gasoline and heating oil is crude oil. And the crude oil price is not affected by any change in domestic monetary policy. If you take heating oil that is now selling for $1.10 to $1.12, 85 to 90 cents of that reflects the cost of crude oil. If you then add the cost of manufacture, cost of transportation, you get easily to that price, with a relatively small profit margin.

But unless the cost of crude oil remains stable, you will see continuous increases in the cost of refined oil. That is despite the fact that consumption has declined. Gasoline consumption, heating oil consumption, fuel oil consumption, are all declining for 2 years now, and we expect the decline to continue.

Eventually, in the long run, this is bound to have an impact on the price but not in 1981, or for that matter, in 1982.

Senator PROXMIRE. Thank you, sir.

Mr. Viscusi, you're an expert on wages and unit labor costs. I think if there's one area it can have a very substantial effect it would have to be in your specialty.

Mr. VISCUSI. I think it also has an effect on our prices, as well. Last summer effective budget cuts of about $30 or $40 billion had a direct effect on price and wages of about half a point.

In addition, I think there's going to be an indirect effect on any budget cuts, because I think what you're doing at this point is sending out signals. How committed is the next administration, and is Congress, going to be to fighting inflation.

I think those signals are going to determine long-run expectations. If the signal that we're sending is that we want Kemp-Roth, but we don't want budget cuts, then I think you can have a very dangerous effect on inflation.

At any rate, I think you'll see the effect on housing prices. They may go down. You'll see the effect on mortgage interest costs. They certainly will go down. And I think you'll see an effect on the underlying rate of inflation from budget cuts, which will affect our inflationary prospects for the coming years.

Senator PROXMIRE. Well, then, to sum it up, the effect of this restraint is going to be definite and positive in reducing inflation. It's going to help to reduce the inflation rate. But the effect, I take it, is going to be reasonably gradual, and quite modest. By modest I would mean if you have a 10-percent rate, you might reduce it by maybe 1 percent, if you're lucky.

Is that about right?

Mr. VISCUSI. I think that's a reasonable estimate, but if you couple with that regulatory reform—if we start eliminating inefficient regulations—that probably would lower it a bit more. But I think you're probably right that it's a long process for the progress is going to be fairly slow.

Senator PROXMIRE. Any estimates by any of you gentlemen on what regulatory reform, what that could do to reduce the rate of inflation?

Mr. VISCUSI. I don't have the effect on inflation but I can tell you the annual costs for risk regulations proposed from 1975–80.

Senator PROXMIRE. What regulation?

Mr. VISCUSI. Regulation of risk, such as the work at OSHA, EPA, the Consumer Product Safety Commission, and those agencies.

The present value of those costs is over $300 billion, where if you do it annually, it comes out to something like $30 billion a year. So I think we're talking about a large magnitude that's at stake here. And that's just one aspect of regulation. This is based on the estimates we did using the Council on Wage and Price Stability's regulatory analyses.

Senator PROXMIRE. Do you gentlemen agree with or quarrel with the estimate that the cost of regulations is about $100 billion?

I'm not proposing we eliminate all those regulations, nobody's proposing that. I don't know anybody who would.

But if we modified or reduced the regulations, perhaps by one-third or something of that kind, would it have a significant effect on the inflation rate? Maybe half a percent?

Mr. CLIFTON. I certainly think it would be significant, Senator Proxmire. I do not have figures on it but I would recommend to you a study, a recent study done on regulation and productivity by an acquaintance of yours, Bob Haveman, from the University of Wisconsin, also a good friend of mine.

I believe it was for the Joint Economic Committee. There he ciphers all the regulatory studies that have been done; the analysis of their impact on productivity and inflation from regulatory reform. I'd be happy to provide you with those numbers after the hearing, but I don't have them at my fingertips.

Senator PROXMIRE. Did he tell you what the ball park is?

Mr. CLIFTON. I just don't recall, Senator, I'm sorry.

Representative REUSS. Mr. Viscusi, both the last Carter budget, which came out a week or so ago, and all the press stories of the intentions of the new Reagan administration, stress a much greater volume of military spending.

Is military spending per dollar likely to be more inflationary or less inflationary than other forms of Federal Government spending?

Mr. VISCUSI. Certainly that question is often asked. One thing about military spending, as opposed to other ways in which you could allocate funds, is that it doesn't necessarily enhance the productive capacity of the manufacturing industries in this country.

I think the difference is between military and nonmilitary spending in terms of their inflation impact are not major in the sense that I don't know of any econcmertic model that makes a distinction between the kind of spending and what effect it has on inflation.

I think the principal concern is that for military spending you don't get goods and services that we consume. So it's more an effect on individual welfare. Do you want to spend the money on these weapons, as opposed to spending money on consumer goods, for example?

Representative REUSS. Of course, I'm not too impressed by the fact that no major econometric model makes the difference. That could be what is wrong with major econometric models. Maybe that's why they stray so badly. But you'll hear more from us.

Senator PROXMIRE. Would the chairman just yield on that? What struck me on this is that military spending is sterile economically, when you have spending on Federal housing programs, on manpower training programs, on education programs, you are developing a skill, you're developing an economic resource. Certainly housing would be that.

When you spend it on the military we have to do it. We should do it, of course, have a strong military force, but clearly you aren't producing anything people are going to buy, in the consumer market or anywhere else.

So that that distinction, it seems to me, would make a difference.

Mr. VISCUSI. Certainly if nonmilitary spending is targeted efficiently to enhance productivity, one of the kinds of things you mentioned, a job-training program or whatnot, where it's something that would enhance investment directly, then I think that could could be potentially more effective than military spending.

Senator PROXMIRE. The supply of economic goods, the housing program.

Mr. VISCUSI. Military spending does also employ people and there's investment, so I don't think the distinction is between black and white in some sense.

Senator PROXMIRE. It increases demand by employing people. It employs people to do what? It employs people to do things that are essential to defend the country but they don't provide any economic good, or increase the economic goods available to us.

The supply of goods is not increased. Demand is increased, and therefore, it has an inflationary effect, with no corresponding supply effect.

Mr. VISCUSI. I think that the major cost is the foregone goods and services.

Representative REUSS. Let me ask Mr. Benderly a question. Your projection of food prices for 1981 was helpful and honest, if not particularly encouraging. If anything, food prices are going to be a little worse than they were in 1980, I believe.

Mr. BENDERLY. The 11 percent that I mentioned for 1981——

Representative REUSS. Was 10 in 1980.

Mr. BENDERLY [continuing]. That was on an average year to average year basis, which is what USDA normally uses; in which case we have 8½ percent for 1980. They're projecting somewhere between 10- and 15-percent increase for 1981.

This is December—December or fourth quarter—fourth quarter, in which case it was just about 10 last year, and is probably 11 this year. But in terms of that being a major difference, I really can't distinguish between them.

Representative REUSS. But the news is not encouraging.

Mr. BENDERLY. Not to the extent that livestock prices are still not in line with grain prices.

Representative REUSS. You are primarily an analyst, not a policy-maker. But I would like to ask you—with food being an important component of the Consumer Price Index—if there is anything we can do to keep food prices no higher than they would otherwise be, and if so, spread that bonus around to make the miseries we're now suffering from less awful?

Can you suggest to us any reforms, structural or otherwise, in the way we grow and distribute our food, which could over the long run, at least, produce lower food prices than would otherwise be the case?

Here I think of things like, at least, substituting certain commodities, income supports, things like keeping the family farmer in business as opposed to high price supports. Here I think of international things, which Canada and Australia surely do, which we have not done; mainly some sort of controls on exports of basics, principally grains, so that our domestic market isn't at the mercy of somebody in Moscow, as proved to be the case back in the early 1970's. I am thinking of things that some of our friends on the health food side sometimes suggest. Why grow all the broccoli in the Central Valley of California, since it'll grow in almost all the 50 States? Why not encourage close-in-farmer production of fruits and vegetables near our cities, instead of importing them from many thousands of miles away? What about the stimulation of city markets to dispose of produce that has been brought closer to home? There are many ideas going around. I'm wondering if you can add to them, or comment on them. What can we do, other than grin and bear it right now?

Mr. BENDERLY. I can't comment on some of your, not proposals but suggestions, because I have not thought about them, and know very little about them. You started out your statement focussing on the long run, rather than the short run. The short run, there's very little we can do with respect to the current situation.

With regard to the long run, anything which inhibited the potential for our farm sector to export grain, I think would have an adverse effect on the long run of productivity growth in the agricultural sector.

And it's been that long run productivity growth which has been the driving force behind the U.S. ability to feed itself and feed the rest of the world to a large extent.

So export controls are yielding short-term benefit. I think without question they would have adverse consequences in the long term.

With respect to the farm income support programs, despite a price support versus income support, I agree 100 percent with that. The bottom line impact of price supports is to increase the price of land, the price of farmland.

There have been innumerable studies done, which have shown just some very basic economics, that when you increase the price of a

good or service above what it would have been without that support, that the net beneficiary of that in the long run will be the factors of production.

And it will be that factor of production whose supply is most inelastic, and that is land, when it comes to the farm sector. I think you can show very clearly that our price supports, increasing the price supports, have flowed directly into the price of land. And that in turn has flowed into the price of grain.

So to a certain extent, that can be self-defeating. If you look at the farm sector, and you conclude that there is a problem with farm income, that is, it's too low, I think there would be far fewer adverse consequences of going to an income-support program, rather than price supports.

With respect to the other things you mentioned, the city markets, the—to encourage fruit and vegetable production, I have absolutely no idea about this.

Representative REUSS. But you do come down heavily on this proposition; that one thing, in your view, that could be done to moderate the rise in food prices is to lower the price of farmland over what it otherwise would be. And the way to do that, you say, is to have systems of income rather than price supports, if I may.

Mr. BENDERLY. I think that's worded more strongly than I would word it. I have not studied, or have not tried to study, what the consequences would be of making such a policy shift.

I do believe that a consequence of the current and the past price-support programs has been to help support the price of land, and that has benefited the large producers more so than the small producers, by definition, since they're the large landholders versus the small landholders.

It has helped probably speed up the concentration, the reduction in the number of farms in existence in the United States, because it increases the profitability of large farms, requiring more land.

So I'm not sure I can conclude directly that if you switched overnight from a price-support program to an income-support program, that the immediate result would be a drop in the price of farmland, hence a drop in the price of producing grains, hence, a drop in the price of grains.

Representative REUSS. It would be very long term.

Mr. BENDERLY. Yes.

Representative REUSS. Thank you, Mr. Benderly, Mr. Viscusi, Mr. Clifton, and Mr. Lichtblau, for your great contributions to our deliberation. We'll take into account what you said. You've been very helpful.

The committee will now stand adjourned. Thank you.

[Whereupon, at 11:35 a.m., the committee adjourned, subject to the call of the Chair.]

MONITORING INFLATION

TUESDAY, MARCH 24, 1981

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. Henry S. Reuss (chairman of the committee) presiding.

Present: Representatives Reuss, Richmond, Brown, and Wylie; and Senators Abdnor and Hawkins.

Also present: James K. Galbraith, executive director; and William R. Buechner, George D. Krumbhaar, Jr., Paul B. Manchester, and Douglas N. Ross, professional staff members.

OPENING STATEMENT OF REPRESENTATIVE REUSS, CHAIRMAN

Representative REUSS. Good morning. The Joint Economic Committee will be in order to resume its series of monthly hearings on inflation. We're delighted, as always, to have as our witness the Honorable Murray Weidenbaum, Chairman of the Council of Economic Advisers.

We hold these hearings to serve a couple of purposes: To keep us informed about the current inflation situation and the kinds of developments that are causing it; and second, to provide a periodic forum for discussing and evaluating the administration's anti-inflation policies and possible alternatives thereto.

Today's figures are for the first full month of the Reagan administration and are particularly important because they include the effects of the President's decision to speed the decontrol of domestic oil and gas prices.

During February, the Consumer Price Index rose 1 percent, working out at 12.7 percent at an annual rate. This is substantially higher than the 0.7 percent inflation rate for January and represents on a 1-month basis a deterioration from the 11.3-percent inflation over the last 12 months.

When you compare today's figures with those that we got last month, you see that most of the change occurred in the food, apparel, and energy components of the CPI, those components falling heaviest on the poor, the working poor, and the middle class.

For last month, the annual underlying rate of inflation was 8.3 percent. This figure factors out the components of the CPI, which jump up and down in response to outside shocks, and thus, gives a better picture of the long-run inflation trend.

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Our JEC staff has worked out a table on this which indicates that the CPI has jumped around quite a bit during the past year, while the underlying rate has gradually declined from 12.4 percent at the beginning of 1980 to 8.3 percent currently.

Now, without objection, the press release entitled "The Consumer Price Index—February 1981" 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 C. Jackman (202) 272-5160
272-5064
Kathryn Hoyle (202) 523-1208
523-1913

USDL-81-152
TRANSMISSION OF MATERIAL IN THIS RELEASE IS EMBARGOED UNTIL 9:00 A.M. (EST) Tuesday, March 24, 1981

THE CONSUMER PRICE INDEX--FEBRUARY 1981

The Consumer Price Index for All Urban Consumers (CPI-U) rose 1.0 percent before seasonal adjustment in February to 263.2 (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 1.1 percent before seasonal adjustment in February to 263.5 (1967=100). The CPI-U was 11.3 percent higher and the CPI-W was 11.4 percent higher than in February 1980.

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 February. The increase was greater than the 0.7 percent rise in January and about the same as the advances in each of the last four months of 1980. Rising prices for energy--gasoline, motor oil, fuel oil, natural gas, and electricity--accounted for about 60 percent of the increase in the February CPI. The transportation component, up 2.4 percent, registered its

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 Feb. '81	12-mos. ended Feb. '81
	1980					1981		
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb	
All items	.8	1.0	1.0	1.1	1.0	.7	1.0	11.2	11.3
Food and beverages	1.8	1.6	.9	1.2	.9	0	.3	5.0	10.5
Housing	.3	.7	1.3	1.2	1.2	.8	.6	10.9	12.1
Apparel and upkeep	.7	.8	.7	.4	0	-.2	.8	2.7	5.9
Transportation	.9	1.4	1.0	1.3	1.0	1.8	2.4	22.5	13.1
Medical care	.6	.9	.7	.6	.6	1.1	.9	10.8	9.6
Entertainment	.8	1.0	.6	.3	.3	1.0	1.0	9.6	9.6
Other goods and services	.5	1.5	.4	.8	1.0	.6	.6	9.3	9.3

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

largest increase in 12 months, primarily due to rising gasoline prices. Housing costs advanced moderately as substantial increases in prices of household fuels were partially offset by a decline in house prices. The index for food and beverages rose 0.3 percent, following no change in January and substantial increases in the last 6 months of 1980. The index for apparel and upkeep rose 0.8 percent in February, following a decline in January.

Nearly 90 percent of the February increase in the transportation index was due to an advance of 6.6 percent in gasoline prices. The increase follows a 3.8 percent rise in January, and was the largest in 12 months. Prices for other petroleum products, such as motor oil and coolant, also rose substantially--up 1.8 percent. Automobile finance charges continued to advance, but not by as much as in recent months. The index for used cars also rose less in February, increasing 0.5 percent, following large increases in each of the preceding 6 months. The new car index, largely due to rebate programs of domestic producers, declined 0.1 percent in February. The index for public transportation rose 0.6 percent, the smallest increase in nearly 2 years.

About three-fifths of the 0.6 percent increase in the housing index in February was due to higher costs for fuels and other utilities. Prices for fuel oil continued to rise sharply, up 8.5 percent in February, following a 7.5 percent increase in January. Charges for natural gas and electricity rose 1.4 percent in February, following an increase of 1.0 percent in January. On the other hand, the shelter component rose only 0.1 percent. Increases in household maintenance and repairs (up 2.3 percent), property taxes, and rent were largely offset by a decline in house prices. Home financing costs rose substantially less than in recent months as an increase of 1.4 percent in mortgage interest rates was largely offset by a decline of 1.2 percent in house prices. (See table C for monthly data on the alternative measures of homeownership.)

The index for grocery store food prices was unchanged in February, following seasonal adjustment, after declining 0.4 percent in January. The meats, poultry, fish, and eggs component declined sharply for the second consecutive month--down 2.1 percent in February--and offset price increases in most other grocery store foods. Prices for fresh fruits and vegetables, due in part to the January freeze, advanced sharply. Prices for cereal and bakery products and dairy products also registered substantial increases. Prices of the other two components of the food and beverage index--restaurant meals and alcoholic beverages--rose 1.1 and 1.0 percent, respectively.

The index for apparel and upkeep increased 0.8 percent in February. Clothing prices increased substantially in February, reflecting both a return to regular prices from sales and the introduction of spring wear. These increases were partially offset by a decline in jewelry and luggage prices. Charges for apparel services--up 1.4 percent in February--registered its largest increase since last April.

The medical care component rose 0.9 percent in February, following an increase of 1.1 percent in January. Charges for hospital and other medical care services rose 1.1 percent while physicians' services increased 1.3 percent. The index for medical care commodities advanced substantially, increasing 1.2 percent in February.

The indexes for entertainment and other goods and services rose 1.0 and 0.6 percent, respectively, in February, the same as in January.

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 February. Rising prices for energy accounted for about two-thirds of the increase in the February CPI. The transportation component increased 2.4 percent in February, primarily due to rising gasoline prices. Housing costs advanced, but not by as much as in recent months, as increases in household fuels were partially offset by a decline in house prices. The index for food and beverages increased 0.2 percent after declining 0.2 percent in January.

About 90 percent of the February increase in the transportation index was due to an advance of 6.7 percent in gasoline prices. Automobile finance charges continued to advance, but not by as much as in recent months. The index for used cars also rose less in February, and the new car index declined 0.2 percent. The index for public transportation rose 0.6 percent, the smallest increase in nearly 2 years.

About three-fourths of the 0.6 percent increase in the housing index in February was due to higher costs for fuel and other utilities. Increases in household maintenance and repairs (up 2.1 percent), property taxes, and rent were offset by a decline in house prices. Home financing costs rose less than in recent months.

The index for grocery store food prices declined 0.1 percent in February, following seasonal adjustment, after declining 0.5 percent in January. The meats, poultry, fish, and eggs component declined sharply for the second consecutive month and offset price increases in most other grocery store foods.

The index for apparel and upkeep advanced 0.5 percent in February. Increases in women's and infants' and toddlers' clothing prices were largely responsible for the rise. The medical care component rose 0.9 percent in February, following an increase of 1.3 percent in January.

The indexes for entertainment and other goods and services rose 1.2 and 0.6 percent, respectively, following increases of 0.9 and 0.6 percent in January.

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 Feb. '81	12-mos. ended Feb. '81
	1980					1981		
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
All items	.8	1.1	1.0	1.1	1.0	.8	.9	11.3	11.4
Food and beverages	1.7	1.8	1.0	1.2	.9	-.2	.2	3.7	10.6
Housing	.3	.6	1.3	1.2	1.3	.7	.6	10.6	12.1
Apparel and upkeep	.7	.9	.4	.3	.3	.3	.5	4.7	6.0
Transportation	.9	1.4	1.1	1.4	1.0	1.9	2.4	23.7	13.3
Medical care	.8	.9	.7	.7	.6	1.3	.9	11.3	9.9
Entertainment	.8	1.2	.6	.5	0	.9	1.2	8.6	9.6
Other goods and services	.5	1.3	.4	.6	1.0	.6	.6	9.4	8.6

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

Consumer Price Indexes Will Shift to New Base Next Year

Beginning with the release of January 1982 data in February 1982, most Consumer Price Indexes will shift to a new base year. All indexes currently expressed on a base of 1967=100, or any other base through December 1976, will be rebased to 1977=100. Only indexes with a base later than December 1976 will keep their current base. The new base was established by the Office of Federal Statistical Policy and Standards, for use by all Federal government statistical agencies in line with the longstanding policy that index bases be updated periodically. (See Technical Note, "Federal agencies updating base year of indexes to 1977," in the Feburary 1981 issue of Monthly Labor Review.) The last previous rebasing of CPI data occured in January 1971, when the current 1967 base was substituted for the former 1957-59 base. Historical data for each CPI series on the new base will be available from BLS on request. For the convenience of users, the Bureau of Labor Statistics will continue to publish all items indexes for the U.S. city average, as well as for the 28 local areas for which CPI's are available, on their former official reference base (1967=100 in most cases).

Table C. Official CPI-U and Experimental Measures using alternative approaches to homeownership costs: 1967=100.

Group	Relative importance	Unadjusted indexes		Unadjusted percent change to Feb. 1981 from		Seasonally adjusted percent changes from-		
	December 1977	Jan. 1981	Feb. 1981	February 1980	January 1981	Nov. to Dec.	Dec to Jan.	Jan. to Feb.
ALL ITEMS								
CPI-U	100.0	260.5	263.2	11.3	1.0	1.0	0.7	1.0
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)	100.0	237.8	240.8	10.5	1.3	0.8	0.8	1.0
CPI-U-X2 (User Cost Current Interest)	100.0	251.4	255.7	13.0	1.7	1.3	1.9	1.4
CPI-U-X3 (User Cost Avg. Interest) ..	100.0	243.5	248.0	12.6	1.8	1.2	2.0	1.5
Outlays Measures								
CPI-U-X4 (Current Interest)	100.0	255.8	259.2	11.4	1.3	0.9	1.2	1.0
CPI-U-X5 (Average Interest)	100.0	247.7	251.2	11.1	1.4	0.8	1.1	1.2
HOMEOWNERSHIP								
CPI-U	22.8	335.8	335.8	13.3	0.0	1.5	0.5	0.0
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)[1]/.....	14.5	200.9	201.9	8.8	0.5	0.7	0.7	0.5
CPI-U-X2 (User Cost Current Interest)	11.4	298.1	308.3	28.4	3.4	5.6	7.6	2.5
CPI-U-X3 (User Cost Avg. Interest) ..	10.0	232.2	244.4	28.5	5.3	5.2	10.2	4.6
Outlays Measures								
CPI-U-X4 (Current Interest)	10.0	391.3	394.0	16.7	0.7	3.1	0.9	0.9
CPI-U-X5 (Average Interest)	8.7	289.8	294.4	14.8	1.6	1.4	1.1	1.6

[1]/ Residential rent, not seasonally adjusted

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 adusted 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 actually pay. Unadjusted data also are 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 have replaced 5 years of seasonal data, e.g., data from 1975 through 1979 were replaced at the end of 1979. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components. Each year the seasonal status of every series is reevaluated based upon certain statistical criteria. If any of the 45 selected components changes its seasonal status, seasonal data from 1967 forward for the all items and for any of the 35 other aggregations, that have that series as a component, are replaced.

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 U.S. City Average 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	214.1	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	216.2	9.5	.8	1.0
MEATS, POULTRY, FISH, AND EGGS	242.2	19.4	.9	.1
DAIRY PRODUCTS	203.8	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	14.6	1.3	1.3
FUEL AND OTHER UTILITIES	252.2	7.7	2.1	2.2
FUEL OIL, COAL, AND BOTTLED GAS	366.3	23.2	4.1	4.8
GAS (PIPED) AND ELECTRICITY	251.8	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	235.4	11.3	2.7	-.5
GASOLINE	267.7	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	256.4	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	.6
COMMODITIES	235.8	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/	260.8	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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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 1980	Unadjusted indexes Jan. 1981	Feb. 1981	Unadjusted percent change to Feb. 1981 from- Feb. 1980	Jan. 1981	Seasonally adjusted percent change from- Nov. to Dec.	Dec. to Jan.	Jan. to Feb.
Expenditure category								
All items	100.000	260.5	263.2	11.3	1.0	1.0	0.7	1.0
All items(1957-59=100)	-	303.0	306.1	-	-	-	-	-
Food and beverages	18.309	261.4	263.7	10.5	.9	.9	.0	.3
Food	17.322	268.6	270.8	10.6	.8	1.0	-.1	.3
Food at home	12.003	265.6	267.3	10.8	.6	.9	-.4	.0
Cereals and bakery products 1/	1.507	262.9	265.3	12.0	.9	1.1	1.7	.9
Meats, poultry, fish, and eggs	4.047	255.1	252.5	6.9	-1.0	1.0	-2.4	-2.1
Dairy products	1.603	240.1	242.1	10.3	.8	1.1	.9	.9
Fruits and vegetables	1.682	257.6	267.3	17.1	3.8	.0	-.6	2.3
Sugar and sweets	.505	385.4	385.4	29.5	.0	1.7	-1.2	-.5
Fats and oils	.333	260.4	267.3	13.3	2.6	2.2	3.6	2.9
Nonalcoholic beverages	1.321	409.7	411.9	7.1	.5	.6	.5	-.4
Other prepared foods 1/	1.005	244.9	246.9	11.3	.8	1.0	1.0	.8
Food away from home	5.319	280.9	284.7	10.2	1.4	1.0	.9	1.1
Alcoholic beverages	.987	193.7	195.9	8.6	1.1	.5	1.0	1.0
Housing	45.519	279.1	280.9	12.1	.6	1.2	.8	.6
Shelter	31.650	300.1	300.5	12.5	.1	1.3	.6	.1
Rent, residential 1/	5.120	200.9	201.9	8.8	.5	.7	.7	.5
Other rental costs	.714	273.9	278.5	8.9	1.7	.2	1.1	1.1
Homeownership	25.816	335.8	335.8	13.3	.0	1.5	.5	.0
Home purchase 1/	10.303	266.2	263.0	8.2	-1.2	.0	-.4	-1.2
Financing, taxes, and insurance 1/	11.963	435.2	437.1	18.9	.4	3.0	1.4	.4
Maintenance and repairs	3.550	296.8	302.8	10.6	2.0	1.3	-.1	2.3
Maintenance and repair services	2.737	321.3	328.7	10.6	2.3	1.4	-.2	2.6
Maintenance and repair commodities 1/	.813	239.7	242.4	10.7	1.1	.8	.3	1.1
Fuel and other utilities	6.550	296.7	304.5	15.4	2.6	1.4	2.1	2.6
Fuels	4.796	375.4	387.4	18.4	3.2	1.6	2.7	3.2
Fuel oil, coal, and bottled gas 1/	1.296	625.9	675.6	25.3	7.9	3.2	6.9	7.9
Gas (piped) and electricity	3.500	318.5	322.9	15.8	1.4	1.0	1.0	1.4
Other utilities and public services 1/	1.754	171.9	173.6	7.6	1.0	.9	.8	1.0
Household furnishings and operation	7.319	212.6	214.9	8.0	1.1	.4	.6	1.0
Housefurnishings	3.935	178.7	180.8	6.8	1.2	.4	.4	1.0
Housekeeping supplies 1/	1.460	259.5	262.8	11.8	1.3	.7	.7	1.3
Housekeeping services 1/	1.924	279.6	281.6	7.6	.7	.4	.9	.7
Apparel and upkeep	4.854	181.1	182.0	5.9	.5	.0	-.2	.8
Apparel commodities	4.192	172.6	173.2	4.9	.3	-.1	-.3	.7
Men's and boys' apparel	1.310	171.1	171.6	5.5	.3	.1	.1	.7
Women's and girls' apparel	1.541	152.1	153.4	1.5	.9	-.4	-1.2	1.5
Infants' and toddlers' apparel 1/	.106	249.7	254.3	12.2	1.8	.5	-.2	1.8
Footwear	.635	194.9	194.9	5.6	.0	.5	.1	.0
Other apparel commodities 1/	.600	214.2	212.3	10.9	-.9	-.2	.4	-.9
Apparel services	.662	246.3	249.9	12.1	1.5	.8	.7	1.4
Transportation	18.955	264.7	270.9	13.1	2.3	1.0	1.8	2.4
Private transportation	17.763	262.9	269.4	12.3	2.5	1.0	1.7	2.5
New cars	3.566	185.3	184.8	5.4	-.3	.4	-.1	-.1
Used cars	2.986	234.0	234.3	20.0	.1	2.4	1.2	.5
Gasoline	5.947	385.2	410.8	14.9	6.6	1.0	3.8	6.6
Maintenance and repair	1.454	282.7	285.4	10.5	1.0	.8	.8	.6
Other private transportation	3.810	232.4	234.2	10.2	.8	1.0	.6	.5
Other private trans. commodities 1/	.695	203.7	205.8	7.6	1.0	.2	.0	1.0
Other private trans. services	3.115	242.4	244.0	10.7	.7	1.1	.8	.4
Public transportation 1/	1.192	286.4	288.1	25.5	.6	1.1	2.2	.6
Medical care	4.717	279.5	282.6	9.6	1.1	.6	1.1	.9
Medical care commodities	.785	176.7	179.2	10.5	1.4	.7	.9	1.2
Medical care services	3.933	302.1	305.2	9.4	1.0	.6	1.2	.8
Professional services 1/	1.887	264.7	267.2	10.0	.9	.5	1.1	.9
Other medical care services	2.045	347.3	351.1	8.8	1.1	.6	1.1	.7
Entertainment	3.647	214.4	216.7	9.6	1.1	.3	1.0	1.0
Entertainment commodities	2.173	217.1	219.7	9.6	1.2	.3	.7	1.0
Entertainment services 1/	1.474	210.9	213.0	9.5	1.0	.4	1.5	1.0
Other goods and services	3.999	226.2	227.4	9.3	.5	1.0	.6	.6
Tobacco products 1/	1.054	211.9	212.3	7.2	.2	1.7	.5	.2
Personal care 1/	1.581	222.5	224.6	8.8	.9	.9	.7	.9
Toilet goods and personal care appliances 1/	.712	216.9	219.5	10.5	1.2	1.3	.8	1.2
Personal care services 1/	.869	228.3	230.0	7.4	.7	.6	.7	.7
Personal and educational expenses	1.364	253.6	254.4	11.6	.3	.6	.9	.6
School books and supplies	.170	228.6	229.8	11.3	.5	.7	2.0	1.1
Personal and educational services	1.194	259.7	260.4	11.6	.3	.6	.7	.5
Commodity and service group								
All items	100.000	260.5	263.2	11.3	1.0	1.0	0.7	1.0
Commodities	58.396	245.4	248.3	10.3	1.2	.7	.6	1.1
Food and beverages	18.309	261.4	263.7	10.5	.9	.9	.0	.3
Commodities less food and beverages	40.087	234.3	237.4	10.2	1.3	.6	1.0	1.4
Nondurables less food and beverages	17.761	250.2	258.6	11.6	3.4	.7	2.2	3.3
Apparel commodities	4.192	172.6	173.2	4.9	.3	-.1	-.3	.7
Nondurables less food, beverages, and apparel 1/	13.569	294.4	306.8	13.6	4.2	1.0	2.4	4.2
Durables	22.327	221.0	220.3	9.0	-.3	.4	.3	-.3
Services	41.604	287.7	290.1	13.0	.8	1.4	.9	.8
Rent, residential 1/	5.120	200.9	201.9	8.8	.5	.7	.7	.5
Household services less rent	22.592	342.3	345.4	15.1	.9	2.0	1.0	.9
Transportation services	5.760	258.7	260.5	13.5	.7	1.0	1.1	.5
Medical care services	3.933	302.1	305.2	9.4	1.0	.6	1.2	.8
Other services	4.200	230.4	232.3	10.0	.8	.6	.9	.8
Special indexes:								
All items less food	82.678	257.6	260.4	11.5	1.1	1.0	1.0	1.1
All items less shelter	68.350	247.6	251.2	10.9	1.5	.9	.9	1.3
All items less mortgage interest costs	90.173	247.8	250.6	10.3	1.1	.9	.6	.9
All items less home purchase and mortgage interest costs	79.870	245.8	249.3	10.6	1.4	1.0	.7	1.2
All items less medical care	95.283	259.2	261.9	11.4	1.0	1.0	.7	1.0
Commodities less food	41.074	232.4	235.4	10.1	1.3	.6	1.0	1.4
Nondurables less food	18.747	245.3	253.2	11.4	3.2	.7	2.1	3.2
Nondurables less food and apparel 1/	14.555	281.1	292.4	13.2	4.0	1.0	2.3	4.0
Nondurables	36.069	256.9	262.3	11.0	2.1	.9	1.0	1.4
Services less rent	36.484	304.2	306.9	13.6	.9	1.5	.9	.9
Services less medical care 1/	37.672	284.2	286.5	13.4	.8	1.4	1.1	.8
Energy 1/	10.834	381.7	401.1	16.4	5.1	1.2	3.1	5.1
All items less energy	89.166	251.2	252.5	10.7	.5	1.0	.6	.3
All items less food and energy	71.844	245.7	246.8	10.8	.4	1.1	.6	.4
Commodities less food and energy	33.739	211.5	211.7	8.6	.1	.5	.4	.1
Energy commodities 1/	7.335	420.4	449.0	16.6	6.8	1.2	3.8	6.8
Services less energy	38.104	285.4	287.6	12.7	.8	1.5	.9	.7
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.384	$.380	-10.2	-1.0	-.8	-.8	-1.0
1957-59=$1.00 1/	-	.330	.327	-	-	-	-	-

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: Nov. 1980	Dec. 1980	Jan. 1981	Feb. 1981	Seasonally adjusted annual rate percent change for- 3 months ending in: May 1980	Aug. 1980	Nov. 1980	Feb. 1981	6 months ending in: Aug. 1980	Feb. 1981
Expenditure category										
All items	-	-	-	-	13.1	7.6	13.5	11.2	10.3	12.3
Food and beverages	260.2	262.6	262.6	263.4	7.4	13.8	15.7	5.0	10.6	10.2
Food	267.6	270.2	269.8	270.6	7.4	14.0	16.5	4.6	10.6	10.3
Food at home	265.6	268.0	266.9	266.8	7.0	16.8	18.4	1.8	11.8	9.8
Cereals and bakery products 1/	255.8	258.5	262.9	265.3	13.7	7.9	11.0	15.7	10.7	13.3
Meats, poultry, fish, and eggs	259.9	262.5	256.1	250.7	-7.1	24.0	30.9	-13.4	7.3	6.4
Dairy products	234.6	237.2	239.4	241.6	13.2	8.8	6.9	12.5	11.0	9.7
Fruits and vegetables	262.3	262.4	260.7	266.8	27.6	21.0	14.1	7.0	24.2	10.5
Sugar and sweets	386.9	393.5	388.9	386.9	36.2	43.7	44.0	.0	39.9	20.0
Fats and oils	247.6	253.0	262.2	269.7	1.2	3.1	12.3	40.8	2.1	25.8
Nonalcoholic beverages	411.3	413.9	415.9	414.4	1.5	11.3	13.4	3.0	6.2	8.1
Other prepared foods 1/	239.9	242.4	244.9	246.9	13.8	10.5	8.8	12.2	12.2	10.5
Food away from home	276.5	279.4	282.0	285.0	8.3	8.1	11.8	12.9	8.2	12.3
Alcoholic beverages	191.1	192.1	194.1	196.1	9.2	9.9	4.5	10.9	9.5	7.7
Housing	274.1	277.4	279.5	281.3	18.4	6.3	13.4	10.9	12.2	12.2
Shelter	294.6	298.5	300.2	300.6	20.8	4.4	17.3	8.4	12.3	12.7
Rent, residential 1/	198.3	199.6	200.9	201.9	7.3	9.4	11.0	7.5	8.4	9.2
Other rental costs	270.7	271.2	274.2	277.1	11.6	7.7	6.5	9.8	9.7	8.1
Homeownership	329.2	334.3	335.9	336.0	24.0	3.2	18.8	8.5	13.2	13.6
Home purchase 1/	267.3	267.2	266.2	263.0	11.5	14.2	15.0	-6.3	12.8	3.8
Financing, taxes, and insurance 1/	416.9	429.4	435.2	437.1	39.6	-6.0	25.9	20.8	14.6	23.3
Maintenance and repairs	294.1	297.9	297.5	304.2	15.4	4.1	8.7	14.5	9.6	11.6
Maintenance and repair services	318.5	323.0	322.3	330.7	16.0	1.8	9.0	16.2	8.7	12.6
Maintenance and repair commodities 1/	237.1	239.1	239.7	242.4	13.2	12.8	7.8	9.2	13.0	8.5
Fuel and other utilities	288.3	292.4	298.4	306.3	16.5	14.4	4.6	27.4	15.4	15.4
Fuels	362.6	368.4	378.4	390.5	21.3	16.4	4.1	34.5	18.9	18.3
Fuel oil, coal, and bottled gas 1/	567.0	585.3	625.9	675.6	13.1	4.0	4.0	101.6	8.5	44.8
Gas (piped) and electricity	315.5	318.7	322.0	326.5	24.4	21.4	4.0	14.7	22.9	9.2
Other utilities and public services 1/	169.0	170.6	171.9	173.6	4.5	8.6	6.1	11.3	6.6	8.7
Household furnishings and operation	210.8	211.7	213.0	215.1	9.8	7.9	6.1	8.4	8.8	7.3
Housefurnishings	177.9	178.6	179.4	181.2	7.8	7.6	4.4	7.6	7.7	6.0
Housekeeping supplies 1/	256.0	257.7	259.5	262.8	15.5	10.8	10.1	11.1	13.1	10.6
Housekeeping services 1/	276.1	277.1	279.6	281.6	9.5	6.1	6.8	8.2	7.8	7.5
Apparel and upkeep	182.8	182.8	182.5	184.0	7.3	6.0	7.8	2.7	6.7	5.2
Apparel commodities	174.9	174.7	174.1	175.3	6.1	5.5	7.2	.9	5.8	4.0
Men's and boys' apparel	172.5	172.6	172.8	174.0	6.2	4.4	8.0	3.5	5.3	5.8
Women's and girls' apparel	156.7	156.0	154.1	156.4	-1.3	2.4	5.8	-.8	.5	2.5
Infants' and toddlers' apparel 1/	248.9	250.1	249.7	254.3	20.5	11.4	8.5	9.0	15.9	8.7
Footwear	195.0	195.9	196.1	196.1	6.4	6.3	7.5	2.3	6.3	4.9
Other apparel commodities 1/	213.7	213.3	214.2	212.3	25.8	15.0	7.4	-2.6	20.3	2.3
Apparel services	242.7	244.7	246.3	249.7	16.0	9.1	11.7	12.0	12.5	11.9
Transportation	259.9	262.4	267.0	273.4	10.8	4.1	16.1	22.5	7.4	19.2
Private transportation	258.4	260.9	265.3	272.0	10.3	2.1	15.2	22.8	6.1	18.9
New cars	183.5	183.3	183.5	183.3	10.5	10.0	2.0	-.4	10.3	.8
Used cars	233.1	238.6	241.5	242.8	-10.4	6.2	84.9	17.7	-2.5	47.5
Gasoline	373.6	377.3	391.5	417.5	11.8	-5.8	5.8	56.0	2.7	28.4
Maintenance and repair	278.8	281.1	283.3	285.1	12.5	8.9	11.5	9.3	10.7	10.4
Other private transportation	228.9	231.1	232.6	233.8	23.7	2.9	6.4	8.8	12.8	7.6
Other private trans. commodities 1/	203.1	203.6	203.7	205.8	8.9	6.3	10.0	5.4	7.6	7.7
Other private trans. services	238.1	240.7	242.6	243.5	27.6	2.1	5.6	9.4	14.1	7.5
Public transportation 1/	277.0	280.1	286.4	288.1	18.6	42.1	25.9	17.0	29.8	21.4
Medical care	274.6	276.2	279.2	281.7	10.3	8.0	9.4	10.8	9.1	10.1
Medical care commodities	174.1	175.3	176.9	179.0	10.5	10.8	9.2	11.7	10.6	10.5
Medical care services	296.4	298.1	301.6	304.1	10.2	7.5	9.3	10.8	8.8	10.0
Professional services 1/	260.4	261.7	264.7	267.2	12.8	7.2	9.3	10.9	10.0	10.1
Other medical care services	340.4	342.5	346.3	348.7	7.8	7.7	9.5	10.1	7.8	9.8
Entertainment	212.0	212.7	214.8	216.9	11.6	9.6	7.7	9.6	10.6	8.6
Entertainment commodities	215.7	216.3	217.8	219.9	11.2	10.1	9.4	8.0	10.6	8.7
Entertainment services 1/	206.9	207.8	210.9	213.0	12.0	8.7	5.2	12.3	10.3	8.7
Other goods and services	222.0	224.3	225.6	227.0	8.1	8.2	11.0	9.3	8.1	10.1
Tobacco products 1/	207.3	210.8	211.9	212.3	4.7	8.4	5.6	10.0	6.6	7.8
Personal care 1/	219.0	220.9	222.5	224.6	10.3	7.4	6.9	10.6	8.8	8.7
Toilet goods and personal care appliances 1/	212.4	215.2	216.9	219.5	11.5	10.0	6.7	14.1	10.7	10.3
Personal care services 1/	225.5	226.8	228.3	230.0	8.9	5.4	7.0	8.2	7.1	7.6
Personal and educational expenses	247.8	249.3	251.6	253.0	8.7	8.2	21.1	8.7	8.5	14.7
School books and supplies	219.3	220.9	225.4	227.8	7.8	6.9	14.5	16.4	7.4	15.5
Personal and educational services	254.5	256.0	257.9	259.1	8.9	8.5	22.1	7.4	8.7	14.5
Commodity and service group										
All items	-	-	-	-	13.1	7.6	13.5	11.2	10.3	12.3
Commodities	243.5	245.2	246.6	249.2	8.4	9.3	13.5	9.7	8.9	11.6
Food and beverages	260.2	262.6	262.6	263.4	7.4	13.8	15.7	5.0	10.6	10.2
Commodities less food and beverages	231.9	233.2	235.6	238.8	8.8	7.2	12.6	12.4	8.0	12.5
Nondurables less food and beverages	245.0	246.8	252.2	260.4	11.1	4.1	4.9	27.6	7.5	15.7
Apparel commodities	174.9	174.7	174.1	175.3	6.1	5.5	7.2	.9	5.8	4.0
Nondurables less food, beverages, and apparel 1/	284.5	287.4	294.4	306.8	16.1	4.5	1.4	35.2	10.2	17.1
Durables	220.4	221.3	221.9	221.2	7.5	10.9	16.6	1.5	9.2	8.8
Services	281.5	285.5	288.0	290.3	20.4	5.0	13.5	13.1	12.4	13.3
Rent, residential 1/	198.3	199.6	200.9	201.9	7.3	9.4	11.0	7.5	8.4	9.2
Household services less rent	332.9	339.6	343.0	346.2	27.1	1.6	16.0	17.0	13.7	16.5
Transportation services	253.5	256.1	258.9	260.2	21.8	10.7	10.9	11.0	16.1	11.0
Medical care services	296.4	298.1	301.6	304.1	10.2	7.5	9.3	10.8	8.8	10.0
Other services	226.7	228.0	230.0	231.9	11.0	8.0	11.1	9.5	9.5	10.3
Special indexes:										
All items less food	253.3	255.8	258.4	261.2	14.6	6.1	13.0	13.1	10.3	13.0
All items less shelter	244.6	246.7	248.8	252.1	9.8	9.1	11.8	12.8	9.4	12.3
All items less mortgage interest costs	245.0	247.2	248.8	251.1	10.2	10.0	11.0	10.3	10.1	10.7
All items less home purchase and mortgage interest costs	242.6	245.0	246.8	249.8	9.9	9.5	10.7	12.4	9.7	11.6
All items less medical care	255.6	258.2	260.1	262.6	13.4	7.4	13.7	11.4	10.4	12.6
Commodities less food	230.0	231.3	233.6	236.8	8.8	7.3	12.4	12.4	8.1	12.4
Nondurables less food	240.3	242.0	247.0	255.0	11.1	4.3	5.0	26.8	7.7	15.4
Nondurables less food and apparel 1/	272.1	274.7	281.1	292.4	15.9	4.6	1.8	33.4	10.1	16.5
Nondurables	253.9	256.1	258.7	262.3	10.0	9.6	10.4	13.9	9.8	12.1
Services less rent	297.2	301.7	304.5	307.1	22.4	4.4	13.9	14.0	13.0	13.9
Services less medical care 1/	277.2	281.2	284.2	286.5	22.2	4.6	13.3	14.1	13.1	13.7
Energy 1/	366.1	370.4	381.7	401.1	23.4	8.5	-4.9	44.1	15.7	17.1
All items less energy	248.2	250.6	252.0	252.8	12.3	8.4	14.8	7.6	10.3	11.1
All items less food and energy	242.1	244.8	246.2	247.3	13.9	6.6	13.8	8.9	10.2	11.3
Commodities less food and energy	210.7	211.7	212.6	212.8	7.8	10.2	12.9	4.0	9.0	8.4
Energy commodities 1/	400.2	404.9	420.4	449.0	20.1	1.2	-3.9	58.4	10.2	23.4
Services less energy	278.8	282.9	285.4	287.5	20.0	3.5	14.5	13.1	11.4	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 Nov. 1980	Dec. 1980	Jan. 1981	Feb. 1981	Percent change to Feb. 1981 from- Feb. 1980	Dec. 1980	Jan. 1981	Percent change to Jan. 1981 from- Jan. 1980	Nov. 1980	Dec. 1980
U.S. city average			256.2	258.4	260.5	263.2	11.3	1.9	1.0	11.7	1.7	0.8
Chicago, Ill.-Northwestern Ind.	M		259.9	260.3	258.9	259.6	11.6	-.3	.3	12.4	-.4	-.5
Detroit, Mich.	M		266.4	269.7	268.5	270.2	12.4	.2	.6	13.2	.8	-.4
L.A.-Long Beach, Anaheim, Calif.	M		255.5	258.7	259.4	261.6	10.1	1.1	.8	11.5	1.5	.3
N.Y., N.Y.-Northeastern N.J.	M		244.7	247.3	249.4	252.7	10.8	2.2	1.3	10.3	1.9	.8
Philadelphia, Pa.-N.J.	M		249.2	250.5	253.2	255.9	10.7	2.2	1.1	11.4	1.6	1.1
Anchorage, Alaska	1	10/67	236.5	-	240.1	-	-	-	-	10.0	1.5	-
Baltimore, Md.	1		258.4	-	264.3	-	-	-	-	12.8	2.3	-
Boston, Mass.	1		248.8	-	256.4	-	-	-	-	12.8	3.1	-
Cincinnati, Ohio-Ky.-Ind.	1		262.1	-	264.5	-	-	-	-	10.4	.9	-
Denver-Boulder, Colo.	1		271.9	-	277.3	-	-	-	-	12.1	2.0	-
Miami, Fla.	1	11/77	133.9	-	137.3	-	-	-	-	11.4	2.5	-
Milwaukee, Wis.	1		262.1	-	266.2	-	-	-	-	12.6	1.6	-
Northeast Pennsylvania	1		247.0	-	252.4	-	-	-	-	12.5	2.2	-
Portland, Oreg.-Wash.	1		261.9	-	266.4	-	-	-	-	8.9	1.7	-
St. Louis, Mo.-Ill.	1		253.8	-	255.7	-	-	-	-	9.9	.7	-
San Diego, Calif.	1		279.1	-	287.7	-	-	-	-	13.3	3.1	-
Seattle-Everett, Wash.	1		262.6	-	264.9	-	-	-	-	12.2	.9	-
Washington, D.C.-Md.-Va.	1		253.6	-	257.2	-	-	-	-	10.9	1.4	-
Atlanta, Ga.	2		-	258.3	-	263.0	14.2	1.8	-	-	-	-
Buffalo, N.Y.	2		-	246.5	-	251.4	10.3	2.0	-	-	-	-
Cleveland, Ohio	2		-	266.5	-	273.5	12.3	2.6	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	269.5	-	274.4	13.5	1.8	-	-	-	-
Honolulu, Hawaii	2		-	236.1	-	243.3	10.1	3.0	-	-	-	-
Houston, Tex.	2		-	274.8	-	281.5	10.0	2.4	-	-	-	-
Kansas City, Mo.-Kans.	2		-	259.1	-	261.9	9.7	1.1	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	259.0	-	260.6	9.5	.6	-	-	-	-
Pittsburgh, Pa.	2		-	262.0	-	265.5	12.7	1.3	-	-	-	-
San Francisco-Oakland, Calif.	2		-	254.9	-	260.5	8.2	2.2	-	-	-	-
Region 3/												
Northeast	2	12/77	-	135.8	-	138.8	12.2	2.2	-	-	-	-
North Central	2	12/77	-	140.4	-	142.3	11.2	1.4	-	-	-	-
South	2	12/77	-	139.1	-	142.4	11.8	2.4	-	-	-	-
West	2	12/77	-	140.4	-	142.6	10.2	1.6	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	137.4	-	139.2	11.0	1.3	-	-	-	-
A-2	2	12/77	-	139.7	-	142.2	11.0	1.8	-	-	-	-
B	2	12/77	-	140.6	-	144.0	12.5	2.4	-	-	-	-
C	2	12/77	-	139.0	-	142.1	11.3	2.2	-	-	-	-
D	2	12/77	-	137.1	-	139.8	11.1	2.0	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	132.8	-	135.7	11.1	2.2	-	-	-	-
North Central/A	2	12/77	-	143.3	-	144.0	11.1	.5	-	-	-	-
South/A	2	12/77	-	139.0	-	142.1	11.8	2.2	-	-	-	-
West/A	2	12/77	-	140.7	-	142.6	10.0	1.4	-	-	-	-
Northeast/B	2	12/77	-	139.8	-	143.2	14.0	2.4	-	-	-	-
North Central/B	2	12/77	-	140.0	-	142.8	12.3	2.0	-	-	-	-
South/B	2	12/77	-	140.9	-	144.9	13.2	2.8	-	-	-	-
West/B	2	12/77	-	141.4	-	144.0	10.3	1.8	-	-	-	-
Northeast/C	2	12/77	-	143.8	-	146.6	13.6	1.9	-	-	-	-
North Central/C	2	12/77	-	136.6	-	139.7	10.5	2.3	-	-	-	-
South/C	2	12/77	-	138.6	-	142.1	11.1	2.5	-	-	-	-
West/C	2	12/77	-	138.4	-	141.2	10.2	2.0	-	-	-	-
Northeast/D	2	12/77	-	137.8	-	141.6	14.0	2.8	-	-	-	-
North Central/D	2	12/77	-	136.2	-	139.6	11.0	2.5	-	-	-	-
South/D	2	12/77	-	136.5	-	138.8	10.2	1.7	-	-	-	-
West/D	2	12/77	-	139.8	-	141.0	10.9	.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.

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 1980	Unadjusted indexes Jan. 1981	Feb. 1981	Unadjusted percent change to Feb. 1981 from- Feb. 1980	Jan. 1981	Seasonally adjusted percent change from- Nov. to Dec.	Dec. to Jan.	Jan. to Feb.
Expenditure category								
All items	100.000	260.7	263.5	11.4	1.1	1.0	0.8	0.9
All items(1957-59=100)	-	303.2	306.5	-	-	-	-	-
Food and beverages	20.001	262.1	264.3	10.6	.8	.9	-.2	.2
Food	18.926	269.2	271.4	10.7	.8	.9	-.3	.1
Food at home	13.220	265.1	267.0	10.7	.7	.9	-.5	-.1
Cereals and bakery products 1/	1.671	263.0	265.0	11.6	.8	1.1	1.3	.8
Meats, poultry, fish, and eggs	4.498	254.1	251.6	6.4	-1.0	1.0	-2.5	-2.2
Dairy products	1.768	240.7	242.5	10.3	.7	1.3	.8	.8
Fruits and vegetables	1.742	255.1	266.5	18.0	4.5	-.2	-.6	2.3
Sugar and sweets	.544	387.3	387.7	30.5	.1	1.6	-1.0	-.9
Fats and oils	.361	261.8	268.9	13.7	2.7	2.0	3.9	3.0
Nonalcoholic beverages	1.514	410.7	413.6	8.0	.7	.7	.2	-.3
Other prepared foods 1/	1.122	245.1	247.1	11.5	.8	1.0	.9	.8
Food away from home	5.706	284.2	287.3	10.5	1.1	.9	.7	.8
Alcoholic beverages	1.075	195.5	197.6	9.1	1.1	.7	1.0	.9
Housing	42.149	279.1	280.7	12.1	.6	1.3	.7	.6
Shelter	28.753	301.7	301.7	12.4	.0	1.4	.4	.0
Rent, residential 1/	4.832	200.6	201.6	8.7	.5	.7	.6	.5
Other rental costs	.488	273.6	278.3	9.9	1.7	.1	1.0	1.2
Homeownership	23.432	338.6	338.2	13.3	-.1	1.6	.4	-.1
Home purchase 1/	9.064	266.4	262.7	8.1	-1.4	-.1	-.6	-1.4
Financing, taxes, and insurance 1/	11.204	441.3	442.6	19.1	.3	3.0	1.2	.3
Maintenance and repairs	3.164	294.1	299.9	9.3	2.0	1.1	-.1	2.1
Maintenance and repair services	2.258	319.8	327.7	9.5	2.5	1.5	-.2	2.6
Maintenance and repair commodities 1/	.906	236.7	238.6	8.7	.8	.3	.2	.8
Fuel and other utilities	6.441	297.5	305.6	15.6	2.7	1.5	2.1	2.7
Fuels	4.764	375.0	387.3	18.4	3.3	1.7	2.7	3.3
Fuel oil, coal, and bottled gas 1/	1.290	627.9	678.5	25.6	8.1	3.3	7.0	8.1
Gas (piped) and electricity	3.473	317.7	322.1	15.7	1.4	1.1	1.0	1.4
Other utilities and public services 1/	1.677	172.0	173.9	7.7	1.1	.9	.8	1.1
Household furnishings and operation	6.955	209.7	211.7	7.6	1.0	.5	.5	.8
Housefurnishings	4.010	176.9	178.5	6.3	.9	.4	.3	.7
Housekeeping supplies 1/	1.501	257.5	260.1	11.7	1.0	1.0	.6	1.0
Housekeeping services 1/	1.443	276.4	279.4	7.0	1.1	.5	.9	1.1
Apparel and upkeep	4.853	180.8	181.8	6.0	.6	.3	.3	.5
Apparel commodities	4.222	172.6	173.3	4.9	.4	.2	.3	.3
Men's and boys' apparel	1.307	171.7	172.2	5.7	.3	.3	.1	.5
Women's and girls' apparel	1.575	153.9	155.4	2.7	1.0	.0	.1	.8
Infants' and toddlers' apparel 1/	.122	256.9	264.0	13.5	2.8	.6	.6	2.8
Footwear	.672	195.5	194.9	6.0	-.3	.5	.4	-.3
Other apparel commodities 1/	.547	205.3	204.4	6.6	-.4	.2	.4	.4
Apparel services	.631	245.5	248.7	13.1	1.3	1.1	1.0	1.1
Transportation	21.317	265.7	272.1	13.3	2.4	1.0	1.9	2.4
Private transportation	20.280	264.4	271.0	12.7	2.5	1.0	1.8	2.5
New cars	3.773	185.7	185.0	5.5	-.4	-.1	.2	.2
Used cars	3.807	234.0	234.4	20.0	.2	2.3	1.2	.6
Gasoline	6.782	386.6	412.5	14.9	6.7	1.0	3.8	6.7
Maintenance and repair	1.597	283.2	285.4	10.1	.8	.7	.6	.5
Other private transportation	4.322	235.0	236.9	10.9	.8	1.1	.8	.5
Other private trans. commodities 1/	.779	206.2	207.5	8.2	.6	1.1	.2	.6
Other private trans. services	3.543	244.9	247.0	11.5	.9	1.1	.9	.5
Public transportation 1/	1.037	279.0	280.6	25.3	.6	1.0	2.6	.6
Medical care	4.287	281.4	284.4	9.9	1.1	.6	1.3	.9
Medical care commodities	.714	177.5	179.6	10.4	1.2	.8	1.1	1.0
Medical care services	3.573	304.3	307.4	9.9	1.0	.5	1.3	.8
Professional services 1/	1.822	268.7	271.6	10.6	1.1	.5	1.4	1.1
Other medical care services	1.751	347.8	351.3	9.1	1.0	.6	1.1	.6
Entertainment	3.454	212.2	215.0	9.6	1.3	.0	.9	1.2
Entertainment commodities	2.191	213.0	216.2	9.8	1.5	.2	.8	1.3
Entertainment services 1/	1.263	212.0	213.9	9.1	.9	-.4	1.1	.9
Other goods and services	3.940	224.4	225.6	8.6	.5	1.0	.6	.6
Tobacco products 1/	1.272	211.7	211.9	6.9	.1	1.7	.6	.1
Personal care 1/	1.628	221.1	223.2	8.0	.9	.7	.5	.9
Toilet goods and personal care appliances 1/	.780	216.1	218.5	10.2	1.1	.8	.8	1.1
Personal care services 1/	.848	226.3	228.1	6.1	.8	.6	.2	.8
Personal and educational expenses	1.041	254.0	255.0	11.9	.4	.7	1.0	.6
School books and supplies	.152	232.4	233.6	11.0	.5	.8	2.0	.9
Personal and educational services	.889	259.6	260.6	12.1	.4	.7	.9	.6
Commodity and service group								
All items	100.000	260.7	263.5	11.4	1.1	1.0	0.8	0.9
Commodities	61.243	245.8	248.8	10.4	1.2	.7	.7	1.0
Food and beverages	20.001	262.1	264.3	10.6	.8	.9	-.2	.2
Commodities less food and beverages	41.242	234.7	237.9	10.3	1.4	.6	1.2	1.4
Nondurables less food and beverages	18.885	252.6	261.4	11.7	3.5	.8	2.3	3.5
Apparel commodities	4.222	172.6	173.3	4.9	.4	.2	.3	.3
Nondurables less food, beverages, and apparel 1/	14.664	296.3	309.2	13.6	4.4	1.0	2.4	4.4
Durables	22.357	219.5	218.6	9.1	-.4	.5	.2	-.3
Services	38.757	288.4	290.8	13.0	.8	1.5	.9	.8
Rent, residential 1/	4.832	200.6	201.6	8.7	.5	.7	.6	.5
Household services less rent	20.545	345.5	348.5	15.2	.9	2.1	.9	.9
Transportation services	6.176	257.7	259.7	13.3	.8	1.0	1.2	.5
Medical care services	3.573	304.3	307.4	9.9	1.0	.5	1.3	.8
Other services	3.631	230.2	232.1	9.8	.8	.4	.8	.8
Special indexes:								
All items less food	81.074	257.9	260.8	11.6	1.1	1.1	1.1	1.1
All items less shelter	71.247	248.5	252.2	11.0	1.5	.9	.9	1.3
All items less mortgage interest costs	90.675	248.5	251.4	10.5	1.2	.9	.6	1.0
All items less home purchase and mortgage interest costs	81.611	246.8	250.3	10.7	1.4	.9	.9	1.1
All items less medical care	95.713	259.3	262.0	11.4	1.0	1.1	.8	.9
Commodities less food	42.317	232.7	236.0	10.3	1.4	.7	1.1	1.4
Nondurables less food	19.961	247.5	255.9	11.6	3.4	.8	2.1	3.4
Nondurables less food and apparel 1/	15.739	283.0	294.7	13.3	4.1	1.0	2.3	4.1
Nondurables	38.886	258.3	263.8	11.1	2.1	.9	.9	1.5
Services less rent	33.925	305.2	307.9	13.7	.9	1.5	.9	.8
Services less medical care 1/	35.184	284.7	287.0	13.4	.8	1.5	1.0	.8
Energy 1/	11.652	385.2	405.4	16.3	5.2	1.1	3.1	5.2
All items less energy	88.348	250.6	251.8	10.8	.5	1.0	.5	.2
All items less food and energy	69.423	244.8	245.8	10.8	.4	1.1	.6	.4
Commodities less food and energy	34.139	210.4	210.5	8.8	.0	.5	.3	.2
Energy commodities 1/	8.178	421.3	450.1	16.5	6.8	1.1	3.8	6.8
Services less energy	35.284	286.2	288.4	12.8	.8	1.5	.9	.7
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.384	$.380	-10.2	-1.0	-.8	-.8	-1.0
1957-59=$1.00 1/	-	.330	.326	-	-	-	-	-

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		
	Nov. 1980	Dec. 1980	Jan. 1981	Feb. 1981	May 1980	Aug. 1980	Nov. 1980	Feb. 1981	Aug. 1980	Feb. 1981
Expenditure category										
All items	-	-	-	-	13.1	7.2	14.0	11.3	10.1	12.7
Food and beverages	261.5	263.9	263.4	263.9	7.9	13.6	17.1	3.7	10.7	10.2
Food	268.9	271.3	270.6	271.0	7.7	13.8	18.0	3.2	10.7	10.3
Food at home	265.6	268.0	266.6	266.3	6.8	16.3	19.7	1.1	11.5	10.0
Cereals and bakery products 1/	256.8	259.5	263.0	265.0	12.3	8.8	12.0	13.4	10.5	12.7
Meats, poultry, fish, and eggs	259.0	261.7	255.1	249.6	-8.3	23.2	31.4	-13.7	6.3	6.5
Dairy products	235.0	238.1	240.0	242.0	13.8	8.4	6.7	12.5	11.0	9.6
Fruits and vegetables	261.0	260.5	259.0	264.9	31.9	20.0	15.3	6.1	25.8	10.6
Sugar and sweets	389.9	396.1	392.0	388.5	39.8	44.3	45.7	-1.4	42.0	19.8
Fats and oils	248.5	253.4	263.4	271.3	1.0	3.4	12.7	42.1	2.2	26.5
Nonalcoholic beverages	413.9	416.6	417.4	416.1	2.2	12.0	16.5	2.1	7.0	9.1
Other prepared foods 1/	240.4	242.8	245.1	247.1	15.0	8.3	11.0	11.6	11.6	11.3
Food away from home	280.9	283.4	285.3	287.6	9.7	8.0	14.1	9.9	8.9	12.0
Alcoholic beverages	193.0	194.3	196.3	198.0	10.3	10.7	4.5	10.8	10.5	7.6
Housing	274.1	277.6	279.5	281.1	18.2	6.4	13.4	10.6	12.2	12.0
Shelter	296.4	300.5	301.8	301.8	21.2	4.5	17.6	7.5	12.5	12.5
Rent, residential 1/	198.0	199.4	200.6	201.6	7.1	9.4	10.8	7.5	8.2	9.1
Other rental costs	270.8	271.0	273.6	276.9	12.0	7.4	7.1	9.3	9.7	8.2
Homeownership	332.3	337.5	338.7	338.3	24.7	3.3	19.4	7.4	13.5	13.2
Home purchase 1/	268.2	268.0	266.4	262.7	11.7	14.9	15.7	-8.0	13.3	3.2
Financing, taxes, and insurance 1/	423.1	436.0	441.3	442.6	41.0	-5.9	26.7	19.7	15.2	23.2
Maintenance and repairs	291.8	295.0	294.7	300.8	12.3	5.5	6.4	12.9	8.8	9.6
Maintenance and repair services	316.8	321.4	320.8	329.0	11.8	2.9	7.3	16.3	7.2	11.7
Maintenance and repair commodities 1/	235.6	236.2	236.7	238.6	13.4	12.4	4.2	5.2	12.9	4.7
Fuel and other utilities	288.8	293.1	299.2	307.4	16.1	14.5	4.4	28.4	15.3	15.8
Fuels	362.0	368.0	378.0	390.3	20.5	16.7	3.7	35.1	18.6	18.4
Fuel oil, coal, and bottled gas 1/	568.3	587.0	627.9	678.5	13.0	4.1	4.0	103.2	8.5	45.4
Gas (piped) and electricity	314.6	318.0	321.2	325.7	23.6	21.6	3.6	14.9	22.6	9.1
Other utilities and public services 1/	169.1	170.7	172.0	173.9	4.3	8.3	6.7	11.8	6.3	9.2
Household furnishings and operation	208.0	209.1	211.2	211.9	9.2	7.1	5.2	7.7	8.2	6.9
Housefurnishings	176.4	177.1	177.6	178.9	8.1	6.2	5.4	5.8	7.1	5.6
Housekeeping supplies 1/	253.5	256.0	257.5	260.1	15.2	11.4	9.5	10.8	13.3	10.2
Housekeeping services 1/	272.5	273.8	276.4	279.4	7.1	5.2	5.3	10.5	6.1	7.9
Apparel and upkeep	181.4	182.0	182.6	183.5	7.4	5.1	6.7	4.7	6.2	5.7
Apparel commodities	174.9	174.1	174.6	175.2	5.6	4.8	6.0	3.3	5.2	4.6
Men's and boys' apparel	172.7	173.2	173.4	174.3	8.0	2.6	8.3	3.8	5.3	6.0
Women's and girls' apparel	156.7	156.7	156.9	158.1	.0	1.8	5.5	3.6	.9	4.6
Infants' and toddlers' apparel 1/	254.0	255.4	256.9	264.0	18.5	17.1	2.2	16.7	17.8	9.2
Footwear	195.0	196.0	196.7	196.1	7.8	5.6	8.4	2.3	6.7	5.3
Other apparel commodities 1/	204.0	204.4	205.3	204.4	12.2	14.3	-.2	.8	13.2	.3
Apparel services	240.6	243.3	245.7	248.5	20.1	8.3	11.0	13.8	14.0	12.4
Transportation	260.5	263.2	268.2	274.7	11.0	3.8	16.2	23.7	7.3	19.9
Private transportation	259.6	262.3	267.0	273.7	10.8	1.9	16.1	23.6	6.3	19.8
New cars	183.6	183.5	183.9	183.5	12.2	10.2	-.2	-.2	11.2	.0
Used cars	233.2	238.6	241.5	242.9	-10.4	6.2	85.2	17.7	-2.5	47.6
Gasoline	374.7	378.4	392.9	419.2	12.1	-6.1	5.5	56.7	2.6	28.6
Maintenance and repair	279.7	281.7	283.5	284.8	11.1	10.5	11.3	7.5	10.8	9.4
Other private transportation	230.7	233.1	236.1	236.3	26.5	2.7	5.9	10.1	14.0	8.0
Other private trans. commodities 1/	203.4	205.7	206.2	207.5	10.8	8.2	5.7	8.3	9.5	7.0
Other private trans. services	240.3	243.0	245.1	246.3	30.3	1.5	5.9	10.4	15.0	8.1
Public transportation 1/	269.2	271.8	279.0	280.6	17.1	48.0	20.6	18.0	31.6	19.3
Medical care	276.2	277.8	281.3	283.7	11.0	8.1	9.5	11.3	9.5	10.4
Medical care commodities	174.6	176.0	177.9	179.6	10.2	10.5	8.9	12.0	10.3	10.4
Medical care services	298.4	300.0	304.0	306.5	11.2	7.6	9.5	11.3	9.4	10.4
Professional services 1/	263.8	265.0	268.7	271.6	13.7	7.0	9.6	12.4	10.3	11.0
Other medical care services	341.2	343.2	347.1	349.2	8.6	8.3	9.4	9.7	8.5	9.6
Entertainment	210.6	212.0	213.5	215.0	11.7	8.4	9.4	8.6	10.0	9.0
Entertainment commodities	211.3	211.7	213.4	216.2	11.4	9.2	8.8	9.6	10.3	9.2
Entertainment services 1/	210.5	209.7	212.0	213.9	12.4	6.9	10.7	6.6	9.6	8.7
Other goods and services	220.3	222.6	224.0	225.3	7.3	8.0	9.6	9.4	7.7	9.5
Tobacco products 1/	208.0	210.4	211.7	211.9	4.5	8.0	4.8	10.2	6.2	7.5
Personal care 1/	218.5	220.0	221.1	223.2	8.6	7.4	7.3	8.9	8.0	8.1
Toilet goods and personal care appliances 1/	212.7	214.3	216.1	218.5	11.8	10.0	7.7	11.4	10.9	9.5
Personal care services 1/	224.4	225.8	226.3	228.1	5.9	4.9	6.9	6.8	5.4	6.8
Personal and educational expenses	251.2	249.8	252.1	253.7	8.9	8.9	20.5	9.7	8.9	15.0
School books and supplies	222.8	224.6	229.0	231.1	8.1	7.6	12.8	15.8	7.8	14.3
Personal and educational services	254.2	255.9	258.1	259.6	9.1	9.1	21.9	8.8	9.1	15.2
Commodity and service group										
All items	-	-	-	-	13.1	7.2	14.0	11.3	10.1	12.7
Commodities	243.8	245.6	247.3	249.8	8.6	8.8	14.3	10.2	8.7	12.2
Food and beverages	261.5	263.9	263.4	263.9	7.9	13.6	17.1	3.7	10.7	10.2
Commodities less food and beverages	231.9	233.4	236.1	239.5	8.8	6.5	13.0	13.8	7.6	13.4
Nondurables less food and beverages	246.9	248.8	254.4	263.2	10.9	3.9	4.3	29.1	7.3	16.1
Apparel commodities	173.8	174.1	174.6	175.2	5.6	4.8	6.0	3.3	5.2	4.6
Nondurables less food, beverages, and apparel 1/	286.4	289.3	296.3	309.2	16.5	4.0	1.3	35.9	10.1	17.3
Durables	218.8	220.0	220.4	219.7	7.3	10.8	17.4	1.7	9.0	9.2
Services	282.2	286.3	288.8	291.0	20.9	5.0	13.5	13.1	12.6	13.3
Rent, residential 1/	198.0	199.4	200.6	201.6	7.1	9.4	10.8	7.5	8.2	9.1
Household services less rent	335.9	343.0	346.2	349.3	27.5	1.7	16.2	16.9	13.9	16.6
Transportation services	252.4	254.9	257.9	259.1	22.9	10.2	9.6	11.0	16.4	10.3
Medical care services	298.4	300.0	304.0	306.5	11.2	7.6	9.5	11.3	9.4	10.4
Other services	227.3	228.1	229.9	231.8	11.2	7.2	12.5	8.2	9.2	10.3
Special indexes:										
All items less food	253.4	256.1	258.9	261.7	14.4	5.9	13.0	13.8	10.1	13.4
All items less shelter	245.5	247.6	249.9	253.1	10.0	8.5	12.6	13.0	9.2	12.8
All items less mortgage interest costs	245.7	248.0	249.5	251.9	10.4	9.9	11.3	10.5	10.2	10.9
All items less home purchase and mortgage interest costs	243.6	245.9	248.0	250.8	10.3	9.5	10.9	12.4	9.9	11.6
All items less medical care	255.7	258.4	260.4	262.8	13.0	7.4	14.1	11.6	10.2	12.8
Commodities less food	230.0	231.6	234.2	237.5	8.6	6.7	12.8	13.7	7.7	13.2
Nondurables less food	242.1	244.0	249.2	257.7	11.2	4.1	4.4	28.4	7.6	15.8
Nondurables less food and apparel 1/	273.9	276.6	283.0	294.7	16.1	4.4	1.5	34.0	10.1	16.6
Nondurables	255.3	257.7	260.1	264.1	10.3	9.2	10.7	14.5	9.7	12.6
Services less rent	298.2	302.8	305.6	308.1	23.0	4.4	13.8	14.0	13.3	13.9
Services less medical care 1/	277.7	281.9	284.7	287.0	22.6	4.7	12.9	14.1	13.3	13.5
Energy 1/	369.5	373.7	385.2	405.4	23.1	7.7	-4.9	44.9	15.2	17.4
All items less energy	247.7	250.3	251.6	252.1	12.7	8.4	15.0	7.3	10.6	11.1
All items less food and energy	241.2	243.9	245.3	246.3	13.8	7.0	13.9	8.7	10.3	11.3
Commodities less food and energy	209.5	210.6	211.2	211.6	8.1	9.8	13.7	4.1	8.9	8.8
Energy commodities 1/	401.3	405.9	421.3	450.1	20.3	.8	-4.1	58.3	10.1	23.2
Services less energy	279.6	283.7	286.2	288.2	20.5	3.5	14.5	12.9	11.7	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 Nov. 1980	Dec. 1980	Jan. 1981	Feb. 1981	Percent change to Feb. 1981 from- Feb. 1980	Dec. 1980	Jan. 1981	Percent change to Jan. 1981 from- Jan. 1980	Nov. 1980	Dec. 1980
U.S. city average			256.4	258.7	260.7	263.5	11.4	1.9	1.1	11.7	1.7	0.8
Chicago, Ill.-Northwestern Ind.	M		258.9	258.9	258.1	258.8	11.3	-	.3	12.3	-.3	-.3
Detroit, Mich.	M		263.6	265.5	264.4	265.5	10.7	-	.4	11.8	.3	-.4
L.A.-Long Beach, Anaheim, Calif.	M		258.4	262.2	262.7	265.0	10.4	1.1	.9	11.8	1.7	.2
N.Y., N.Y.-Northeastern N.J.	M		244.2	247.2	249.1	252.7	11.0	2.2	1.4	10.5	2.0	.8
Philadelphia, Pa.-N.J.	M		251.1	252.3	255.5	258.1	11.4	2.3	1.0	12.1	1.8	1.3
Anchorage, Alaska	1	10/67	232.0	-	235.0	-	-	-	-	8.8	1.3	-
Baltimore, Md.	1		257.4	-	262.6	-	-	-	-	12.0	2.0	-
Boston, Mass.	1		249.2	-	255.7	-	-	-	-	12.7	2.6	-
Cincinnati, Ohio-Ky.-Ind.	1		263.5	-	266.3	-	-	-	-	10.5	1.1	-
Denver-Boulder, Colo.	1		276.7	-	282.2	-	-	-	-	12.5	2.0	-
Miami, Fla.	1	11/77	135.6	-	138.8	-	-	-	-	11.1	2.4	-
Milwaukee, Wis.	1		267.5	-	271.9	-	-	-	-	12.9	1.6	-
Northeast Pennsylvania	1		249.5	-	255.1	-	-	-	-	13.0	2.2	-
Portland, Oreg.-Wash.	1		260.7	-	265.0	-	-	-	-	8.8	1.6	-
St. Louis, Mo.-Ill.	1		254.2	-	255.9	-	-	-	-	9.6	.7	-
San Diego, Calif.	1		275.1	-	282.9	-	-	-	-	12.7	2.8	-
Seattle-Everett, Wash.	1		259.4	-	262.3	-	-	-	-	12.2	1.1	-
Washington, D.C.-Md.-Va.	1		255.7	-	259.4	-	-	-	-	11.3	1.4	-
Atlanta, Ga.	2		-	260.3	-	266.4	14.1	2.3	-	-	-	-
Buffalo, N.Y.	2		-	245.2	-	249.7	9.6	1.8	-	-	-	-
Cleveland, Ohio	2		-	266.7	-	273.9	12.2	2.7	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	268.2	-	272.9	13.3	1.8	-	-	-	-
Honolulu, Hawaii	2		-	237.0	-	243.5	10.0	2.7	-	-	-	-
Houston, Tex.	2		-	272.1	-	277.7	10.2	2.1	-	-	-	-
Kansas City, Mo.-Kans.	2		-	257.2	-	260.1	9.9	1.1	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	260.6	-	262.4	9.5	.7	-	-	-	-
Pittsburgh, Pa.	2		-	262.9	-	266.4	12.9	1.3	-	-	-	-
San Francisco-Oakland, Calif.	2		-	255.7	-	261.6	9.0	2.3	-	-	-	-
Region 3/												
Northeast	2	12/77	-	135.8	-	138.8	12.2	2.2	-	-	-	-
North Central	2	12/77	-	140.6	-	142.4	11.0	1.3	-	-	-	-
South	2	12/77	-	139.3	-	142.7	11.9	2.4	-	-	-	-
West	2	12/77	-	141.1	-	143.2	10.3	1.5	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	137.6	-	139.4	10.9	1.3	-	-	-	-
A-2	2	12/77	-	139.8	-	142.3	11.1	1.8	-	-	-	-
B	2	12/77	-	141.0	-	144.3	12.6	2.3	-	-	-	-
C	2	12/77	-	139.1	-	142.2	11.4	2.2	-	-	-	-
D	2	12/77	-	137.4	-	140.1	11.1	2.0	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	133.0	-	135.9	11.3	2.2	-	-	-	-
North Central/A	2	12/77	-	142.9	-	143.6	10.6	.5	-	-	-	-
South/A	2	12/77	-	139.4	-	142.5	11.9	2.2	-	-	-	-
West/A	2	12/77	-	141.4	-	143.3	10.2	1.3	-	-	-	-
Northeast/B	2	12/77	-	139.9	-	143.0	14.1	2.2	-	-	-	-
North Central/B	2	12/77	-	141.7	-	144.8	12.8	2.2	-	-	-	-
South/B	2	12/77	-	140.8	-	144.8	13.2	2.8	-	-	-	-
West/B	2	12/77	-	141.8	-	144.3	10.2	1.8	-	-	-	-
Northeast/C	2	12/77	-	143.2	-	146.6	13.8	2.4	-	-	-	-
North Central/C	2	12/77	-	136.1	-	139.0	10.7	2.1	-	-	-	-
South/C	2	12/77	-	139.0	-	142.7	11.3	2.7	-	-	-	-
West/C	2	12/77	-	139.4	-	141.9	10.5	1.8	-	-	-	-
Northeast/D	2	12/77	-	137.7	-	141.2	12.9	2.5	-	-	-	-
North Central/D	2	12/77	-	136.9	-	140.4	11.3	2.6	-	-	-	-
South/D	2	12/77	-	136.8	-	139.0	10.4	1.6	-	-	-	-
West/D	2	12/77	-	139.8	-	140.8	10.6	.7	-	-	-	-

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.

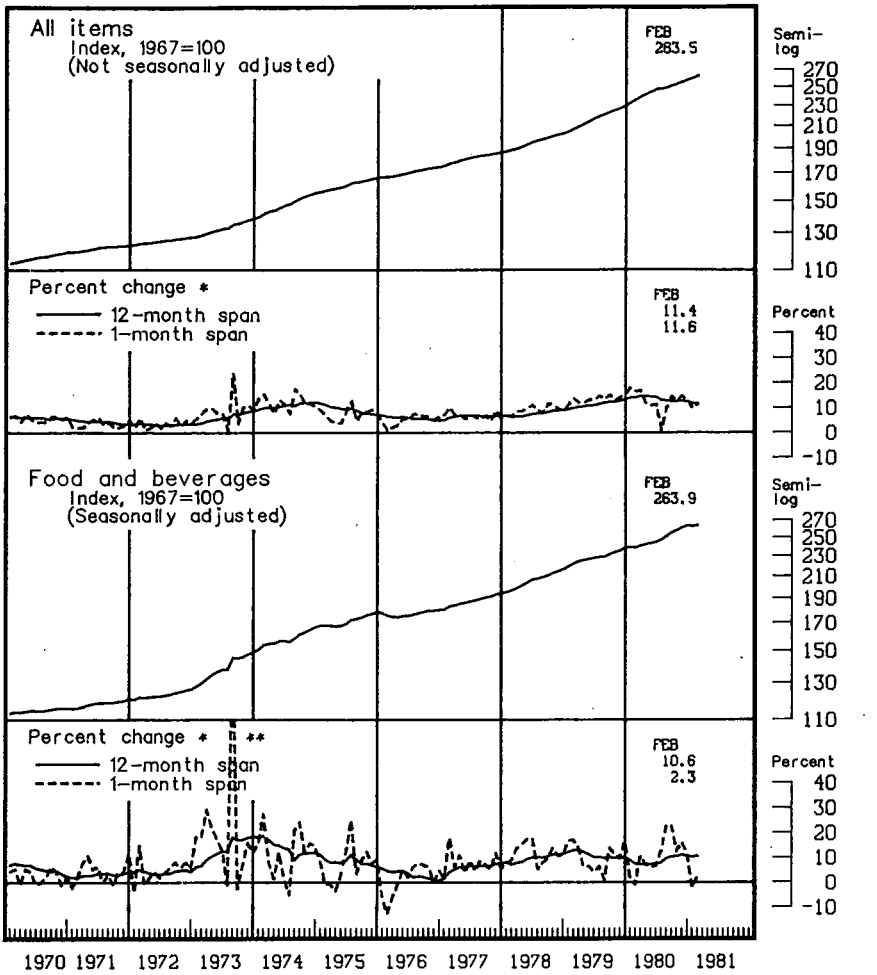
3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

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.

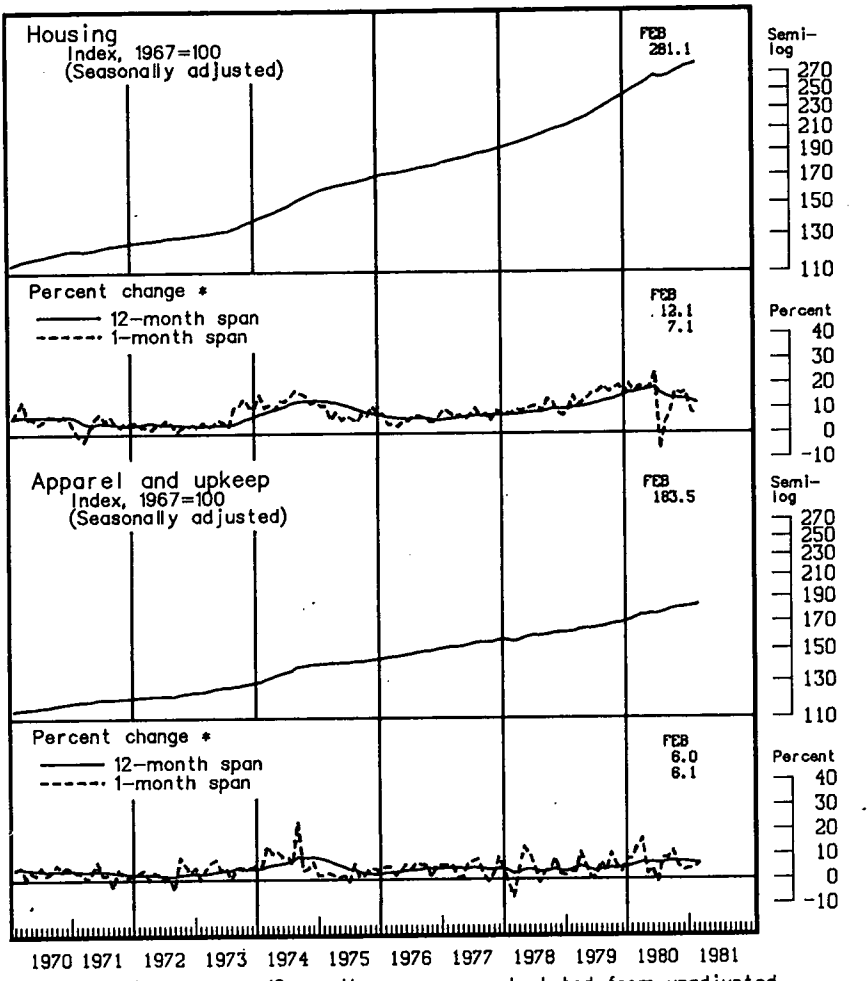
NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

CHART 1: CPI-W: All Items, food and beverages, 1970-81



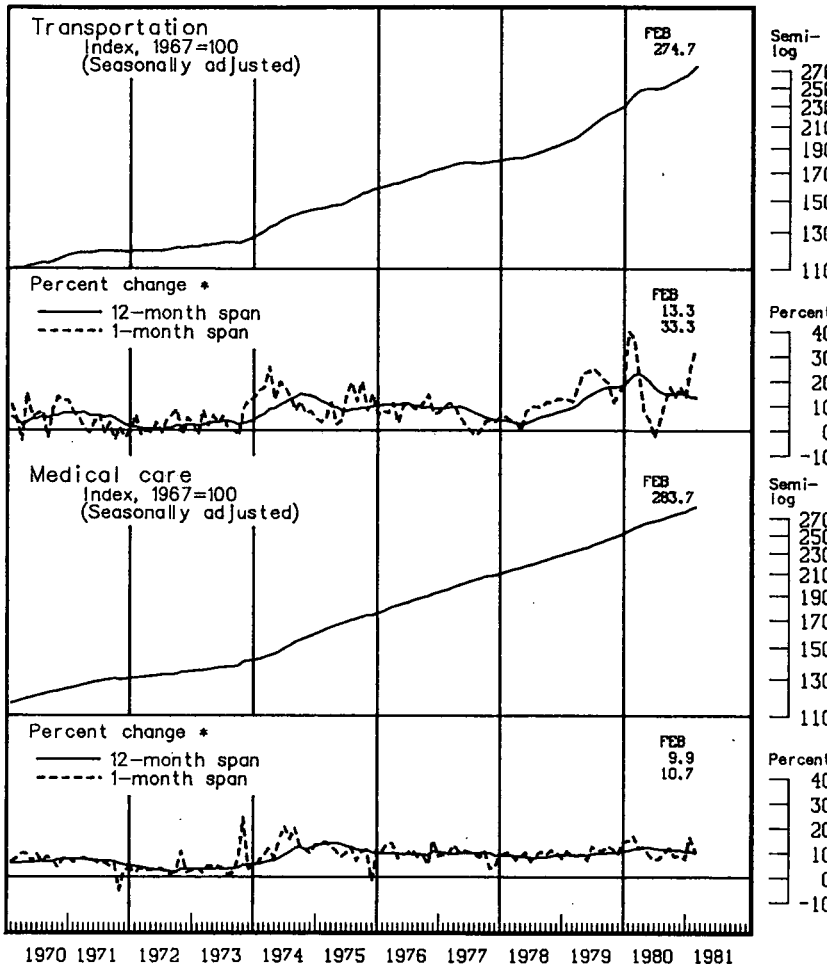
* Percent changes over 12-month spans are calculated from unadjusted data. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.
** August 1973 = 92 percent

CHART 2: CPI–W: Housing, apparel and upkeep, 1970–81



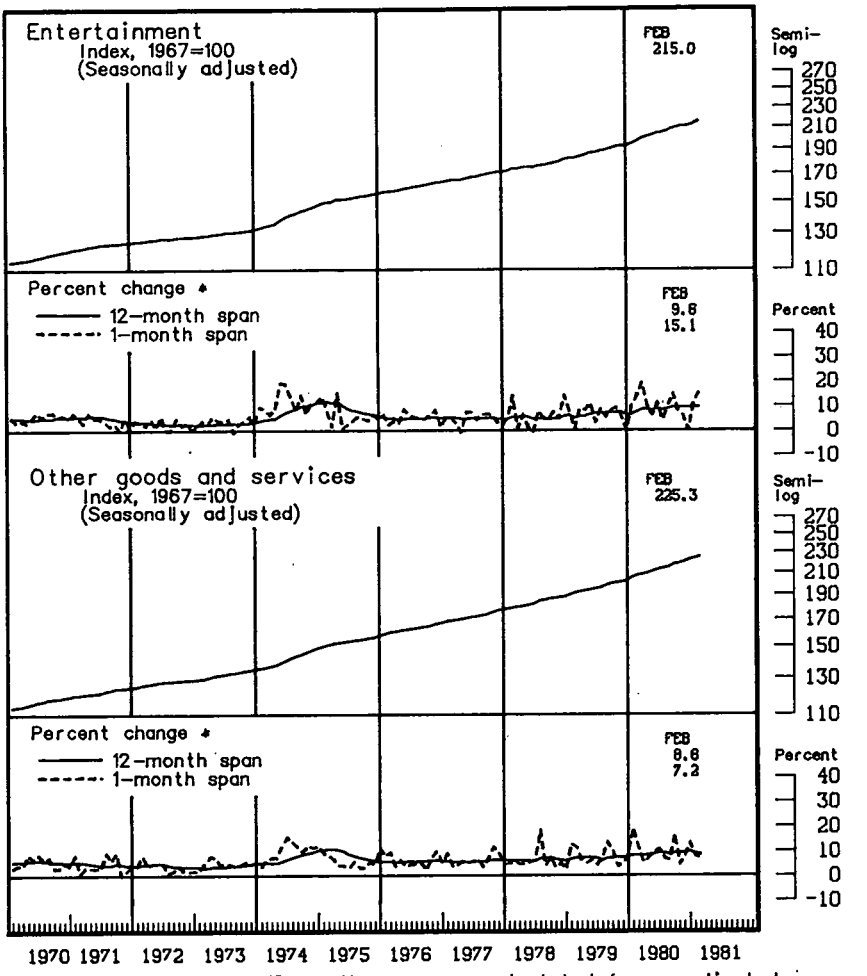
* Percent changes over 12-month spans are calculated from unadjusted data. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 3: CPI-W: Transportation and medical care, 1970-81



* Percent changes over 12-month spans are calculated from unadjusted data. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

CHART 4: CPI-W: Entertainment, other goods and services, 1970-81



* Percent changes over 12-month spans are calculated from unadjusted data. Percent changes over 1-month spans are annual rates calculated from seasonally adjusted data.

Representative REUSS. Mr. Weidenbaum, you've prepared, by some miracle because you didn't have much time to do it, a comprehensive statement on current economic developments, which, under the rule, will be received into the record. Would you now proceed either to read it or go beyond it, or in any way you see fit? Then, we'll have a few questions to ask.

STATEMENT OF HON. MURRAY L. WEIDENBAUM, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

Mr. WEIDENBAUM. Thank you, Mr. Chairman and Congressman Richmond. It's a pleasure to appear before the committee to discuss current developments on the economic front. The release of the CPI reminds us of the continuing presence of double-digit inflation. Although January was a temporary respite, I had warned at the time that the underlying inflation remained at double-digit levels. The 12.1 percent figure for February—that's the annual rate seasonally adjusted—confirms that. The rise in the CPI over the past 12 months, 11.3 percent, is close to our forecast for 1981 as a whole, 11.1 percent.

Several trends within the index for February are noteworthy. Housing costs rose 13.7 percent from February 1980 to February 1981, while energy costs rose about 16.4 percent. All other items rose 9.7.

In my judgment, these price trends point up the need for prompt enactment of the President's economic recovery program. Fighting inflation and expenditure restraint seem clearly to go hand in hand in public perceptions. However, the linkage between our tax proposals and inflation seems to need more careful explanation.

Long-time proponents of "fiscal stimulus" to drive down the unemployment rate and keep the economy expanding have suddenly turned into rock-ribbed fiscal conservatives. It is time to put to rest, I believe, the question of the tax cuts and their inflationary impact. Concern about this possible linkage between the tax cuts and inflation springs from several lines of analysis.

First of all, too little attention has been paid to the fact that, for the first 2 years of our program, the reduction in revenues is approximately equal to the reduction in Federal spending, thanks to determined budget cutting. Budget savings for fiscal 1981 and 1982 total $64.5 billion. Revenue losses, under conservative assumptions, equal $61 billion.

Furthermore, not all the money that will now be denied Uncle Sam will be spent on current consumption. We anticipate that saving rates will increase, perhaps to historically high levels. If individuals are reassured that the administration's tax and budget proposals are being adopted by the Congress, and that proposed regulatory and monetary policies are being implemented, it is quite likely that saving patterns will shift fairly rapidly.

For example, there will be less interest in complex tax shelters and speculative investments in housing and other hard forms of saving. More dollars will flow into traditional financial instruments.

With both inflation and marginal tax rates coming down, and real rates of return on traditional financial instruments rising, it seems likely that measured personal saving rates will improve.

Such a flow of saving would help support a relatively rapid increase in business investment and lead to a greater number of jobs in the private sector. Furthermore, the reduction in marginal rates should, by increasing the return for working, increase the supply of labor. This expansion in the capacity of the economy is one of the reasons we call the 3-year tax cut program a "supply side" tax cut.

In short, call your view of how the economy works "supply side," "monetarist," "Keynesian," or just "main street," there are plenty of reasonable, sound arguments for arriving at the conclusion that the administration's tax cut proposal will help in the struggle to bring inflation down.

I should add, however, that the same type of analysis will not apply if a consumption-oriented tax cut of the traditional Keynesian variety were to be enacted.

A few thoughts about our economic projections may be useful. The administration's assumptions for 1981 and 1982 are, in my judgment, reasonable estimates of the economic outlook, given the timely adoption of the President's entire program. These forecasts are well within the range of forecasts currently being made by a variety of private economists. For example, "Blue Chip Economic Indicators," an authoritative report of the forecasts of leading economists, shows results quite close to our own, and there's a table in my prepared statement demonstrating this fact.

Beyond 1982, the administration's scenario becomes less a forecast and more a projection of the trends reflecting our policies. This is in keeping with the practice of past administrations.

The projections for 1983 through 1986 reflect the trends of declining inflation and sustained robust economic growth that we believe are attainable if the President's program is adopted in full.

As in past administrations, our forecasts are not the product of any single model or any single forecaster. The administration has access to a number of commercial models, as well as several developed within the Government. All of these have been used in the development of the forecasts.

It is important to realize the limitations inherent in any econometric model. At best, these models can help to inform and to enforce consistency upon the prior judgment of seasoned economic forecasters. It is in this capacity that they are used in the Reagan administration, as they have been in other administrations.

Following the practices of prior administrations, we have made an effort to forecast the current and next years' outcomes as accurately as possible.

With this in mind, we reluctantly accept the inevitable legacy of the stop-and-go policies of the past—a disappointing 1981, in the form of a combination of low economic growth and double-digit inflation. Our forecast allows for the possibility of very sluggish economic activity or even a period of outright decline during the spring and summer quarters of this year until the elements of the economic program are put into place.

At the same time, following several more months of disappointing price performance, the general rate of inflation should begin to improve. Barring further oil disruptions or crop problems, that improving trend is expected to continue into 1982 and beyond.

You will note that our projection is for a 7.8-percent average unemployment rate in 1981, and that February's unemployment rate was 7.3 percent. That is as realistic as we can be. That implies some increase during this year as a result of the sluggish economy. However, as economic growth begins to pick up toward the end of the year, the unemployment rate—like inflation—is expected to begin a downward trend.

Thank you very much.

[The prepared statement of Mr. Weidenbaum follows:]

PREPARED STATEMENT OF HON. MURRAY L. WEIDENBAUM

Mr. Chairman and members of the committee, it is a pleasure to appear before the committee to discuss current developments on the economic front.

INFLATION

The release of the Consumer Price Index this morning reminds us of the continuing presence of double-digit inflation in the American economy. Although January was a temporary respite, I had warned at the time that the underlying inflationary rate remained at double-digit levels. The 12.1 percent figure for February (annual rate, seasonally adjusted) confirms that. The rise in the CPI over the past 12 months—11.3 percent—is close to our forecast for 1981, 11.1 percent.

Several trends within the index for February are noteworthy. Housing costs (the category of "home purchase, finance, insurance, and taxes") rose 13.7 percent from February 1980 to February 1981, while energy costs rose about 16.4 percent. All other items rose, on the average, 9.7 percent.

TAXES AND INFLATION

In my judgment, these price trends point up the need for prompt enactment of the President's Economic Recovery Program. Fighting inflation and expenditure restraint seem to go hand in hand in public perceptions. However, the linkage between our tax cut proposals and inflation may need to be explained more carefully.

Long-time proponents of "fiscal stimulus" to drive down the unemployment rate and keep the economy expanding in line with its potential have suddenly turned into rock-ribbed, tight-fisted fiscal conservatives, or so it would appear. It is time to put to rest the question of the tax cuts and their inflationary impact. Concern in the Congress and elsewhere about this possible linkage springs from several lines of analysis.

First of all, too little attention has been paid to the fact that, for the first two years of the program, the reduction in Treasury revenues is approximately equal to the reduction in Federal government outlays, thanks to determined budget cutting. Budget savings for fiscal year 1981 and fiscal year 1982 total $64.5 billion; revenue losses, under conservative assumptions, equal $61.0 billion.

Furthermore, not all the money that will now be denied Uncle Sam will be spent on current consumption. We anticipate that saving rates will increase, perhaps to historically high levels. If individuals are reassured that the Administration's tax and budget proposals are being adopted by the Congress, and that the regulatory and monetary policies are being faithfully implemented, it is quite likely that saving patterns will shift fairly rapidly.

For example, there will be less interest in complex tax shelters and speculative investments in housing, land, precious metals and other "hard" forms of savings. More dollars will flow into traditional financial instruments, such as savings accounts, stocks, and bonds.

With both inflation and marginal tax rates coming down, and real rates of return on traditional financial instruments perhaps even rising, it seems quite likely that measured personal saving rates will improve significantly.

Such a flow of saving would help support a relatively rapid increase in business investment in more efficient plant and equipment, and lead to a greater number of employment opportunities in the private sector. Furthermore, the reduction in marginal rates on personal income should, by increasing the after-tax return

for working, increase the supply of labor—by making overtime more rewarding, for example. This expansion in the capacity of the economy is one of the reasons why we can call the three-year program of cuts in personal income tax rates a "supply side" tax cut, and why inflationary concerns are misdirected.

In short, call your view of how the economy works "supply-side," monetarist," "Keynesian," or just "main street," there are plenty of reasonable, sound arguments for arriving at the conclusion that the Administration's tax cut proposal for individuals will help the struggle to bring inflation down.

I should add, however, that the same type of analysis will not apply if a consumption-oriented tax cut or the traditional Keynesian variety were to be enacted.

Another line of analysis goes as follows:

(1) Our tax cut would increase the budget deficit.

(2) As a result of the larger budget deficit, the Treasury would borrow more.

(3) The Federal Reserve would end up buying a good portion of the Treasury's new bonds and bills.

(4) Increased holdings of government securities by the Federal Reserve would then lead to a rapid expansion of the money supply and bank credit.

(5) The expansion of money and credit would then fuel the fires of inflation.

The logic in this sequence of events is familiar to every student of money and banking. But it holds only if all the actors play their assigned parts. The reason that this sequence will not occur under the Administration's program is that the Federal Reserve, given its endorsement of the Administration's monetary policy objectives, is highly unlikely to accommodate Treasury borrowing. Thus, the critical link between government budget deficits and inflation—printing money—will be missing.

ECONOMIC ASSUMPTIONS

A few thoughts about our economic projections may be useful. The Administration's assumptions for 1981 and 1982 are, in our judgment, reasonable estimates of the economic outlook, given the timely adoption of the President's entire program. These forecasts are well within the range of forecasts currently being made by a wide variety of private economists. For example, the March 10, 1981, issue of Blue Chip Economic Indicators, an authoritative composite report of the forecasts of leading economists, shows the following results, which are quite close to our own:

[Percent change]

	1981		1982	
	Blue chip	Administration	Blue chip	Administration
Nominal GNP	11.3	11.1	13.0	12.8
Real GNP	1.3	1.1	3.7	4.2
GNP deflator	9.9	9.9	9.0	8.3

Beyond 1982, the Administration's "scenario" becomes less forecast and more a projection of trends reflecting the proposed policies. This is in keeping with the practice of past Administrations.

The projections for 1983 through 1986 reflect the trends of declining inflation and sustained robust economic growth which we believe are attainable if the President's program is adopted in full.

As in past Administrations, our forecasts are not the product of any single model or any single forecaster. The Administration has access to a number of commercial models, as well as several developed within the government over many years. All of these models have been used, at one stage or another, in the development of the forecasts.

It is important to realize the limitations inherent in any econometric model. At best, models can help to inform and to enforce consistency upon the prior judgment of seasoned economic forecasters. It is in this capacity that they are used in this Administration, as they have been in other Administrations. Economics is too important to be left to statisticians and mathematicians. It requires judgment.

THE ECONOMIC OUTLOOK

Following the practices of prior Administrations, we have made an effort to forecast the current and next years as accurately as possible, given the current situation and assuming the adoption of the President's economic package.

With this in mind, we reluctantly accept the inevitable legacy of the stop-and-go policies of the past—a disappointing 1981, in the form of a combination of low economic growth and double-digit inflation. Our forecast allows for the possibility of very sluggish economic activity—or even a period of outright decline—during the spring and summer quarters of the year, until the elements of the economic program are put into place.

At the same time, following several more months of disappointing price performance, the general rate of inflation is expected to begin to improve. Barring further oil disruptions or crop problems, that improving trend is expected to continue into 1982 and beyond.

You will note that our projection is for a 7.8 percent average unemployment rate for 1981—and that February's unemployment rate was 7.3 percent. That implies some increases during this year as a result of the sluggish economy. However, as economic growth begins to pick up toward the end of the year, the unemployment rate—like inflation—is expected to begin a downward trend.

Representative REUSS. Thank you, Mr. Weidenbaum. Good morning, Congressman Wylie. Do you have an opening statement, by any chance?

Representative WYLIE. No, I do not.

Representative REUSS. All right.

I congratulate you, Mr. Weidenbaum, for tackling before us this question of how the $148 billion a year, when fully effective, income tax rate cut is actually supposed to work. I commend you because you do not make extravagent arithmetical claims about it. You rely on logic and say that if this and this happens, well, then, thus and thus is likely to follow, which I think makes it easier to see what is in the administration's mind.

Let me start the questioning by referring to the political situation as it is today, where anybody who reads the papers and listens to the media has an idea that Congress is pretty favorable to making very considerable cuts in spending, as the administration has requested, and is very favorable to making all manner of reasonable reforms in the regulatory realm, as the administration has requested and as you yourself have for many years been seeking.

Mr. WEIDENBAUM. That's good news, Mr. Chairman.

Representative REUSS. I think that's right. I'm trying to describe the situation. However——

Mr. WEIDENBAUM. Oh.

Representative REUSS [continuing]. Now the bad news. [Laughter.]

When it comes to that $148 billion income tax rate cut over a 3-year phase-in period, there is a very considerable difficulty among Republicans as well as Democrats with the administration's logic. I can assure you that it is a sincere difference and I don't think that you question that. But what that means, it seems to me, is that Congress is going to be debating the cosmic implications of Kemp-Roth for a long, long time.

Now I come to my question: Suppose the Congress in the months ahead, while generally proving itself favorable to the proposed Reagan spending cuts and regulatory reform, in its tax measure rejects the 3-year 30-percent income tax reduction and instead enacts a much less costly tax program; one, let's say, that involved a 1982 revenue loss, not of Mr. Reagan's $54 billion dimensions, but of something on the order of, say, $30 to $35 billion.

Let's suppose, second, that that $30 to $35 billion includes a greater true supply-side component than is contained in the President's income tax rate reduction proposal.

And third, let's suppose that the individual tax cuts are concentrated mainly on low and middle income rather than on higher income people. I believe there is some support among responsible members of Congress of both parties for that kind of an alternative. Suppose Congress follows the scenario I've just outlined. Would you recommend to the President that he sign such a tax measure into law?

Mr. WEIDENBAUM. The President, in the course of wisdom, has stated that he would not make a decision on a piece of legislation until it reaches his desk. I think I should show the same degree of wisdom and not take a position on a piece of legislation until it reaches my desk.

I can tell you, in all candor, Mr. Chairman, I think the kind of tax proposal you've described would be a most unfortunate one. It is the kind of bill that I refer to in my statement as a "consumption-oriented tax cut of the traditional Keynesian variety." That kind of tax cut, albeit well intentioned, would not achieve the objective of invigorating the economy, restoring incentives to the private sector and, most importantly, increasing the growth rate and productive jobs in the private sector.

It is the income redistribution approach to taxation, which has been tried frequently enough in the past and has failed, in my judgment.

Representative REUSS. Ah ha, we must discuss this immediately and at length because, in all candor, you sound to me like a man who would not recommend that the President sign such a measure into law, and he, in all his statements, indicates that he wouldn't. That means trouble ahead for the economy because I can assure you that the people who hold this view are sincere.

Mr. WEIDENBAUM. I'm not questioning your sincerity, Mr. Chairman.

Representative REUSS. Not only are these people sincere, they are right, which you do question and which we will now go into.

Mr. WEIDENBAUM. I would not question the degree of intelligence on the part of the chairman, which I have observed over a period of years working with him. I will be pleased to vouch for that.

Representative REUSS. But let's look at it on the basis of your objection that this is just warmed over Keynesianism. I think that's demand stimulation.

Mr. WEIDENBAUM. Yes, sir.

Representative REUSS. The light that failed. And my light has now failed for a while, so I will return. Welcome Senator Hawkins, would you give us your statement, please?

OPENING STATEMENT OF SENATOR HAWKINS

Senator HAWKINS. Once again I'm happy to welcome you to the Joint Economic Committee, Mr. Weidenbaum. You are here at an important time. The peak of inflation fever may be receding and we may be able to look forward to a progressive decline in the rate of price level increases. However, I think that we're all aware that our economy has been seriously abused in recent years and is far from being in a healthy condition.

The Consumer Price Index being released today shows that inflation must still be a major concern of economic policymakers. Prices have

risen in most major expenditure categories and have risen most sharply in the energy category. Energy prices have been artificially low for years now. We have been feeding out of the low-energy-price trough as if there were no tomorrow. Our way of life has been built around the myth that energy prices could somehow be held below the market price level.

Clearly, gas price hikes have influenced the current CPI. But we would be in a worse fix if our President had not faced up to reality and let the market system, rather than Government controls, establish the supply and price of petroleum products. And look what rapid deregulation is causing—the U.S. oil imports have dropped from close to 9 million barrels a day in early 1979 to around 5.5 million barrels today. We are edging toward a much sounder national security footing thanks to the President's bold economic program.

We are well aware that the policies of the past have rewarded present consumption rather than investment for America's future. The policies of the past have sought to redistribute wealth rather than to create wealth and in the process of creating wealth to expand the income-earning opportunities for all.

To deal with these problems, Americans elected a new President and have embraced a new philosophy. Our economic program is an integrated package that deals with a serious program of monetary stabilization, regulatory reform and fiscal policy. Our fiscal policy would reduce both revenues and expenditures of Government as a proportion of the economy. We feel that the share of revenues commanded by Government must be reduced if we are to encourage savings, new investment, and restore the productivity of America.

You and I share, I believe, with the majority of Americans, a commitment to the President's economic program. I have always been interested in reading your writings and also in listening to you participate.

I commend you because the CEA has three members and until recently, Mr. Weidenbaum has been doing the work of all three. Now I understand that he is doing the work of one and a half people and it's wonderful to see you so relaxed.

I do have a question that I'd like to ask you. As usual, the Senate has—the Labor Committee is meeting, the Joint Economic Committee is meeting, and I had to introduce a new member of the subcabinet at another committee all at the time. To what extent do each of the four elements in the program need to be in place to make the President's economic program work?

Mr. WEIDENBAUM. Thank you, Senator Hawkins, for that fine statement. I think, very frankly, that it's essential that all four be in place. We've developed this as a comprehensive program and each part reinforces the other, so that the supply-side oriented tax cuts, the 30-percent reduction in those high and marginal rates, is essential, both for energizing the private sector and, very frankly, for reducing the unemployment rate so as to reduce the demand for the entitlements that are driving up the expenditure side of the budget.

Senator HAWKINS. How much more increase in energy prices can be expected, in your opinion?

Mr. WEIDENBAUM. I think that March will be, and certainly is to date, a period of very substantial domestic supply of energy, so that

this is not a period of increase in energy prices. I don't have a specific forecast, but March, to date, quite clearly, is running at a much more stable pace with respect to energy costs and prices than the expansionary period of February.

These are just the facts of the matter.

Senator HAWKINS. What is the underlying rate of inflation?

Mr. WEIDENBAUM. My expectation is that the CPI will be increasing at about 11 percent this year over 1980.

Senator HAWKINS. How much near-term assistance can we expect from the President's program to reduce inflation?

Mr. WEIDENBAUM. I think that the prompt enactment of the program, as we've recommended, would get us below double-digit inflation in 1982, yes, ma'am. It's not a quick fix, very frankly.

Representative REUSS. Congressman Richmond.

Representative RICHMOND. Thank you, Mr. Chairman. Mr. Weidenbaum, in your prepared statement, you seem to have taken this assumption that the proposed tax cut, which you yourself say is scheduled to help wealthier people rather than poor people, is the panacea that will automatically develop more dollars flowing into traditional financial instruments such as savings accounts, stocks, and bonds. I don't know where you get that idea, when you know—let me finish, please—when you know that thrift institutions in the United States have to pay less than 6 percent interest, when you know right now that the average thrift institution is teetering on the brink of bankruptcy because nobody can afford to leave their money in at 6 percent.

Why do you think that this magical tax cut is something that's going to make everything all nice and healthy again?

Mr. WEIDENBAUM. First of all, the primary beneficiaries of the Reagan economic program will be poor people who are out of work now, who will find productive jobs in the private sector.

Second, if you look at the distribution of the tax relief, you will find that the upper income classes will wind up paying a larger proportion of the tax burden and the lower income people will wind up paying a smaller proportion of the tax burden with our tax program than under the status quo.

So I need to correct you in terms of the impressions that you've gotten.

Representative RICHMOND. Mr. Weidenbaum, you mentioned savings accounts. What would you think of giving every American a $1,000 tax exemption for savings? Wouldn't that automatically strengthen your savings banks and your thrifts throughout the United States and automatically rebuild the homebuilding industry, which is in serious shape today?

Mr. WEIDENBAUM. Very frankly, that would not nearly be as helpful as our program, which would bring down inflation. It's high inflation that is the basic problem facing the thrift industry in this Nation.

Representative RICHMOND. What's more deflationary than giving somebody a $1,000 tax exemption and forcing people to put their money into savings banks?

Mr. WEIDENBAUM. The idea of forcing people, forcing private people, I find, very frankly, abhorrent.

Representative RICHMOND. I use the work "force" advisedly, obviously, Mr. Weidenbaum. But if, with a $1,000 tax exemption,

a family which filed a joint return would have $2,000, therefore, they could well afford to put $2,000 back into their savings accounts at 5¾ percent.

That, as you probably know, is the heart of the homebuilding industry.

Mr. WEIDENBAUM. Unfortunately, neither one of us know how much of that would merely be tax relief to people who already save. That's why I think it's so essential to reduce the marginal rates.

Representative RICHMOND. As you obviously know, people are not saving money right now. There's a terrible outflow of billions and billions of dollars per month from savings accounts throughout the United States, flowing out of savings banks. Now if you want to rebuild the homebuilding industry, if you want to get yourself a long-term mortgage, you must go to a savings bank.

Now how can a savings bank give mortgages when they're taking in nothing but short-term paper?

Mr. WEIDENBAUM. I think if we've learned anything it's that quick fixes don't work. We've got to bring down the rate of inflation.

Representative RICHMOND. Why would you consider it a quick fix to give a $1,000 tax exemption for savings?

Mr. WEIDENBAUM. Because I don't think that that would deal with the basic problem facing the thrift institutions in this Nation, which is high interest rates.

Representative RICHMOND. Well, then, getting right back to your own statement, why would this tax cut for rich people increase savings accounts?

Mr. WEIDENBAUM. As I tried to tell you, Mr. Richmond, the major beneficiaries of this tax program are the average citizens. The upper income classes will wind up paying a higher proportion of the tax burden than they now do.

I really hope you can take that into account in your statements. The major beneficiaries of our program are the average citizens and the special beneficiaries are the people out of work now who will find productive jobs in the private sector.

If you just take our tax program at face value, just look at the distribution of the tax burden. I'll be glad to insert the table into the record, if you'd like. Just look at the distribution of the tax burden by income class now and with our tax program and you'll see the upper income classes will pay a larger portion of the tax burden as a result of the Reagan program; the lower income classes will pay a smaller proportion of the tax burden.

Representative RICHMOND. Mr. Weidenbaum, you're automatically assuming that upper income people will take that money and save it. Now I question your assumption. I do not believe that this tax cut is necessarily going to encourage savings, particularly in thrift institutions, in stocks and bonds. It could very well encourage savings in high yield Treasuries, precious metals, land, things that will only fuel the fires of inflation, not help deflation.

Mr. WEIDENBAUM. I share your concern.

Representative RICHMOND. Whereas, if we had an entirely different type of tax cut, such as the tax exemption for savings, we would guarantee ourselves the health of all of our thrift institutions in the United States. My time is up.

Mr. WEIDENBAUM. I share your concern about excessive speculatory investments and spending. I think the underlying reason for them is the expectation of high rates of inflation. Therefore, the sooner we can reduce inflation and inflationary expectations, the worthy objectives that we both agree on will be achieved, in my judgment.

Representative REUSS. Congressman Wylie.

Representative WYLIE. Thank you very much, Mr. Chairman. Mr. Weidenbaum, Senator Hawkins touched a little bit on decontrol of oil. Gasoline prices have gone up 15 cents a gallon in my district. When oil decontrol was announced, it was anticipated that the price of a gallon of gasoline would go up about a nickel. What impact did the decontrol of oil have on the increase in the Consumer Price Index?

Mr. WEIDENBAUM. I'm relying here, Mr. Wylie, on estimates, you appreciate. In February, it's my understanding that approximately 6 cents a gallon is the effect of moving up the decontrol period. In other words, I do not think it is an increase—over the course of the year. The increase in gasoliue prices would be the same over the course of the year, whether the President followed the original schedule or not. It is a question of timing.

I think that of the February increase in gasoline prices, about 6 cents was the timing effect of moving up the decontrol schedule. The rest of that was OPEC increases working their way through the system.

Representative WYLIE. The so-called Producer Price Index for gasoline went up 4 percent from January to February and the Consumer Price Index for gasoline went up 6.6 percent. How do you explain that?

Mr. WEIDENBAUM. I haven't made an analysis of the difference between the PPI and the CPI here. I've learned in the past that there are so many differences in bases and that sort of thing that you can't make a quick comparison there. Very frankly, my understanding is that the basic reason for the increase in gasoline prices and energy prices in 1981 is the movement of U.S. prices in response to the increase in world energy prices.

Representative WYLIE. Could you please analyze the recent fall-off in interest rates? To what extent do you think that is due to expectation that the President's program will be enacted fairly soon?

Mr. WEIDENBAUM. I surely think that that's a very important part of the explanation. I think part of it is the proper response of the economy to the policies of the Federal Reserve System. The Federal Reserve has been, as you know, following a policy of moderately reducing the growth of the money supply. This is very encouraging because that's the basic force to bring down inflation and bring down interest rates since it's inflation and inflationary expectations that have driven up the interest rates in the first place.

Representative WYLIE. One of the problems that we have in knowing where we are going, you alluded to, is the various indexes, the Producer Price Index, the Consumer Price Index, and whether you're going to use the Bureau of Labor Statistics' Consumer Price Index or your consumer price index.

The Bureau of Labor Statistics' Consumer Price Index varies from yours. For example, they indicate that about 45 percent of their Consumer Price Index relates to housing and the increase in the cost of housing, whereas yours does not, I don't think.

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Have you, or will you, consider adding another table to analyze the impact on the cost of housing as far as the Consumer Price Index is concerned?

Mr. WEIDENBAUM. Very frankly, Mr. Wylie, I'm not fully responsive to your question because we don't have any independent measures of the CPI. The administration uses the data from the Bureau of Labor Statistics. So could you elaborate on your question?

We take the numbers of the BLS, which is a fine statistical organization.

Representative WYLIE. The Bureau of Labor Statistics' Consumer Price Index, as I was looking at it last night, I think indicated about 45 percent of their consumer price index as related directly to housing costs. Is that included in yours?

Mr. WEIDENBAUM. As I say, our data are their data. I do not generate any independent consumer price data. But I think, Mr. Wylie, that number reflects the fact, that much of the base of the CPI is housing, which is a very different question from how much of the increase is housing. And, of course, housing prices have not particularly increased.

Representative WYLIE. My time has expired, but I do think that the statistics which were released by the Bureau of Labor Statistics here with reference to the Consumer Price Index might have a little different weight given to the housing factor. But I'll pursue that a little later. Thank you.

Mr. WEIDENBAUM. Thank you.

Representative REUSS. Congressman Brown.

Representative BROWN. Mr. Weidenbaum, first let me suggest to you the possibility that the retail price of gasoline is going up faster than the wholesale price because retailers are now testing the market to find an appropriate price level and because retailers are passing through to the market past OPEC price increases which they were not able to do before. I might add that in surveys that I am familiar with the retail price of gasoline is now declining from the levels of a few weeks ago.

Could I ask you some specific questions with reference to the proposals of the President?

Mr. WEIDENBAUM. Yes, sir.

Representative BROWN. I'd like to get specific about the impact that proposed budget cuts, by themselves, will have on reducing inflation in 1982, 1983, 1984, and 1985. Let's assume that you only get budget cuts. What would be the impact on reducing inflation in those years?

Mr. WEIDENBAUM. Very frankly, Mr. Brown, and I do mean to be fully responsive to your question, we have not made an evaluation of the impact of the specific pieces of our program, be they regulations, be they monetary policies, be they tax reductions, be they expenditure reductions, on the economy.

What we have done is to analyze the total package because, as was pointed out in an earlier comment, the four parts of the program are closely interrelated and reinforce each other. Therefore, it is not feasible to isolate one piece of the program and respond to your question.

Representative BROWN. Are you telling me that there has been no modeling done to separate out these various parts of the program and determine what their impact is on the economy?

Mr. WEIDENBAUM. Yes, sir.

Representative BROWN. How could you do that?

Mr. WEIDENBAUM. On the contrary. What we have done is to assemble a comprehensive, integrated program, the four pieces fitting together and evaluating their economic impact.

Representative BROWN. Would you not compile certain impacts for each part of the program? You are the author of the study done for this committee that, for instance, regulation costs over $100 billion a year. I think in the year that you did it, 1978, it was $100 billion. I think it's higher now.

Mr. WEIDENBAUM. Yes, sir.

Representative BROWN. Certainly, if you reduce regulation by some percentage, there is a specific dollar translation of that which you must have taken into account in your modeling of this program.

Mr. WEIDENBAUM. Very frankly, the reason for the interrelationships are as follows, for example. The expenditure cuts, quite clearly, are vital to bringing down the budget deficit. But so are the tax cuts.

Representative BROWN. I understand that the program is comprehensive.

Mr. WEIDENBAUM. And interrelated.

Representative BROWN. I am trying to get the separation of the various items in the program as a matter of political reality, because it is quite possible that the cuts in spending may pass this Congress, or at least this House, where our friends on the other side of the aisle are in control. That would administer the pain, but the tax cuts might not be passed, which is the balm to try to cure the pain.

Now if you get the tax cuts held up, there isn't anything that the President can do to force those tax cuts to be made. He can veto the cuts that are proposed or he can go over the heads of Congress to the people, but what can he do to force the tax cuts?

Mr. WEIDENBAUM. Very frankly. I think it is a challenge to our persuasiveness to raise the level of economic understanding on the part of the Congress so that you and your colleagues, Mr. Brown, appreciate the close interrelationship of the entire program and the need to vote the tax cuts and the expenditure cuts in tandem.

Representative BROWN. If I can refer to your exchange with Mr. Reuss, I think you have a lot of educating to do, Mr. Weidenbaum. It does not seen to me that there has been much of a reform on the part of those people who are in charge of the Congress about the tax cuts.

Now the spending cuts seem to have been accepted as one of the worthy principles, but the tax cuts don't.

Let me ask you a question in the other direction and I guess I will get the same answer, and that is, What is the impact of your proposed tax cuts alone on reducing inflation in 1982, 1983, 1984, and 1985?

Mr. WEIDENBAUM. Mr. Brown, I will respond the same way. The four parts of the program literally are multiplicative in terms of their impact on the economy.

Representative BROWN. So you're telling me that there is a synergistic effect; one without the other won't work.

Mr. WEIDENBAUM. Precisely.

Representative BROWN. All right. Now what will be the total increase in savings from the 10 percent, 3-year tax cut in 1982, 1983, 1984, and 1985?

Mr. WEIDENBAUM. That is a beautiful example of the interrelationship. Why is the savings rate depressed?

Representative BROWN. I understand all that. I'm just asking for specifics in dollars. What will be the dollar increase in savings from the 10 percent, 3-year tax cut in 1982, 1983, 1984, and 1985?

Mr. WEIDENBAUM. Frankly, in my professional judgment, no one can tell you in the absence of the rest of the program because the savings rate is affected more by inflation and inflationary expectations than it is by a change in the tax rate.

Representative BROWN. Thank you, Mr. Chairman.

Representative REUSS. Let us now return to the question I posed, What if Congress presents you and the President with an alternative tax cut while accepting the other major features of a rigorous spending cut and of regulatory reform?

Your reaction to the proposition I put, which involved three important changes from the administration's tax program, was quite negative. You said it was inflationary, the same old Keynesian stuff we'd had.

Let's take up each element of change and see who is right. Change No. 1 is that the revenue loss of the alternative tax cut I've described, instead of being the administration's $54 billion in fiscal 1982, the year we are talking about, would be on the order of $35 billion.

In other words, there would be less of an immediate budget deficit under this alternative, on the order of $20 to $25 billion.

Mr. WEIDENBAUM. Presumably, there would be less economic growth.

Representative REUSS. Just take one at a time. As a simple matter of arithmetic, there would be $20 to $25 billion less of deficit.

Mr. WEIDENBAUM. But as a simple matter of arithmetic, it is the tax rate times the tax base. My contention is that the tax base would be much higher under our program than under the consumption-oriented alternative that you are describing.

Representative REUSS. But I have not heard anybody in the administration suggest that that would be immediate. In fiscal 1982, if an alternative loses $20 to $25 billion less revenue than yours, the budget deficit is going to be around $20 to $25 billion better; is that not so?

Mr. WEIDENBAUM. That is only if you are using a static analysis that says that the tax program will have the same effect, that both tax programs will have the same effect on the economy, and I just do not think that is true.

Representative REUSS. All right, then I'll use a dynamic analysis. But you would still, however dynamic you may be, have to admit that the overall budget deficit for fical 1982 is going to be less under a tax program which reduces taxes by about $20 to $25 billion less than the administration proposal, do you not?

Mr. WEIDENBAUM. Perhaps. That's the best I can say.

Representative REUSS. All right, we'll go on to the next point. I'll settle for the "perhaps." [Laughter.]

Mr. WEIDENBAUM. Or "maybe," if you prefer. [Laughter.]

Representative REUSS. That's better still. Then the second element in the alternative that I put to you was that it would contain within its four corners a larger true supply side element; that is to say, It wouldn't be as skewed toward an individual income tax rate cut as the administration's proposal. It would have more things in it, percentagewise, like the administration's liberalized depreciation, which principle many of us support.

Now if Congress thickened things a bit on the true supply side, does that bother a supply-side administration?

Mr. WEIDENBAUM. I welcome you, Mr. Chairman, to the ranks of the supply-siders.

Representative REUSS. True supply-siders, right.

Mr. WEIDENBAUM. A true supply-sider would be very anxious to give the highest priority to reducing the high marginal personal income tax rates.

Representative REUSS. Well, that brings up the definition of who's a true supply-sider and who are demand-siders masquerading in supply-side vestments, which would be unedifying and I will not go into it now. [Laughter.]

But won't you admit that liberalized depreciation has something to be said for it as a supply-side measure, and that a little higher percentage would not be all that bad? Or are you so dug in, and if so, so state, that you'll recommend a veto if Congress changes a comma in the tablets brought down from Mount Sinai.

Mr. WEIDENBAUM. I must say that I find some charm in the juxtaposition of roles, Mr. Chairman. As the representative of a Republican administration, I am urging great emphasis on a tax cut program benefiting families and individuals and, apparently, the alternative of my Democratic friends is the more business-oriented tax cut.

I say that I see some charm in the comparison.

Representative REUSS. Passing that point of charm, we'll go on to my third point which bears on this. [Laughter.]

The third difference in the alternative I proposed would put more of the benefits of the individual income tax rate cut on the lower and moderate income people.

I refer you to your own prepared statement this morning and I quote, where you say: "The reduction in marginal rates on personal income should, by increasing the after-tax return for working, increase the supply of labor by making overtime more rewarding, for example."

Well, certainly, that is a consummation devoutly to be wished, but won't you get more of that if you give a larger part of the income tax rate cut to moderate-income people, i.e., working people? They're the ones who make overtime. If you want to make more overtime, give them more of the benefits of the tax cut What's wrong with that?

Mr. WEIDENBAUM. That is, as I say at the bottom of the page, "the consumption-oriented tax cut of the traditional Keynesian variety," which, very frankly, does not achieve the purpose of providing powerful incentives to increase saving, investment, work effort, across the entire range of the income distribution.

Ours, very frankly, is not an effort to redistribute more evenly a static income pie, but to increase the size of that income pie so that everyone will have an absolutely larger slice of that income pie.

Representative REUSS. I really find it preposterous that—at one and the same time—you say give workers, wage-earners, and those who make overtime, a break so they'll work more overtime and work harder. But then you attack your own program by saying that's one of those consumption-oriented tax cuts of the traditional Keynesian variety.

Search your soul to see if you aren't an inadvertent, closet Keynesian. [Laughter.]

Mr. WEIDENBAUM. I'm glad that you gave me the opportunity to correct any misimpression. My criticism in my prepared statement, of course, was aimed at what I take is the alternative. The tax program that we have developed in the Reagan administration does emphasize the supply side of the economy by urging a 30-percent reduction in marginal rates across the board.

I think the distribution of the tax reduction across the board serves both the cause, the equity, and simultaneously, economic growth.

Representative REUSS. My time has again expired. Congressman Wylie.

Representative WYLIE. Thank you, Mr. Chairman. Mr. Weidenbaum, I want to go back, if I may, for a minute to my question about the impact of housing on the Consumer Price Index and how it is weighted in the Consumer Price Index.

The Joint Economic Committee gets out a report called "Economic Indicators," prepared for the Joint Economic Committee by the Council of Economic Advisers.

Mr. WEIDENBAUM. Yes, sir.

Representative WYLIE. I wonder if it would be possible to have a breakout, since housing costs have such a huge impact on the Consumer Price Index, as to what impact housing does have on the Consumer Price Index. I think that's really the point I wanted to make there. I think maybe that the Bureau of Labor Statistics, when they put their report out, do something like that.

More particularly, there is substantial disagreement, for example, among economists as to the extent of weighting given to mortgage interest rates each month. That's just one figure.

But I notice that, or have seen in the paper, some talk about changing the base for the Consumer Price Index. One of the suggested changes related to the weighting of housing costs. Am I correct about that?

Mr. WEIDENBAUM. Mr. Wylie, I think you're absolutely right. You've called something to my attention that deserves our high priority action. What we have done is to maintain the format of the Consumer Price Index, page 23 of the Economic Indicators, which we've inherited from the past, and I think it needs to be updated. I think that we should give immediate attention to putting the housing component in here.

I'll be pleased to give that the highest priority and report back to you just as soon as I can.

Representative WYLIE. Thank you very much. I feel rehabilitated. An increase in payroll tax and an increase in the minimum wage went into effect in January. To what extent did they influence the February figures, the increase in the Consumer Price Index?

Mr. WEIDENBAUM. I don't have the breakdown because in the available data, that isn't broken out. But, quite clearly, those are elements of cost-push inflation. I'd be pleased to provide them for the record.

Representative WYLIE. All right, if you would, please, and maybe an estimate as to what extent they might show up in future figures on the Consumer Price Index, say, over the next 6-month period.

[The following information was subsequently supplied for the record:]

Increases in payroll taxes and in the minimum wage do not enter directly into the consumer price index, or into any other price index. However, both do raise labor costs and therefore, eventually and indirectly, may raise prices and the price indexes. The eventual inflationary effect depends crucially upon the course of broader fiscal and, especially, monetary policy.

The payroll tax increase is likely to raise the annual rate of growth of labor compensation per hour by about ½ percentage point, or a little more, over the course of 1981. It is much more difficult to put a number on the effects of the minimum wage, as there is less statistical evidence to pinpoint the exact size of an effect of such a change. It is not unreasonable to expect the effect of this change to be well under ¼ percentage point.

Even given the eventual magnitudes of these effects, it is not possible to measure their effect on month-to-month changes in price indexes. The timing of the effects depends upon individual business's pricing policies and how they choose to pass on their cost increases as well as on demand in product markets.

Representative WYLIE. Thank you very much. I appreciate your testimony. Thank you, Mr. Chairman.

Representative REUSS. Congressman Richmond.

Representative RICHMOND. Thank you, Mr. Chairman. Mr. Weidenbaum, the President has suggested reductions to the budget of roughly $52 billion. Is that correct?

Mr. WEIDENBAUM. Yes, sir.

Representative RICHMOND. Now you, as an economist, have factored all that into your eventual suggestions about the future of inflation and the economy.

Now if those $52 billion of items happen to be a different set of $52 billion of items, in other words, if the present items which basically hurt 300 different programs in the United States, poor people and whatnot, were to be transferred to perhaps cover everybody—I call it more of a "share the burden" budget—what would that do to your economic forecast?

Mr. WEIDENBAUM. It might not do much. It really would depend, very frankly, on what the distribution of those expenditure cuts were compared to ours. I can tell you the rule we followed: Good budgeting is the uniform distribution of dissatisfaction.

Representative RICHMOND. Good budgeting is the uniform—give me that again.

Mr. WEIDENBAUM. Good budgeting is the uniform distribution of dissatisfaction. We try to carry it out to the best of our ability. Except for the truly needy, there were no sacred cows.

Representative RICHMOND. Mr. Weidenbaum, we finally found something that you and I agree on, then?

Mr. WEIDENBAUM. Great.

Representative RICHMOND. In other words, you would say, therefore, that if the Congress, in its infinite wisdom, changes many of these budgetary items, so they don't close day care centers, so they don't close senior citizen centers, so that they don't cut out child nutrition programs, and instead, perhaps, share the burden elsewhere by increasing user fees and excise taxes and so forth, it really would make no particular difference to your bottom line economic forecast. Is that correct?

Mr. WEIDENBAUM. Please don't interpret my agreeing with the specific rearrangement of the budget you spelled out. I did, very frankly, try to identify the low priority or the ineffective or the postponable items in the budget, and those are the cuts that we recommended.

However, in all candor, I expect the final results that come out of the Congress to bear the imprint of the Congress. I don't expect the Congress to dot every "I" or cross every "T" in the President's proposals. I expect a reasonable amount of changes to be made.

Representative RICHMOND. Thank you. I'm glad that we found one little item of agreement. Mr. Wylie's comment on the CPI is particularly pertinent. How would you feel about changing the CPI so that it didn't include such a large housing factor because, after all, how many of us buy houses every single year? As you know, the inflation rate in the United States is unfairly skewed because of that housing factor, which basically, affects very, very few people in any given year.

Mr. WEIDENBAUM. I think we're again in agreement here with the shortcomings of the Consumer Price Index. I will note that this month, the so-called experimental indexes, the ones that do try to improve the coverage of housing, show about the same inflation rate that the overall CPI shows.

The point that I call to your attention is on the upswing, and this is a technical point: As the inflation rate increases, the CPI tends to overestimate the inflation. But as inflation slows down, as interest rates come down, then the CPI might swing the other way and underestimate the inflation rate. That makes it very difficult to figure out at what point do you switch to a new kind of CPI.

Representative RICHMOND. Why does the administration want to wait until 1985 before they switch to a new CPI, when everyone seems to agree that the housing factor is far too heavily weighted for a monthly index?

We eat every day, but we certainly don't buy a house every year or every 5 years.

Mr. WEIDENBAUM. We've been very concerned about maintaining the accuracy, the integrity of the CPI.

Representative RICHMOND. But if we have something that's not accurate to start with, why should we wait until 1985 to change it? Why not change it now?

Mr. WEIDENBAUM. I'll give you my personal view, very frankly. I've tried to make it as clear as I could that the career, professional people in the Bureau of Labor Statistics are preparing that index to the best of their ability. They truly are, in my judgment. And therefore, I think any changes should be made in an objective, professional manner and should not be made hastily by a new administration.

I would hope that in the course of the next 4 years, we'll see improvements in the CPI, but on an objective, nonpartisan basis that you and I could agree with.

Representative RICHMOND. Thank you, Mr. Chairman.

Representative REUSS. Senator Abdnor, are you ready?

Senator ABDNOR. No.

Representative REUSS. Then I'll recognize Representative Brown.

Representative BROWN. Thank you, Mr. Chairman. Mr. Weidenbaum, it appears that we are approaching again record-low savings rates. Would you tell us what the savings rates during the first quarter of this year have been?

Mr. WEIDENBAUM. Approximately, because the first quarter, as you know, isn't over, but approximately down to 4 percent, Mr. Brown.

Representative BROWN. That's pretty low.

Mr. WEIDENBAUM. That is much lower than the 7 percent which has been the historical norm.

Representative BROWN. Can you tell me what affects that?

Mr. WEIDENBAUM. I think inflation is the major reason for the depressed saving rate and the expectation of high inflation.

Representative BROWN. And so if inflation is the precursor of low savings, can you tell me what the prospects are for the response to the 10-percent tax cut in terms of that savings rate? Just the rate. I'm not asking for dollars now. I've given up on that.

Mr. WEIDENBAUM. The Treasury Department has recently prepared with the assistance of OMB and the Council of Economic Advisers, a very detailed analysis of the saving and investment flows that are anticipated. They have estimates of personal saving and business saving. The estimates rise from 4.1 percent—this is personal saving as a percent of GNP—4.1 percent in 1981; 4.5 percent, 1982; 4.8 percent in 1983; 4.9 percent in 1984; 5.1 percent in 1985; 5.3 percent in 1986.

I also have data on business saving, if you'd like that.

Representative BROWN. I'm more interested in the personal savings. This is not a percent of personal income; this is a percent of the GNP.

Mr. WEIDENBAUM. Yes. I can do it in terms of percent of disposable personal income.

Representative BROWN. Would you please do that?

Mr. WEIDENBAUM. It is 6.6 percent in 1982; 7.0 in 1983; 7.2 in 1984; 7.5 in 1985; 7.9 in 1986.

Representative BROWN. That's based on the anticipation or the fact of less inflation?

Mr. WEIDENBAUM. That's based on expected developments.

Representative BROWN. I know. I understand the estimates. But are those statistics related to the expected actual inflation rate?

Mr. WEIDENBAUM. Oh, yes.

Representative BROWN. Are you suggesting that the public will react with increased savings when they think that the rate of inflation is going down?

Mr. WEIDENBAUM. First of all, these numbers are consistent with our economic scenario.

Representative BROWN. But I'm still startled that you can't break them out and ascribe them to the tax cut or to the cuts in expenditures.

Mr. WEIDENBAUM. For a very simple reason. As a consumer, I don't segregate my income and my expenditures as to how much comes out of my pre-existing income, how much of it comes out of a tax cut. Money is fungible.

Representative BROWN. Money is fungible, but the fact is that it does change. Would you not concede as to how much will be saved in a high-inflation period and how much would be saved in a low-inflation period?

Mr. WEIDENBAUM. Yes, and much more would be saved in a low-inflation period.

Representative BROWN. And we now have a high-inflation period.

Mr. WEIDENBAUM. Yes, sir.

Representative BROWN. And so the savings rate might be quite limited out of that 10 percent tax cut; is that not correct?

Mr. WEIDENBAUM. It might be, but I don't think it will be.

Representative BROWN. On what basis do you make that assumption?

Mr. WEIDENBAUM. Because the tax cuts are part of a package which will reduce the inflation rate and reduce inflationary expectations. Reducing the budget deficit——

Representative BROWN. Now let me make it clear. Let me try and clarify your response. Are you telling me that people will increase their savings because of what the current inflation rate is or what they anticipate the inflation rate will be?

Mr. WEIDENBAUM. It's the latter. I believe it's the expectation of future inflation as the driving factor affecting saving rates.

Representative BROWN. Well, now, we just decided, I thought, that the current inflation rate was what made a difference in saving: that the savings rate does track the inflation rate. It goes down when the inflation rate goes up, it goes up when the inflation rate goes down.

Mr. WEIDENBAUM. Not on a one-for-one basis. Quite clearly, the current inflation rate affects savings rates and especially the expectation of future inflation. It's not an either/or; it's both, very frankly.

Representative BROWN. Thank you, Mr. Chairman.

Mr. WEIDENBAUM. Thank you.

Representative REUSS. Let me just recapitulate because I know that you have the usual rigorous schedule this morning. Am I right?

Mr. WEIDENBAUM. I'm at the committee's disposal.

Representative REUSS. I have a note that you'd like to leave at 11:15.

Mr. WEIDENBAUM. Yes; but I'm at the committee's disposal.

Representative REUSS. You're very kind and we won't detain you unduly. We consider you an excellent witness and a good friend.

Mr. WEIDENBAUM. Thank you, sir.

Representative REUSS. Having said that, let me return to my difference. [Laughter.]

To recapitulate without going all through it again: I presented to you an alternative to the administration's tax reduction program. The alternative would be a tax reduction program that was considerably smaller in amount, of which a larger percentage would be available on the supply side, the business side; and of which the demand side, the income tax rate cut, took some of the benefits in the President's program that go to affluent people and distributed these benefits to not-so-affluent people, the moderate income people.

You, and such is surely your right and duty, don't like that alternative. You suggested that probably it would be that the administration isn't going to tell us what it will accept until we enact something and send it up to the White House.

Well, I call your attention to your ending note, the coda on your testimony this morning, in which you predict a 0.5-percent increase in

unemployment later this year and a sluggish spring and summer. That means about 500,000 people will be thrown out of work in our country.

I am quite confident that if the administration could see its way clear to cooperating with the Congress, it could secure quite prompt passage, in a matter of weeks, of an alternative tax program of the general nature that I've described. And I'm also quite clear in my mind that speedy enactment of such a tax program would save the jobs of many, many of those 500,000 people who, under your scenario, are going to lose them this year.

I, therefore, implore you to take up in the highest counsels—to which, fortunately, you have access—and see if you can't get the administration to come down off its high horse and talk to Congress about a tax program that, in the judgment of many of us, would be more beneficial to the people of the country.

Mr. WEIDENBAUM. Mr. Chairman, in that statement of mine that you referred to, I referred to a "disappointing 1981, which is the inevitable legacy of the stop-and-go policies of the past." I fear the alternative that you describe would be another example of the stop-and-go policy.

I share your concern. In fact, this is why I raised the concern of the weak economy that could face us for the remainder of the year, why I think it's so important for Congress to act promptly on our program.

Incidentally, my view of a supply-side tax policy is one that emphasizes greater saving, as well as greater investment, and the bulk of the saving would be done by people, by families, by individuals And therefore, the 10-10-10, the 30-percent reduction in the Federal personal income tax rates we propose, is at the heart of a supply-side oriented tax program because it reduces the high marginal rates which are now such a powerful depressant to private saving, to private investment.

Representative REUSS. Well, I would just end the colloquy on this point by saying that what to you seems like a stop-and-go policy, to me seems like a policy where you in the administration are saying stop and where some of us are saying, let's go.

I would hope that in the weeks ahead, the administration would re-examine its position and see whether there isn't room for some compromise.

Mr. WEIDENBAUM. Mr. Chairman, I'm saying "go, go, go," and that's 10-10-10. [Laughter.]

Representative REUSS. Let me now turn to monetary policy, where, as you recall, I wrote you several days ago on March 19, asking you to furnish us this morning with the specific monetary growth targets that the administration's economic plan is based on. That's one of the things that we haven't had and, of course, it's essential.

Mr. WEIDENBAUM. Mr. Chairman, we have not been as presumptuous as to indicate to the Federal Reserve System specific targets for specific periods. What we have done is to indicate that between 1980 and 1986, a 50-percent reduction in the growth rate of money and credit would help achieve the objectives of our program. We've encouraged the Federal Reserve System to embark upon a monetary policy consistent with that.

It's my understandlng they have. Therefore, I am pleased to continue to encourage them to follow a policy of monetary moderation and monetary responsiveness.

Representative REUSS. Yes. I am one of those who find no fault with this administration presuming to issue policy advice which can be taken or left to the Fed. I think the policy advice is wrong-headed, but you're right to issue it if it is clear.

What monetary growth do you expect to achieve as the base of your program, if your advice is followed?

Mr. WEIDENBAUM. There is no unique path of monetary growth. Consistent with our projections, there are a variety of fluctuations in the monetary aggregates and in velocity which would achieve our objectives.

Now in a prior statement to another committee, I did urge the Federal Reserve, contrary to last year, where they operated at one end or beyond their target range, I urged the Federal Reserve System to try harder to stay at the midpoint, within the middle of their range. It's my understanding that is how the Federal Reserve policy has been performing, especially more recently, since my statement, which may be happy coincidence.

Representative REUSS. Well, I'm still puzzled at how you get the growth figures you do without knowing what your monetary supply is going to be. And specifically, as I view the monetary targets which you advise the Fed to follow, that isn't going to provide enough money to meet your targets.

Therefore, I'm led to the conclusion that you all must be including in your calculus an absolutely unprecedented increase in velocity, because I frankly suspect that that's what you've got hidden away in the safe some place. I'd love to hear it.

Mr. WEIDENBAUM. First of all, technically, we're referring to the growth of nominal GNP. Velocity and monetary growth are related to nominal GNP. If you look at the nominal GNP the we're forecasting for 1981, it's 11.1 percent, which certainly is consistent—if anything, it's a little lower than the 11.3 percent, which is the composite of private forecasters, according to the authoritative "Blue Chip Economic Indicators" I cite in the table in my prepared statement.

Look at next year. We have 12.8 percent nominal GNP. Again, the composite is 13.0. I think we have a very reasonable expectation of economic growth, consistent with the bulk of private forecasters. Hence, monetary policy, that is the growth of the money supply and velocity, could be in normal ranges and help achieve the objectives that we've depicted.

Representative REUSS. And what are those velocity targets?

Mr. WEIDENBAUM. We don't presume to provide velocity targets. I just point out that a variety of reasonable combinations of growth in monetary aggregates and accompanying velocities that could achieve eigher the 12.8 percent growth in nominal GNP we forecast, or a slightly higher, which might be a higher velocity, the 13, that private forecasters are projecting for 1982.

Representative REUSS. That's just the kind of information which would be very helpful to the committee. Would you furnish when you review your testimony some examples of velocity scenarios which,

coupled with our monetary increase scenario, will give you the growth, nominal or real, that you envisage?

Mr. WEIDENBAUM. I will be pleased to respond to your question for the record, to the best of my ability.

[The following information was subsequently supplied for the record:]

VELOCITY SCENARIOS

To give some idea of the range of velocity growth rates consistent with a steady reduction in money growth over time and our nominal GNP assumptions, we provide six velocity growth scenarios. These are derived using the Federal Reserve 1981 growth target ranges for M-1B and M-2, reducing the target ranges one-half percentage point in each subsequent year. The three scenarios for each aggregate are based on the upper limit, midpoint and lower limit of the respective ranges. (The Federal Reserve has not announced target ranges for the monetary base.)

VELOCITY SCENARIOS

[Percent change, 4th quarter to 4th quarter]

	Velocity (M-1B)			Velocity (M-2)		
Money growth assumption	Lower end of range	Midpoint of range	Upper end of range	Lower end of range	Midpoint of range	Upper end of range
1981	7.7	6.4	5.2	5.2	3.7	2.3
1982	10.0	8.7	7.4	7.4	5.9	4.4
1983	9.1	7.8	6.5	6.5	5.0	3.5
1984	8.0	6.7	5.4	5.4	3.9	2.5
1985	8.0	6.7	5.4	5.4	3.9	2.5
1986	8.0	6.7	5.4	5.4	3.9	2.5

Note: Nominal GNP is from administration's economic scenario, and for this presentation does not change with varying assumptions of money growth. In 1981 M-1B growth ranges from 3½ to 6 percent and M-2 growth ranges from 6 to 9 percent. In each successive year, both ranges shift downward by ½ percentage point (e.g., in 1986 the growth ranges are 1 to 3 percent and 3½ to 6½ percent for M-1B and M-2, respectively).

Representative REUSS. Thank you very much. Congressman Wylie.

Representative WYLIE. Mr. Chairman, you suggested to Mr. Weidenbaum a little earlier that he seek the highest counsel in the administration to develop an economic policy. It was my impression that you are the highest counsel.

Mr. WEIDENBAUM. The President, I think, is the gentleman that the chairman referred to. He is the highest authority, the ultimate decisionmaker in the executive branch, and also, I'm pleased to say, the No. 1 economic communicator. I'm a pale second in that connection, I reluctantly admit.

Representative WYLIE. If that's a clarification, I'll accept that. I think that you've performed very well this morning and I have no further questions at this time, Mr. Chairman.

Mr. WEIDENBAUM. Thank you, sir.

Representative REUSS. Congressman Richmond.

Representative RICHMOND. Just briefly, Mr. Chairman. Mr. Weidenbaum, in theory, I think we both agree that whatever Congress does this year should materially encourage savings, correct?

Mr. WEIDENBAUM. Yes, sir.

Representative RICHMOND. That of all the westernized nations, we're far below the next-most-industrialized nation. Every other westernized nation saves beween 7 and 12 percent of their annual income, right, or even more.

Mr. WEIDENBAUM. Your point is very valid.

Representative RICHMOND. Now how do you feel—let me just ask you the question again—about a very, very simple $1,000 per individual, or $2,000 per family, tax exemption which, it appears to me in my very simple mind, would instantly encourage people to go right back to their established savings and thrift institutions and recapitalize them.

Mr. WEIDENBAUM. Mr. Richmond, I don't think it's a bad idea; it's just I think we have a better idea. That's what it really boils down to.

Representative RICHMOND. Mr. Weidenbaum, at least my idea is a sure one. In other words, people wouldn't get the exemption unless they actually saved money in a thrift institution.

Mr. WEIDENBAUM. It's a sure reduction in tax collections.

Representative RICHMOND. It's also a sure increase in the use of savings banks and thrift institutions because right now, at 5½ percent, no one can afford to save money at a thrift institution.

Mr. WEIDENBAUM. I'm not convinced, very frankly, that you would get much of an increase. I think you would get more of an increase in the thrift institutions from the prompt adoption of the President's program.

Representative RICHMOND. If you didn't get much of an increase, then you wouldn't need much of a tax exemption, right? So therefore, my idea for giving people a $1,000 personal tax exemption for savings is a sure winner no matter how you slice it.

Mr. WEIDENBAUM. I found over the years that those narrowly targeted tax incentives are not very productive.

Representative RICHMOND. Except don't you think in order to keep the entire Nation's thrift industry alive, we ought to do something that's narrowly targeted, quickly, clean and very simple?

Mr. WEIDENBAUM. No, sir. I don't think that the public's interest is served by narrowly targeting benefits to specific industries.

Representative RICHMOND. Thank you, Mr. Chairman.

Representative REUSS. Thank you. Senator Abdnor.

Senator ABDNOR. Mr. Weidenbaum, just looking at the Department of Labor statistics, I was noticing that food and beverages come in at an estimated 10½-percent inflation rate a year.

Mr. WEIDENBAUM. Yes, sir.

Senator ABDNOR. During the period of time, do you have any idea what happens to net farm income? I know that's not a large category.

Mr. WEIDENBAUM. I don't have the data with me. I'll be glad to provide it for the record.

Senator ABDNOR. Wouldn't you say it's considerably less, that net income has risen very little?

Mr. WEIDENBAUM. I call your attention to page 7 of the "Economic Indicators," which is a publication that we prepare for the Joint Economic Committee, and you will see the rise in net farm income for various periods. In current dollar, of course, it has been increasing in the last quarter of 1980. There was no increase in constant dollars. It was $8.5 billion, seasonally adjusted annual rates, which is the same as the third quarter. It certainly has been declining markedly. Again, the data show that, as compared with the past.

So in constant dollars, net farm income, Senator, has been going down. The type of data that is not in this table, very frankly, is the net income of farmers for nonfarm activities.

Senator ABDNOR. My point is that I hope we will all realize that even as our food prices are going up, the ones that are producing the food are actually going backward. I think we sometimes lose sight of that. I think it's something that's not brought up often enough. I think sometimes in the metropolitan areas, because of the food prices, there is the idea that farmers and producers are making an exorbiant profit when, in reality, they're going backward all the time. Things like droughts and disasters make it an even more serious situation.

I just wanted to make that point so that we don't lose sight of it While savings are very important, the farmer—while he has little income and savings—has a lot of liability in that farm.

Mr. WEIDENBAUM. The data on page 7 bears out your point, Senator.

Senator ABDNOR. Thank you.

Representative REUSS. Thank you. Chairman Weidenbaum, we are, as always, most grateful and we hope that we'll see you soon.

Mr. WEIDENBAUM. Thank you, Mr. Chairman, and members of the committee.

Representative REUSS. We now stand in adjournment.

[Whereupon, at 11:19 a.m., the committee adjourned, subject to the call of the Chair.]

MONITORING INFLATION

THURSDAY, SEPTEMBER 24, 1981

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

The committee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Henry S. Reuss (chairman of the committee) presiding.

Present: Representative Reuss.

Also present: James K. Galbraith, executive director; and William R. Buechner, professional staff member.

OPENING STATEMENT OF REPRESENTATIVE REUSS, CHAIRMAN

Representative REUSS. Good morning. The Joint Economic Committee will be in order for a look at the consumer price figures for August and the overall inflation situation.

We are delighted to welcome before us this morning Hon. Jerry Jordan, who in his previous career in banking was frequently a valued witness before the committee and is now a member of the President's Council of Economic Advisers.

During the spring and summer of 1981, one of the few bright spots in the economy has been the slowing down in the inflation rate with consumer prices during the past 6 months rising at an annual rate of just under 10 percent. The Producer Price Index has been even more encouraging, with the prices of finished goods going up only 5.3 percent at an annual rate for the last 3 months, and intermediate goods rising only 4.4 percent and crude materials increasing 4.7 percent.

It is, however, still not clear that this relief will be only temporary, with worse inflation yet to come. So today we shall be discussing not only the current inflation situation, but we will also explore where we may be going and what policy direction we should be taking.

Senator Paula Hawkins and Congressman John Rousselot have prepared opening statements and since they are not able to be here at the moment, under the rule and without objection, their statements are received in full in the hearing record; and also the press releases entitled "The Consumer Price Index—August 1981" and "Real Earnings in August 1981."

[The opening statements and the press releases follow:]

OPENING STATEMENT OF SENATOR HAWKINS

It is a pleasure to welcome you to the Joint Economic Committee, Mr. Jordan.

We are increasingly concerned that the consumer price index actually exacerbates the inflation it is designed to measure.

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A lot of people do not realize the CPI is based on the spending habits of Americans in 1972 and 1973. It does not take into account any changes in people's buying habits since then. It does not, for example, reflect the fact that people are buying fewer petroleum products today as a result of the sharp increases in OPEC oil prices in the 1970's.

It also does not take into account the fact that while food is bought regularly and quickly consumed, other things such as houses and automobiles are bought irregularly and held for long periods of time. Many economists direct their criticism of the CPI at what is considered to be a distortion, which counts for 25.8 percent of the overall index.

As the Congressional Budget Office said in a report last June, housing services are consumed over a long period, and their treatment in the CPI as just another commodity means they receive a tremendously large weight compared with other consumer expenditures. Also, a house can be resold, often for a considerable profit. Therefore the higher house prices for more than 90 percent of the population who do not buy a house in any given year are more the equivalent of a decline in the cost of living than an increase.

We trust that the council of economic advisers is seriously rethinking this index.

I look forward to your testimony.

Opening Statement of Representative Rousselot

Providing for Adequate Benefits

Mr. Chairman, inflation drains the Nation's productive potential by expanding entitlement outlays for each increase in the Consumer Price Index. Presently, the Federal Government operates 38 major retirement programs of which almost all are indexed to inflation. As was developed in Tuesday's Joint Economic Committee hearing on social security, reductions in inflation can substantially reduce entitlement program outlays.

The problems of the Consumer Price Index have been stated well in recent years. Primarily, they have focused on the over weighting of the housing component in the CPI, and the fact that this index does not properly take into consideration the substitution effect—that consumers will substitute their purchases with similar goods, like tea for example, when one good they used to purchase, such as coffee, increases in price.

Other possible indices should be explored so that a measure which more accurately measures the rate that prices increase may be used. Recently, some have suggested the Implicit Price Deflator for measuring changes in prices. This measure, proponents point out, takes into account the changes in quantities purchased. The CPI, as you know, is instead a fixed basket measure, using the same basket of goods since 1972. It has also been said that the Implicit Price Deflator provides a more comprehensive measure of prices of goods and services than does the CPI.

Inflation obviously affects the level of federal outlays, taxation, and budget deficits. An accurate inflation measuring index therefore is important as long as federal programs are indexed to changes in prices.

Mr. Chairman, this committee has a mandate to advance policies for stable prices, and I hope this hearing will serve as a forum for a wide range of views on the economy.

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TRANSMISSION OF MATERIAL IN THIS RELEASE IS EMBARGOED UNTIL 9:00 A.M. (EDT) Thursday, September 24, 1981

THE CONSUMER PRICE INDEX--AUGUST 1981

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.8 percent before seasonal adjustment in August to 276.5 (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 0.7 percent before seasonal adjustment in August to 276.5 (1967=100). The CPI-U was 10.9 percent higher and the CPI-W was 10.8 percent higher than in August 1980.

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

On a seasonally adjusted basis, the CPI for All Urban Consumers rose 0.8 percent in August, following increases of 1.2 percent in July and 0.7 percent in both May and June. Most of the slowdown in August was attributable to a smaller increase in the housing component. Nevertheless, housing costs still registered a substantial advance and accounted for over one-half of the August CPI increase. Indexes for transportation, food and beverages, and other goods and services also rose less than in July. The medical care component continued to register a substantial increase, and the indexes for apparel and upkeep and entertainment both

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

Expenditure category	Seasonally adjusted							Unadjusted
	Changes from preceding month 1981							Compound annual rate 3-mos. ended Aug.'81	12-mos. ended Aug.'81
	Feb.	Mar.	Apr.	May	June	July	Aug.		
All items	1.0	.6	.4	.7	.7	1.2	.8	11.5	10.9
Food and beverages	.3	.4	0	-.2	.2	.8	.7	7.5	7.2
Housing	.6	.5	.7	1.3	1.1	1.6	1.0	16.2	12.8
Apparel and upkeep	.8	1.0	.2	-.2	.1	.5	.8	5.7	4.9
Transportation	2.4	.9	-.1	.3	.3	.8	.6	6.8	12.3
Medical care	.9	.9	.9	.9	1.0	1.3	1.3	15.3	11.5
Entertainment	1.0	.5	.2	.5	.4	.2	.7	5.4	6.9
Other goods and services	.6	.7	.7	1.2	.7	.6	.5	7.6	9.8

(Data for CPI-U are shown in tables 1 through 3. See table C for monthly data on alternative CPI measures)

increased more in August than in recent months.

Rising shelter costs accounted for about three-fourths of the 1.0 percent increase in the housing component. Home financing costs rose 1.8 percent, reflecting an increase of 1.3 percent in mortgage interest rates and 0.4 percent in house prices. The indexes for property taxes and property insurance also rose sharply in August. The 1.2 percent increase in rent was the largest in over 12 months. Prices for fuels and other utilities advanced 1.1 percent as charges for electricity, telephone services, and water and sewerage rose substantially. These increases were partially offset by declines in prices for fuel oil -- for the fifth consecutive month -- and in charges for natural gas.

The transportation component advanced 0.6 percent in August, following a 0.8 percent increase in July. Smaller increases in the indexes for public transportation and new cars and a sharp decline in automobile finance charges were largely responsible for the moderation. On the other hand, used car prices rose sharply for the third consecutive month. Gasoline prices continued to decline, but by less than in each of the preceding 4 months.

The food and beverage component rose 0.7 percent in August. Prices for grocery store foods increased 0.9 percent, the same as in July. For the second consecutive month, substantial increases in the prices for beef, pork, poultry, and fresh fruits and vegetables were largely responsible for the advance. Partially offsetting these increases were a sharp decline in egg prices and a small decrease in milk prices. The other two components of the food and beverage index -- restaurant meals and alcoholic beverages -- both increased 0.5 percent in August.

The August rise of 1.3 percent in the medical care component was the eighth consecutive large increase. The index for hospital rooms rose 2.2 percent in August, following substantial increases in both June and July. Professional services charges -- physicians', dental, and other professional services -- rose 0.9 percent. The index for medical care

commodities, which includes prescription and non-prescription drugs and medical supplies, advanced 1.1 percent.

The index for apparel and upkeep rose 0.8 percent in August, compared with an increase of 0.5 percent in July. The introduction of fall and winter wear was largely responsible for the increase.

The indexes for entertainment and other goods and services rose 0.7 and 0.5 percent, respectively, in August, following increases of 0.2 and 0.6 percent in July.

CPI-U Experimental Measures

August increases in the experimental CPI-U measures ranged from 0.9 to 1.2 percent, after seasonal adjustment. (See table C for monthly data on all alternative measures of homeownership.) The CPI-U All Items using rent substitution (X-1) increased 0.9 percent in August, following a 0.8 percent increase in July. The residential rent component increased 1.2 percent, substantially more than in recent months. The CPI-U All Items using outlays with average interest costs (X-5) also increased 0.9 percent in August. The 12-month changes in the all items indexes from August 1980 were 9.5 percent for the CPI-U, X-1, 10.1 percent for the CPI-U, X-5, and 10.9 percent for the CPI-U.

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 0.8 percent. The housing component rose 0.9 percent and accounted for over one-half of the August increase. Homeownership costs advanced 1.0 percent, reflecting a 1.3 percent increase in mortgage interest rates and a 0.4 percent increase in house prices. The index for rent rose 1.2 percent. The index for fuel and other utilities advanced 1.0 percent as charges for electricity, telephone, and water and sewerage services rose sharply. The food and beverage component advanced 0.7 percent in August. Grocery store foods rose 0.9 percent, primarily due to sharp increases in beef, pork, poultry, and fresh vegetables. The transportation component increased 0.6 percent. Increases in used car prices and public transportation were partially offset by declines in automobile finance charges and gasoline

prices. Apparel prices rose 0.5 percent in August, and the index for medical care increased 1.0 percent. The indexes for entertainment and other goods and services rose 0.7 and 0.5 percent, respectively, in August.

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

Expenditure category	Seasonally adjusted								Unadjusted
	Changes from preceding month 1981							Compound annual rate 3-mos. ended Aug. '81	12-mos. ended Aug. '81
	Feb.	Mar.	Apr.	May	June	July	Aug.		
All items	.9	.6	.4	.6	.7	1.2	.8	11.2	10.8
Food and beverages	.2	.4	0	-.2	.3	.8	.7	7.3	7.2
Housing	.6	.5	.7	1.3	1.1	1.8	.9	16.6	12.7
Apparel and upkeep	.5	.7	.6	0	.1	.9	.5	5.9	5.6
Transportation	2.4	.8	-.1	.3	.2	.9	.6	6.8	12.5
Medical care	.9	1.0	.8	.7	.9	.7	1.0	11.3	10.6
Entertainment	1.2	.3	.3	.3	.3	.4	.7	6.0	7.0
Other goods and services	.6	.7	.6	1.2	.6	.6	.5	6.7	9.1

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

CONVERSION OF THE CONSUMER PRICE INDEX TO 1977=100 STANDARD REFERENCE BASE

Background

Effective with release of the January 1982 index, the standard reference base period for both the Consumer Price Index for All Urban Consumers (CPI-U) and the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) will be 1977=100. Rebasing of the CPI and other Federal indexes to 1977 is mandated by the Office of Federal Statistical Policy and Standards (OFSPS). The base period for general-purpose Federal index series is revised approximately every 10 years. In announcing the latest rebasing, OFSPS noted that base periods are changed in order to "facilitate the visual comprehension of rates of change from a base period that is not too distant in time."

Effect of Conversion

Rebasing of the CPI is a straightforward arithmetic operation which does not alter the picture of economic events which it provides. Percent changes computed from the CPI will be the same, except for small differences due to rounding, regardless of whether the 1967=100 or 1977=100 series is used. For example:

Base Period	Ann. Avg. 1977 index	June 1981 index	Increase in index points	Percent increase
CPI-U (1967=100)	181.5	271.3	89.8	49.5
CPI-U (1977=100)	100.0	149.5	49.5	49.5

Rebasing of the CPI does not involve changes in the base period expenditure weights, which continue to relate to 1972-73. The method employed in converting to the 1977=100 reference base does not affect the continuity or statistical comparability of the index series.

Scope of Conversion

All Consumer Price Index series which currently have a base period on, or prior to, January 1977 will be rebased. Historical data for rebased series will be available from the Bureau of Labor Statistics in machine-readable as well as hard-copy form. As a convenience to users, BLS will continue to publish all items indexes, for the U.S. city average and for the 28 local areas for which CPI's are available, on their current reference base, i.e., 1967=100, in most cases. Publication of index series on the 1957-59=100 reference base will be discontinued effective with release of data forJanuary 1982.

Method of Conversion

In practice, the BLS will convert the 1967=100 base CPI series to the 1977=100 base by dividing each value in the 1967 base series by its 1977 annual average, multiplying the result by 100, and rounding that product to one decimal place. For example, the U.S. city average all items CPI-U for June 1981 is 271.3 on the 1967=100 reference base. The 1977 annual average value for this series, again on the 1967=100 base, is 181.5. The June 1981 value for the CPI-U on the 1977=100 reference base is thus:

$$\frac{271.3}{181.5} \times 100 = 149.5$$

From the equation above it can be seen that a 1967 base series can be derived from the 1977 based series:

$$149.5 \times \frac{181.5}{100} = 271.3$$

For users who wish to maintain a 1967 based series after introduction of the new reference base, BLS will publish a set of conversion factors, based upon the above relationship, which can be used make the conversion from a 1977 base to a 1967 base. BLS will also publish conversion factors which will enable users to convert all items indexes on the 1977 base to the 1957-59=100 base.

Note to Index Users

As noted earlier, percent changes in an index series will be the same, except for small differences due to rounding, regardless of whether they are computed from the 1977 or 1967 base series. The same is not true, however, for changes measured in terms of index points. This can be seen clearly from the example given in the section "Effect of Conversion." Some escalator agreements, such as in wage or rental contracts, employ index point changes in CPI series for adjusting payments. Users who chose to switch from the old to the new reference base in such situations should be aware that doing so could have a substantial effect on their adjustments.

Table C. Official CPI-U and Experimental Measures using alternative approaches to homeownership costs: 1967=100.

Group	Relative importance	Unadjusted indexes		Unadjusted percent change to Aug 1981 from		Seasonally adjusted percent changes from-		
	December 1977	July 1981	Aug. 1981	Aug. 1980	July 1981	May to June	June to July	July to Aug.
ALL ITEMS								
CPI-U	100.0	274.4	276.5	10.9	0.8	0.7	1.2	0.8
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)	100.0	249.0	250.8	9.5	0.7	0.6	0.8	0.9
CPI-U-X2 (User Cost Current Interest)	100.0	269.3	271.6	13.9	0.9	0.6	1.1	1.2
CPI-U-X3 (User Cost Avg. Interest) ..	100.0	260.1	262.1	13.2	0.8	0.4	1.1	1.0
Outlays Measures								
CPI-U-X4 (Current Interest)	100.0	269.8	271.8	10.9	0.7	0.6	1.1	0.9
CPI-U-X5 (Average Interest)	100.0	260.5	262.3	10.1	0.7	0.7	0.8	0.9
HOMEOWNERSHIP								
CPI-U	22.8	358.0	361.8	14.7	1.1	1.5	2.1	1.1
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)[1]/.....	14.5	207.8	210.3	8.9	1.2	0.4	0.5	1.2
CPI-U-X2 (User Cost Current Interest).	11.4	358.0	364.7	42.0	1.9	1.6	2.8	2.8
CPI-U-X3 (User Cost Avg. Interest) ..	10.0	282.4	286.9	44.6	1.6	0.5	2.0	2.6
Outlays Measures								
CPI-U-X4 (Current Interest)	10.0	428.0	434.6	21.0	1.5	1.8	2.3	1.3
CPI-U-X5 (Average Interest)	8.7	311.7	315.9	15.2	1.3	1.1	1.1	1.3

[1]/ Residential rent, not seasonally adjusted

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 homeowner 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: (1) The weights for this outlays approach include expenditures actually made in the base period for property taxes, property insurance, and 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, and 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 weighted moving average also used in the X-3.

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 about 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 by size of city, by region of the country, for cross-classifications of regions and population-size classes, and 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 122 percent, for example, is shown as 222.0. 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 $22.20.

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), *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978; and *CPI Issues*, Report 593, (Bureau of Labor Statistics, February 1980).

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	236.4
Less previous index	233.2
Equals index point change:	3.2

Percent Change

Index point difference	3.2
Divided by the previous index	233.2
Equals:	0.014
Results multiplied by one hundred	0.014x100
Equals percent change:	1.4

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 adusted 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 actually pay. Unadjusted data also are 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 have replaced 5 years of seasonal data, e.g., data from 1975 through 1979 were replaced at the end of 1979. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components. Each year the seasonal status of every series is reevaluated based upon certain statistical criteria. If any of the 45 selected components changes its seasonal status, seasonal data from 1967 forward for the all items and for any of the 35 other aggregations, that have that series as a component, are replaced.

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 U.S. City Average 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	214.1	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	216.2	9.5	.8	1.0
MEATS, POULTRY, FISH, AND EGGS	242.2	19.4	.9	.1
DAIRY PRODUCTS	203.8	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	14.6	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	4.8
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	13.6	2.4	1.8
NEW CARS	165.8	8.7	.9	1.1
USED CARS	205.4	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	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	205.9	10.5	1.3	1.2
ENERGY 1/	260.8	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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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 1980	Unadjusted indexes July 1981	Unadjusted indexes Aug. 1981	Unadjusted percent change to Aug. 1981 from- Aug. 1980	Unadjusted percent change to Aug. 1981 from- July 1981	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	274.4	276.5	10.9	0.8	0.7	1.2	0.8
All items(1957-59=100)	-	319.2	321.5	-	-	-	-	-
Food and beverages	18.309	268.9	270.1	7.2	.4	.2	.8	.7
Food	17.322	276.2	277.4	7.2	.4	.2	.8	.8
Food at home	12.003	271.6	272.8	6.4	.4	.1	.9	.9
Cereals and bakery products 1/	1.507	272.4	272.6	9.4	.1	.6	.3	.1
Meats, poultry, fish, and eggs	4.047	254.1	255.8	4.2	.7	.4	1.4	1.3
Dairy products	1.603	244.2	243.8	6.1	-.2	.1	.6	-.2
Fruits and vegetables	1.682	284.4	286.1	10.7	.6	-.6	2.3	1.8
Sugar and sweets	.505	360.0	361.3	1.7	.4	-1.9	.2	.9
Fats and oils	.333	269.0	269.2	11.2	.1	-.8	-.2	.2
Nonalcoholic beverages	1.321	410.3	413.1	2.6	.7	.0	-.5	.9
Other prepared foods 1/	1.005	256.3	257.9	9.8	.6	.6	.7	.6
Food away from home	5.319	292.4	293.7	9.0	.4	.5	.7	.5
Alcoholic beverages	.987	200.5	201.4	6.7	.4	.6	.6	.5
Housing	45.519	297.0	299.7	12.8	.9	1.1	1.6	1.0
Shelter	31.650	318.5	322.0	13.7	1.1	1.3	1.9	1.1
Rent, residential 1/	5.120	207.8	210.3	8.9	1.2	.4	.5	1.2
Other rental costs	.714	293.6	298.5	11.6	1.7	.9	1.2	1.8
Homeownership	25.816	358.0	361.8	14.7	1.1	1.5	2.1	1.1
Home purchase 1/	10.303	271.4	272.6	5.6	.4	1.4	1.8	.4
Financing, taxes, and insurance 1/	11.963	480.0	488.3	24.1	1.7	1.9	2.7	1.7
Maintenance and repairs	3.550	319.3	320.5	11.1	.4	.4	1.1	.4
Maintenance and repair services	2.737	349.0	350.6	12.2	.5	.4	1.3	.5
Maintenance and repair commodities 1/	.813	249.3	249.5	7.2	.1	.5	.7	.1
Fuel and other utilities	6.550	325.1	327.8	14.3	.8	.9	1.5	1.1
Fuels	4.796	417.2	419.5	15.7	.6	1.1	1.3	.9
Fuel oil, coal, and bottled gas 1/	1.296	677.9	674.6	20.1	-.5	-.6	-.6	-.5
Gas (piped) and electricity	3.500	357.6	360.8	14.1	.9	1.7	2.0	1.4
Other utilities and public services 1/	1.754	180.8	183.7	10.3	1.6	.5	2.1	1.6
Household furnishings and operation	7.319	222.4	222.9	7.6	.2	.5	.9	.4
Housefurnishings	3.935	186.0	186.2	6.3	.1	.5	1.0	.4
Housekeeping supplies 1/	1.466	271.5	272.0	8.8	.2	.3	.6	.2
Housekeeping services 1/	1.924	295.3	296.9	9.3	.5	.4	.8	.5
Apparel and upkeep	4.854	184.7	187.4	4.9	1.5	.1	.5	.8
Apparel commodities	4.192	175.1	178.0	4.1	1.7	-.1	.5	.8
Men's and boys' apparel	1.310	175.6	177.6	5.8	1.1	.2	.6	.9
Women's and girls' apparel	1.541	153.5	157.8	2.7	2.8	-.5	.8	1.0
Infants' and toddlers' apparel 1/	.106	259.8	263.6	8.1	1.5	1.2	-.1	1.5
Footwear	.635	199.0	200.0	5.1	.5	.0	.1	.4
Other apparel commodities 1/	.600	212.4	214.0	2.0	.8	.0	.1	.8
Apparel services	.662	258.9	260.2	10.5	.5	.7	.9	.7
Transportation	18.955	282.6	283.7	12.3	.4	.3	.8	.6
Private transportation	17.763	279.6	280.5	11.5	.3	.1	.4	.6
New cars	3.566	192.5	191.9	6.0	-.3	1.1	.6	.1
Used cars	2.986	260.3	266.9	29.3	2.5	1.2	2.0	3.2
Gasoline	5.947	412.9	411.7	9.5	-.3	-1.5	-1.0	-.3
Maintenance and repair	1.454	293.5	295.5	9.0	.7	.5	.7	.8
Other private transportation	3.810	242.9	243.0	8.1	.0	1.0	1.1	.2
Other private trans. commodities 1/	.695	208.8	212.1	7.0	1.6	.0	.1	1.6
Other private trans. services	3.115	254.3	253.6	8.4	-.3	1.2	1.3	-.1
Public transportation 1/	1.192	323.1	326.5	24.9	1.1	2.1	6.3	1.1
Medical care	4.717	295.6	299.3	11.5	1.3	1.0	1.3	1.3
Medical care commodities	.785	187.7	189.4	11.3	.9	.9	.9	1.1
Medical care services	3.933	319.2	323.4	11.6	1.3	1.1	1.4	1.3
Professional services 1/	1.887	280.4	282.9	11.1	.9	.7	1.7	.9
Other medical care services	2.045	366.1	372.5	12.1	1.7	1.4	1.2	1.6
Entertainment	3.647	221.1	222.3	6.9	.5	.4	.2	.7
Entertainment commodities	2.170	225.5	226.5	7.4	.4	.4	.3	.6
Entertainment services 1/	1.474	215.2	216.7	6.1	.7	.3	.2	.7
Other goods and services	3.999	234.4	235.6	9.8	.5	.7	.6	.5
Tobacco products 1/	1.054	219.3	219.9	7.5	.3	.4	.1	.3
Personal care 1/	1.581	233.4	235.1	9.1	.7	.7	.6	.7
Toilet goods and personal care appliances 1/	.712	228.7	230.1	10.1	.6	.9	.0	.6
Personal care services 1/	.869	238.4	240.3	8.4	.8	.6	1.0	.8
Personal and educational expenses	1.364	259.2	260.4	12.5	.5	.9	1.1	.5
School books and supplies	.170	231.3	231.4	11.4	.0	.6	.8	.3
Personal and educational services	1.194	265.8	267.2	12.7	.5	1.0	1.1	.5
Commodity and service group								
All items	100.000	274.4	276.5	10.9	0.8	0.7	1.2	0.8
Commodities	58.396	255.0	256.2	8.2	.5	.4	.8	.6
Food and beverages	18.309	268.9	270.1	7.2	.4	.2	.8	.7
Commodities less food and beverages	40.087	244.7	245.8	8.8	.4	.4	.7	.5
Nondurables less food and beverages	17.761	262.9	263.9	8.8	.4	-.3	.0	.3
Apparel commodities	4.192	175.1	178.0	4.1	1.7	-.1	.5	.8
Nondurables less food, beverages, and apparel 1/	13.569	312.4	312.4	10.2	.0	.0	-.1	.0
Durables	22.327	229.6	230.9	8.7	.6	1.0	1.2	1.0
Services	41.604	308.8	312.2	14.6	1.1	1.2	1.8	1.2
Rent, residential 1/	5.120	207.8	210.3	8.9	1.2	.4	.5	1.2
Household services less rent	22.592	374.8	379.9	18.2	1.4	1.4	2.2	1.5
Transportation services	9.760	275.0	275.7	11.9	.3	1.2	2.2	.4
Medical care services	3.933	319.2	323.4	11.6	1.3	1.1	1.4	1.3
Other services	4.200	237.6	239.1	9.1	.6	.6	.8	.6
Special indexes:								
All items less food	82.678	272.7	274.9	11.6	.8	.8	1.3	.8
All items less shelter	68.350	259.9	261.4	9.6	.6	.4	.9	.7
All items less mortgage interest costs	90.173	259.3	260.9	9.2	.6	.6	.9	.9
All items less home purchase and mortgage interest costs	79.870	258.0	259.7	9.6	.7	.6	.8	.9
All items less medical care	95.283	273.0	274.9	10.8	.7	.7	1.2	.8
Commodities less food	41.074	242.6	243.8	8.7	.5	.4	.7	.5
Nondurables less food	18.747	257.5	258.4	8.7	.3	-.2	.1	.3
Nondurables less food and apparel 1/	14.555	297.8	298.0	10.0	.1	-.0	-.1	.1
Nondurables	36.069	267.1	268.1	8.0	.4	-.1	.6	.6
Services less rent	36.484	328.1	331.7	15.4	1.1	1.3	2.0	1.2
Services less medical care 1/	37.672	305.4	308.8	14.9	1.1	1.3	1.8	1.1
Energy 1/	10.834	415.7	416.1	12.2	.1	.7	.4	.1
All items less energy	89.166	263.5	265.6	10.7	.8	.9	1.4	.9
All items less food and energy	71.844	259.0	261.3	11.5	.9	1.0	1.4	.9
Commodities less food and energy	33.739	219.4	220.9	8.1	.7	.8	1.0	.9
Energy commodities 1/	7.335	451.3	449.9	11.3	-.3	-.5	-.4	-.3
Services less energy	38.104	304.9	308.3	14.6	1.1	1.1	1.8	1.1
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.364	$.362	-9.7	-.5	-.8	-1.4	-.5
1957-59=$1.00 1/	-	.313	.311	-	-	-	-	-

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		
	May 1981	June 1981	July 1981	Aug. 1981	Nov. 1980	Feb. 1981	May 1981	Aug. 1981	Feb. 1981	Aug. 1981
Expenditure category										
All items	-	-	-	-	13.5	11.2	7.0	11.5	12.3	9.2
Food and beverages	263.9	264.5	266.7	268.7	15.7	5.0	.8	7.5	10.2	4.1
Food	271.0	271.5	273.8	275.9	16.5	4.6	.6	7.4	10.3	4.0
Food at home	266.0	266.2	268.6	270.9	18.4	1.8	-1.2	7.6	9.8	3.1
Cereals and bakery products 1/	270.0	271.5	272.4	272.6	11.0	15.7	7.3	3.9	13.3	5.6
Meats, poultry, fish, and eggs	245.8	246.7	250.1	253.3	30.9	-13.4	-7.6	12.8	6.4	2.1
Dairy products	243.6	243.8	245.2	244.8	6.9	12.5	3.4	2.0	9.7	2.7
Fruits and vegetables	271.6	270.0	276.1	281.0	14.1	7.0	7.4	14.6	10.5	10.9
Sugar and sweets	362.4	355.6	356.4	359.5	44.0	.0	-23.0	-3.2	20.0	-13.7
Fats and oils	269.9	267.7	267.1	267.6	12.3	40.8	.3	-3.4	25.8	-1.6
Nonalcoholic beverages	407.0	407.1	405.0	408.6	13.4	3.0	-7.0	1.6	8.1	-2.8
Other prepared foods 1/	252.9	254.4	256.3	257.9	8.8	12.2	10.1	8.1	10.5	9.1
Food away from home	288.1	289.4	291.5	293.1	11.8	12.9	4.4	7.1	12.3	5.8
Alcoholic beverages	198.3	199.4	200.5	201.6	4.5	10.9	4.6	6.8	7.7	5.7
Housing	288.4	291.7	295.5	299.4	13.4	10.9	10.5	16.2	12.2	13.3
Shelter	308.4	312.5	318.3	321.9	17.3	8.4	10.8	18.7	12.7	14.7
Rent, residential 1/	205.9	206.8	207.8	210.3	11.0	7.5	8.2	8.8	9.2	8.5
Other rental costs	286.1	288.6	292.1	297.3	6.5	9.8	13.6	16.6	8.1	15.1
Homeownership	345.0	350.3	357.8	361.7	18.8	8.5	11.2	20.8	13.6	15.9
Home purchase 1/	263.0	266.6	271.4	272.6	15.0	-6.3	.0	15.4	3.8	7.4
Financing, taxes, and insurance 1/	458.3	467.2	480.0	488.3	25.9	20.8	20.9	28.9	23.3	24.8
Maintenance and repairs	313.1	314.5	318.1	320.0	8.7	14.5	12.2	9.1	11.6	10.7
Maintenance and repair services	341.5	343.0	347.3	349.9	9.0	16.2	13.7	10.2	12.6	11.9
Maintenance and repair commodities 1/	246.3	247.6	249.3	249.5	7.8	9.2	6.6	5.3	8.5	5.9
Fuel and other utilities	314.6	317.5	322.2	325.6	4.6	27.4	11.3	14.7	15.4	13.0
Fuels	402.7	407.0	412.2	415.8	4.1	34.5	13.1	13.7	18.3	13.4
Fuel oil, coal, and bottled gas 1/	685.8	682.0	677.9	674.6	4.0	101.6	6.2	-6.4	44.8	-.3
Gas (piped) and electricity	338.9	344.7	351.6	356.5	4.0	14.7	16.1	22.4	9.2	19.2
Other utilities and public services 1/	176.2	177.1	180.8	181.7	6.1	11.3	6.1	18.1	8.7	12.0
Household furnishings and operation	219.7	220.7	222.6	223.5	6.1	8.4	8.8	7.1	7.3	8.0
Housefurnishings	183.6	184.6	186.4	187.1	4.4	7.6	5.4	7.8	6.0	6.6
Housekeeping supplies 1/	269.0	269.8	271.5	272.0	10.1	11.1	9.8	4.5	10.6	7.1
Housekeeping services 1/	291.6	292.9	293.5	294.9	6.8	8.2	5.8	7.5	7.5	11.2
Apparel and upkeep	185.7	185.8	186.8	188.3	7.8	2.7	3.7	5.7	5.2	4.7
Apparel commodities	176.7	176.5	177.4	178.9	7.2	.9	3.2	5.1	4.0	4.1
Men's and boys' apparel	176.1	176.4	177.4	179.0	8.0	3.5	4.9	6.8	5.8	5.8
Women's and girls' apparel	176.7	175.3	175.1	176.6	5.8	-.8	.8	4.9	2.5	2.8
Infants' and toddlers' apparel 1/	256.9	260.0	259.8	263.6	8.5	9.0	4.2	10.8	8.7	7.4
Footwear	200.2	200.2	200.4	201.2	7.5	2.3	8.6	2.0	4.9	5.3
Other apparel commodities 1/	212.1	212.2	212.4	214.0	7.4	-2.6	-.4	3.6	2.3	1.6
Apparel services	219.7	220.7	222.6	223.5	6.1	8.4	8.8	7.1	7.3	8.0
Transportation	276.5	277.2	279.4	281.1	16.1	22.5	4.6	6.8	19.2	5.7
Private transportation	274.7	275.0	276.1	277.7	15.2	22.8	4.0	4.4	18.9	4.2
New cars	190.1	192.2	193.3	193.4	2.0	-.4	15.7	7.1	.8	11.3
Used cars	422.1	425.3	430.0	438.4	84.9	17.7	-.8	29.3	47.5	13.3
Gasoline	414.8	408.7	404.8	403.6	5.8	56.0	-2.6	-10.4	28.4	-6.5
Maintenance and repair	290.2	291.6	293.5	295.8	11.5	9.3	7.3	7.9	10.4	7.6
Other private transportation	238.3	240.6	241.3	243.8	6.4	8.8	7.9	9.6	7.6	8.7
Other private trans. commodities 1/	208.6	208.5	208.8	212.1	10.0	5.4	5.6	6.9	7.7	6.2
Other private trans. services	248.5	251.5	254.8	254.6	5.6	9.4	8.5	10.2	7.5	9.3
Public transportation 1/	297.7	303.9	323.1	326.5	25.9	17.0	14.0	44.7	21.4	28.4
Medical care	289.1	292.1	295.9	299.6	9.4	10.8	10.9	15.1	10.1	13.1
Medical care commodities	184.3	185.9	187.5	189.6	9.2	11.7	12.4	12.0	10.5	12.2
Medical care services	311.9	315.2	319.7	323.7	9.3	10.8	10.7	16.0	10.0	13.3
Professional services 1/	273.8	275.8	280.4	282.9	9.3	10.9	10.3	14.0	10.1	12.1
Other medical care services	358.0	362.9	367.2	373.2	9.5	10.1	11.1	18.1	9.8	14.5
Entertainment	219.5	220.4	220.9	222.4	7.7	9.6	4.9	5.4	8.6	5.1
Entertainment commodities	223.7	224.7	225.3	226.7	9.4	8.0	7.1	5.5	8.7	6.3
Entertainment services 1/	214.0	214.7	215.2	216.7	5.2	12.3	1.9	5.1	8.7	3.5
Other goods and services	293.0	294.6	296.1	297.3	11.0	9.3	11.0	7.6	10.1	9.3
Tobacco products 1/	218.2	219.1	219.3	219.9	5.6	10.0	11.6	3.2	7.8	7.3
Personal care 1/	230.5	232.1	233.4	235.1	6.9	10.6	10.9	8.2	8.7	9.6
Toilet goods and personal care appliances 1/	226.6	228.6	228.7	230.1	6.7	14.1	13.6	6.3	10.3	9.9
Personal care services 1/	234.7	236.0	238.4	240.3	7.0	8.2	8.4	9.9	7.6	9.2
Personal and educational expenses	259.5	261.8	264.6	265.9	21.1	8.7	10.7	10.2	14.7	10.5
School books and supplies	232.2	233.7	235.5	236.1	14.5	16.4	8.0	6.9	15.5	7.4
Personal and educational services	265.9	268.5	271.5	272.9	22.1	7.4	10.9	11.0	14.5	10.9
Commodity and service group										
All items	-	-	-	-	13.5	11.2	7.0	11.5	12.3	9.2
Commodities	250.9	251.8	253.7	255.2	13.5	9.7	2.8	7.0	11.6	4.9
Food and beverages	263.9	264.5	266.7	268.7	15.7	5.0	.8	7.5	10.2	4.1
Commodities less food and beverages	241.0	242.9	243.6	244.9	12.4	12.4	3.7	6.6	12.5	5.2
Nondurables less food and beverages	263.3	262.5	262.6	263.4	4.9	27.6	4.5	.2	15.7	2.3
Apparel commodities	176.7	176.5	177.4	178.9	7.2	.9	3.2	5.1	4.0	4.1
Nondurables less food, beverages, and apparel 1/	312.7	312.7	312.4	312.4	1.4	35.2	7.9	-.4	17.1	3.7
Durables	223.5	225.7	228.5	230.7	16.6	1.5	4.2	13.5	8.8	8.8
Services	299.6	303.1	308.5	312.1	13.5	13.1	13.4	17.8	13.3	15.6
Rent, residential 1/	205.9	206.8	207.8	210.3	11.0	7.5	8.2	8.8	9.2	8.5
Household services less rent	360.3	365.5	373.5	379.0	16.0	17.0	17.3	22.4	16.5	19.8
Transportation services	266.1	269.3	275.3	276.3	10.9	11.0	9.4	16.2	11.0	12.8
Medical care services	311.9	315.2	319.7	323.7	9.3	10.8	10.7	16.0	10.0	13.3
Other services	235.8	237.2	239.1	240.6	11.1	9.5	6.9	8.4	10.3	7.6
Special indexes:										
All items less food	266.6	268.7	272.1	274.4	13.0	13.1	8.5	12.2	13.0	10.4
All items less shelter	255.4	256.5	258.7	260.5	11.8	12.8	5.3	8.2	12.3	6.8
All items less mortgage interest costs	254.4	255.9	258.3	260.6	11.0	10.3	5.4	10.1	10.7	7.7
All items less home purchase and mortgage interest costs	253.6	255.0	257.0	259.2	10.7	12.4	6.2	9.1	11.6	7.7
All items less medical care	267.0	268.8	272.0	274.2	13.7	11.4	6.9	11.2	12.6	9.0
Commodities less food	239.0	239.9	241.6	242.9	12.4	12.4	3.8	6.7	12.4	5.2
Nondurables less food	252.4	257.0	257.2	257.9	5.0	26.8	3.8	.8	15.4	2.3
Nondurables less food and apparel 1/	298.0	298.0	297.8	298.0	1.8	33.4	7.9	.0	16.5	3.9
Nondurables	264.5	264.3	266.0	267.6	10.4	13.9	3.4	4.8	12.1	4.1
Services less rent	317.4	321.4	327.7	331.6	13.9	14.0	14.1	19.1	13.9	16.6
Services less medical care 1/	296.2	300.1	305.4	308.8	13.3	14.1	14.2	18.1	13.7	16.2
Energy 1/	411.3	414.0	415.7	416.1	-4.9	44.1	10.6	4.8	17.1	7.6
All items less energy	257.1	259.4	263.0	265.3	14.8	7.6	7.0	13.4	11.1	10.1
All items less food and energy	252.7	255.3	259.0	261.3	13.8	8.9	9.0	14.3	11.3	11.6
Commodities less food and energy	215.3	217.1	219.2	221.1	12.9	4.0	4.8	11.2	8.4	8.0
Energy commodities 1/	455.4	453.1	451.3	449.9	-3.9	58.4	5.8	-4.7	23.4	.4
Services less energy	296.5	299.8	305.1	308.6	14.5	13.1	13.1	17.4	13.8	15.2

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 May 1981	Indexes June 1981	Indexes July 1981	Aug. 1981	Percent change to Aug. 1981 from- Aug. 1980	July 1981	June 1981	Percent change to July 1981 from- July 1980	May 1981	June 1981
U.S. city average			269.0	271.3	274.4	276.5	10.9	1.9	0.8	10.7	2.0	1.1
Chicago, Ill.-Northwestern Ind.	M		264.5	269.1	272.7	275.8	12.5	2.5	1.1	10.5	3.1	1.3
Detroit, Mich.	M		275.2	280.5	283.1	283.5	11.1	1.1	.1	11.6	2.9	.9
L.A.-Long Beach, Anaheim, Calif.	M		267.3	267.9	272.2	274.8	11.1	2.6	1.0	9.4	1.8	1.6
N.Y., N.Y.-Northeastern N.J.	M		256.7	258.6	262.5	264.8	10.0	2.4	.9	9.9	2.3	1.5
Philadelphia, Pa.-N.J.	M		261.9	265.4	267.8	270.5	10.0	1.9	1.0	9.7	2.3	.9
Anchorage, Alaska	1	10/67	244.6	-	246.1	-	-	-	-	7.7	.6	-
Baltimore, Md.	1		269.3	-	272.5	-	-	-	-	8.0	1.2	-
Boston, Mass.	1		263.6	-	266.3	-	-	-	-	10.5	1.0	-
Cincinnati, Ohio-Ky.-Ind.	1		271.7	-	273.3	-	-	-	-	6.5	.6	-
Denver-Boulder, Colo.	1		288.2	-	294.2	-	-	-	-	12.5	2.1	-
Miami, Fla.	1	11/77	143.2	-	146.1	-	-	-	-	9.4	2.0	-
Milwaukee, Wis.	1		278.5	-	285.6	-	-	-	-	13.5	2.5	-
Northeast Pennsylvania	1		259.9	-	266.0	-	-	-	-	10.9	2.3	-
Portland, Oreg.-Wash.	1		278.5	-	280.8	-	-	-	-	11.1	.8	-
St. Louis, Mo.-Ill.	1		268.0	-	269.4	-	-	-	-	10.0	.5	-
San Diego, Calif.	1		297.5	-	305.4	-	-	-	-	13.2	2.7	-
Seattle-Everett, Wash.	1		274.7	-	282.3	-	-	-	-	10.7	2.8	-
Washington, D.C.-Md.-Va.	1		264.7	-	267.1	-	-	-	-	8.1	.9	-
Atlanta, Ga.	2		-	269.2	-	276.1	12.0	2.6	-	-	-	-
Buffalo, N.Y.	2		-	257.2	-	260.3	9.9	1.2	-	-	-	-
Cleveland, Ohio	2		-	285.3	-	284.4	12.0	-.3	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	286.0	-	288.2	11.5	.8	-	-	-	-
Honolulu, Hawaii	2		-	252.8	-	256.6	11.5	1.5	-	-	-	-
Houston, Tex.	2		-	292.9	-	294.7	9.7	.6	-	-	-	-
Kansas City, Mo.-Kans.	2		-	270.5	-	271.3	8.2	.3	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	276.1	-	286.6	14.6	3.8	-	-	-	-
Pittsburgh, Pa.	2		-	271.3	-	277.7	10.8	2.4	-	-	-	-
San Francisco-Oakland, Calif.	2		-	274.0	-	287.9	14.7	5.1	-	-	-	-
Region 3/												
Northeast	2	12/77	-	142.6	-	145.6	10.6	2.1	-	-	-	-
North Central	2	12/77	-	146.9	-	149.3	10.7	1.6	-	-	-	-
South	2	12/77	-	146.7	-	149.1	11.1	1.6	-	-	-	-
West	2	12/77	-	147.3	-	150.7	11.1	2.3	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	143.2	-	146.4	10.8	2.2	-	-	-	-
A-2	2	12/77	-	147.4	-	150.2	11.1	1.9	-	-	-	-
B	2	12/77	-	148.0	-	150.6	11.1	1.8	-	-	-	-
C	2	12/77	-	145.8	-	148.6	10.6	1.9	-	-	-	-
D	2	12/77	-	144.8	-	146.7	10.6	1.3	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	139.1	-	142.1	10.1	2.2	-	-	-	-
North Central/A	2	12/77	-	150.0	-	152.3	11.3	1.5	-	-	-	-
South/A	2	12/77	-	146.2	-	148.2	9.9	1.4	-	-	-	-
West/A	2	12/77	-	147.5	-	152.4	12.5	3.3	-	-	-	-
Northeast/B	2	12/77	-	146.8	-	150.5	11.6	2.5	-	-	-	-
North Central/B	2	12/77	-	146.6	-	148.1	9.9	1.0	-	-	-	-
South/B	2	12/77	-	148.7	-	151.6	12.0	2.0	-	-	-	-
West/B	2	12/77	-	149.1	-	151.2	10.5	1.4	-	-	-	-
Northeast/C	2	12/77	-	152.5	-	155.3	12.3	1.8	-	-	-	-
North Central/C	2	12/77	-	142.3	-	145.4	9.4	2.2	-	-	-	-
South/C	2	12/77	-	145.9	-	148.5	11.1	1.8	-	-	-	-
West/C	2	12/77	-	143.9	-	146.4	9.1	1.7	-	-	-	-
Northeast/D	2	12/77	-	146.3	-	147.7	10.1	1.0	-	-	-	-
North Central/D	2	12/77	-	143.1	-	145.3	10.3	1.5	-	-	-	-
South/D	2	12/77	-	144.8	-	147.2	11.6	1.7	-	-	-	-
West/D	2	12/77	-	146.9	-	147.7	9.1	.5	-	-	-	-

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.

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 1980	Unadjusted indexes July 1981	Unadjusted indexes Aug. 1981	Unadjusted percent change to Aug. 1981 from- Aug. 1980	Unadjusted percent change to Aug. 1981 from- July 1981	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	274.6	276.5	10.8	0.7	0.7	1.2	0.8
All items(1957-59=100)	-	319.4	321.5	-	-	-	-	-
Food and beverages	20.001	269.4	270.6	7.2	.4	.3	.8	.7
Food	18.926	276.6	277.7	7.1	.4	.2	.8	.7
Food at home	13.220	271.1	272.2	6.5	.4	.1	.9	.9
Cereals and bakery products 1/	1.671	271.5	272.0	9.0	.2	.5	.1	.2
Meats, poultry, fish, and eggs	4.498	254.1	255.5	4.6	.6	.7	1.4	1.2
Dairy products	1.768	243.9	243.9	6.1	.0	.1	.4	.2
Fruits and vegetables	1.742	281.7	282.5	10.1	.3	-.7	2.2	1.5
Sugar and sweets	.544	362.8	362.7	1.7	.0	-1.7	.4	.6
Fats and oils	.361	269.0	268.7	10.8	-.1	-.9	-.1	.1
Nonalcoholic beverages	1.514	411.3	415.2	3.0	.9	-.3	-.5	1.2
Other prepared foods 1/	1.122	257.9	259.7	10.9	.7	.4	.8	.7
Food away from home	5.706	295.2	296.4	8.7	.4	.6	.7	.3
Alcoholic beverages	1.075	202.8	203.8	6.9	.5	.6	.4	.8
Housing	42.149	297.0	299.6	12.7	.9	1.1	1.8	.9
Shelter	28.753	320.2	323.6	13.6	1.1	1.4	2.0	1.1
Rent, residential 1/	4.832	207.4	209.9	8.8	1.2	.4	.5	1.2
Other rental costs	.488	293.3	299.0	11.9	1.9	1.2	1.0	2.0
Homeownership	23.432	361.2	364.8	14.7	1.0	1.6	2.4	1.0
Home purchase 1/	9.064	271.2	272.3	5.3	.4	1.5	1.9	.4
Financing, taxes, and insurance 1/	11.204	486.9	495.3	24.2	1.7	2.0	2.8	1.7
Maintenance and repairs	3.164	316.2	315.8	9.8	-.1	.1	2.5	-.1
Maintenance and repair services	2.258	350.5	349.5	12.0	-.3	.1	3.3	-.2
Maintenance and repair commodities 1/	.906	242.4	243.1	4.2	.3	.2	.4	.3
Fuel and other utilities	6.441	326.4	328.7	14.4	.7	.9	1.6	1.0
Fuels	4.764	417.0	418.7	15.6	.4	1.1	1.4	.8
Fuel oil, coal, and bottled gas 1/	1.290	681.1	677.9	20.5	-.5	-.5	-.6	-.5
Gas (piped) and electricity	3.473	356.7	359.4	14.0	.8	1.7	2.2	1.3
Other utilities and public services 1/	1.677	181.3	184.3	10.8	1.7	.4	2.3	1.7
Household furnishings and operation	6.955	219.1	219.8	7.5	.3	.5	1.0	.4
Housefurnishings	4.010	184.1	184.5	6.3	.2	.4	1.3	.4
Housekeeping supplies 1/	1.501	267.9	268.6	8.4	.3	.5	.4	.3
Housekeeping services 1/	1.443	293.4	295.1	9.7	.6	.6	.6	.6
Apparel and upkeep	4.853	185.5	187.9	5.6	1.3	.1	.9	.5
Apparel commodities	4.222	176.6	179.0	4.9	1.4	.1	.9	.4
Men's and boys' apparel	1.307	176.9	178.4	5.9	.8	.3	.8	.3
Women's and girls' apparel	1.575	157.9	161.2	4.6	2.1	-.7	1.8	.1
Infants' and toddlers' apparel 1/	.122	272.9	279.3	10.6	2.3	1.1	.0	2.3
Footwear	.672	199.2	200.4	5.7	.8	.7	-.1	.0
Other apparel commodities 1/	.547	204.8	206.1	1.0	.6	.3	.0	.6
Apparel services	.631	256.3	258.2	10.5	.7	.7	.5	1.1
Transportation	21.317	283.9	285.1	12.5	.4	.2	.9	.6
Private transportation	20.280	281.6	282.6	11.8	.4	.1	.4	.6
New cars	3.773	192.9	192.1	5.6	-.4	1.0	.6	.1
Used cars	3.807	260.3	266.9	29.3	2.5	1.2	2.0	3.2
Gasoline	6.782	414.0	412.9	9.5	-.3	-1.5	-.9	-.4
Maintenance and repair	1.597	293.4	296.1	8.8	.9	.6	.4	1.0
Other private transportation	4.322	246.0	245.6	8.3	-.2	.9	1.1	.1
Other private trans. commodities 1/	.779	210.8	213.4	6.4	1.2	-.3	-.1	1.2
Other private trans. services	3.543	257.7	256.6	8.7	-.4	1.2	1.4	-.2
Public transportation 1/	1.037	317.7	320.9	24.9	1.0	1.9	8.2	1.0
Medical care	4.287	295.4	298.6	10.6	1.1	.9	.7	1.0
Medical care commodities	.714	189.2	190.6	11.6	.7	.8	1.1	1.1
Medical care services	3.573	318.5	322.1	10.4	1.1	.9	.7	1.1
Professional services 1/	1.822	280.8	282.7	9.7	.7	.5	.5	.7
Other medical care services	1.751	364.6	370.6	11.2	1.6	1.3	.9	1.4
Entertainment	3.454	218.7	219.9	7.0	.5	.3	.4	.7
Entertainment commodities	2.191	221.1	222.2	7.7	.5	.3	.5	.8
Entertainment services 1/	1.263	215.8	217.0	5.8	.6	.4	.3	.6
Other goods and services	3.940	232.4	233.5	9.1	.5	.6	.6	.5
Tobacco products 1/	1.272	218.4	219.1	7.2	.3	.3	.0	.3
Personal care 1/	1.628	231.2	232.4	8.2	.5	.6	.7	.5
Toilet goods and personal care appliances 1/	.780	228.4	229.4	9.9	.4	.8	.5	.4
Personal care services 1/	.848	234.4	235.7	6.8	.6	.4	.8	.6
Personal and educational expenses	1.041	260.1	261.7	12.5	.6	.8	1.1	.6
School books and supplies	.152	235.2	235.2	11.2	.0	.7	.9	.2
Personal and educational services	.889	266.4	268.4	13.2	.8	.9	1.2	.7
Commodity and service group								
All items	100.000	274.6	276.5	10.8	0.7	0.7	1.2	0.8
Commodities	61.243	255.7	256.9	8.4	.5	.3	.8	.6
Food and beverages	20.001	269.4	270.6	7.2	.4	.3	.8	.7
Commodities less food and beverages	41.242	245.5	246.7	9.1	.5	.3	.8	.5
Nondurables less food and beverages	18.885	266.0	266.8	9.0	.3	-.3	.2	.2
Apparel commodities	4.222	176.6	179.0	4.9	1.4	.1	.9	.4
Nondurables less food, beverages, and apparel 1/	14.664	314.4	314.5	10.2	.0	-.1	-.1	.0
Durables	22.357	228.4	229.9	9.2	.7	.9	1.3	1.1
Services	38.757	309.6	312.7	14.4	1.0	1.2	1.9	1.1
Rent, residential 1/	4.832	207.4	209.9	8.8	1.2	.4	.5	1.2
Household services less rent	20.545	379.4	384.2	18.5	1.3	1.5	2.5	1.3
Transportation services	6.176	273.8	274.3	11.4	.2	1.1	2.3	.4
Medical care services	3.573	318.5	322.1	10.4	1.1	.9	.7	1.1
Other services	3.631	236.8	238.3	8.6	.6	.6	.7	.7
Special indexes:								
All items less food	81.074	273.1	275.2	11.6	.8	.7	1.3	.8
All items less shelter	71.247	260.9	262.3	9.7	.5	.4	.9	.7
All items less mortgage interest costs	90.675	260.0	261.5	9.1	.6	.6	1.0	.8
All items less home purchase and mortgage interest costs	81.611	259.0	260.5	9.5	.6	.5	.9	.8
All items less medical care	95.713	273.1	274.9	10.8	.7	.6	1.2	.8
Commodities less food	42.317	241.5	244.7	9.0	.5	.4	.7	.5
Nondurables less food	19.961	260.4	261.2	8.9	.3	-.1	.0	.3
Nondurables less food and apparel 1/	15.739	299.8	300.0	9.9	.1	.0	-.1	.1
Nondurables	38.886	268.7	269.7	8.1	.4	.0	.5	.6
Services less rent	33.925	329.3	332.6	15.2	1.0	1.3	2.1	1.1
Services less medical care 1/	35.184	306.3	309.4	14.8	1.0	1.3	2.0	1.0
Energy 1/	11.652	418.9	418.9	11.9	.0	.6	.4	.0
All items less energy	88.348	262.7	264.7	10.6	.8	.8	1.4	1.0
All items less food and energy	69.428	258.1	260.3	11.5	.9	1.1	1.4	1.0
Commodities less food and energy	34.139	218.7	220.2	8.5	.7	.8	1.2	.8
Energy commodities 1/	8.178	451.9	450.6	11.1	-.3	-.5	-.4	-.3
Services less energy	35.284	305.7	308.9	14.4	1.0	1.1	1.9	1.1
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.364	$.362	-9.7	-.5	-1.1	-1.1	-.5
1957-59=$1.00 1/	-	.313	.311	-	-	-	-	-

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 1981	June 1981	July 1981	Aug. 1981	Nov. 1980	Feb. 1981	May 1981	Aug. 1981	Feb. 1981	Aug. 1981
Expenditure category										
All items	-	-	-	-	14.0	11.3	6.5	11.2	12.7	8.8
Food and beverages	264.4	265.1	267.2	269.1	17.1	3.7	.8	7.2	10.2	4.0
Food	271.3	271.9	274.2	276.1	18.0	3.2	.4	7.3	10.3	3.8
Food at home	265.5	265.7	268.1	270.4	19.7	1.1	-1.2	7.6	10.0	3.1
Cereals and bakery products 1/	269.4	270.7	271.5	272.0	12.0	13.4	6.8	3.9	12.7	5.4
Meats, poultry, fish, and eggs	245.1	246.7	250.1	253.0	31.4	-13.7	-7.0	13.5	6.5	2.7
Dairy products	243.7	243.9	244.9	245.4	6.7	12.5	2.8	2.8	9.6	2.8
Fruits and vegetables	268.9	267.0	273.0	277.2	15.3	6.1	6.2	12.9	10.6	9.5
Sugar and sweets	363.4	357.3	358.9	360.9	45.7	-1.4	-23.4	-2.7	19.8	-13.7
Fats and oils	269.8	267.4	267.1	267.4	12.7	42.1	-2.2	-1.5	26.5	-2.9
Nonalcoholic beverages	409.3	408.1	406.0	410.7	16.5	2.1	-6.4	1.4	9.1	-2.6
Other prepared foods 1/	254.7	255.8	257.9	259.7	11.0	11.6	12.9	8.1	11.3	10.5
Food away from home	290.7	292.3	294.3	295.2	14.1	9.9	4.4	6.3	12.0	5.4
Alcoholic beverages	200.4	201.7	202.6	204.2	4.5	10.8	4.9	7.8	7.6	6.4
Housing	288.0	291.3	296.5	299.3	13.4	10.6	10.2	16.6	12.0	13.4
Shelter	309.4	313.7	320.1	323.5	17.6	7.5	10.5	19.5	12.5	14.9
Rent, residential 1/	205.5	206.4	207.4r	209.9	10.8	7.5	8.0	8.8	9.1	8.4
Other rental costs	285.8	289.1	292.1	297.8	7.1	9.3	13.5	17.9	8.2	15.7
Homeownership	347.1	352.6	361.1	364.7	19.4	7.4	10.8	21.9	13.2	16.2
Home purchase 1/	262.2	266.2	271.2	272.3	15.7	-8.0	-.8	16.3	3.2	7.4
Financing, taxes, and insurance 1/	464.3	473.8	486.9	495.3	26.7	19.7	21.1	29.5	23.2	25.2
Maintenance and repairs	307.3	307.7	315.3	315.1	6.4	12.9	8.9	10.5	9.6	9.7
Maintenance and repair services	337.6	338.0	349.1	348.5	7.3	16.3	10.9	13.6	11.7	12.2
Maintenance and repair commodities 1/	241.1	241.5	242.4	243.1	4.2	5.2	4.3	3.4	4.7	3.8
Fuel and other utilities	315.4	318.2	323.4	326.6	4.4	28.4	10.8	15.0	15.8	12.9
Fuels	401.9	406.2	412.0	415.1	3.7	35.1	12.4	13.8	18.4	13.1
Fuel oil, coal, and bottled gas 1/	688.6	685.1	681.1	677.9	4.0	103.2	6.1	-6.1	45.4	-.2
Gas (piped) and electricity	337.4	343.2	350.7	355.1	3.6	14.9	15.2	22.7	9.1	18.9
Other utilities and public services 1/	176.6	177.3	181.3	184.3	6.7	11.8	6.4	18.6	9.2	12.3
Household furnishings and operation	216.3	217.3	219.4	220.3	6.2	7.7	8.6	7.6	6.9	8.1
Housefurnishings	181.4	182.1	184.5	185.2	5.4	5.8	5.7	8.6	5.6	7.2
Housekeeping supplies 1/	266.9	266.9	267.9	268.6	9.5	10.8	8.6	4.8	10.2	6.6
Housekeeping services 1/	289.9	291.7	293.4	295.1	5.3	10.5	15.9	7.4	7.9	11.6
Apparel and upkeep	195.8	186.0	187.6	188.5	6.7	4.7	5.1	5.9	5.7	5.5
Apparel commodities	177.2	177.3	178.9	179.6	6.0	3.3	4.6	5.5	4.6	5.1
Men's and boys' apparel	176.6	177.2	178.7	179.3	8.3	3.8	5.4	6.3	6.0	5.8
Women's and girls' apparel	159.8	158.7	161.6	161.7	5.5	3.6	4.4	4.8	4.6	4.6
Infants' and toddlers' apparel 1/	269.9	273.0	272.9	279.3	2.2	16.7	9.2	14.7	9.2	11.9
Footwear	199.7	200.6	200.4	202.0	8.4	2.3	6.5	5.7	5.3	6.1
Other apparel commodities 1/	204.1	204.8	204.8	206.1	-.2	.8	-.6	4.0	.3	1.7
Apparel services	253.2	254.9	256.3	259.0	11.0	13.8	7.8	9.5	12.4	8.6
Transportation	277.6	278.1	280.5	282.2	16.2	23.7	4.3	6.8	19.9	5.5
Private transportation	276.4	276.7	277.9	279.6	16.1	23.6	4.0	4.7	19.8	4.4
New cars	190.6	192.5	193.7	193.8	.2	-.2	16.4	6.9	.0	11.5
Used cars	242.3	245.3	250.3	258.4	85.2	17.7	-1.0	29.3	47.6	13.2
Gasoline	416.0	409.9	406.3	404.8	5.5	56.7	-3.0	-10.3	28.6	-6.8
Maintenance and repair	290.7	292.3	294.4	296.1	11.3	7.5	8.5	8.1	9.4	8.3
Other private transportation	241.4	243.5	246.2	246.4	5.9	10.1	8.9	8.5	8.0	8.7
Other private trans. commodities 1/	211.7	211.1	210.8	213.4	5.7	8.3	8.3	3.3	7.0	5.8
Other private trans. services	251.6	254.5	258.0	257.6	5.9	10.4	8.9	9.9	8.1	9.4
Public transportation 1/	288.2	293.6	317.7	320.9	20.6	18.0	11.3	53.7	19.3	30.8
Medical care	290.9	293.5	295.7	298.8	9.5	11.3	10.5	11.3	10.4	10.9
Medical care commodities	185.3	186.7	188.8	190.8	8.9	12.0	13.3	12.4	10.4	12.9
Medical care services	313.9	316.7	318.9	322.3	9.5	11.3	10.0	11.1	10.4	10.6
Professional services 1/	278.0	279.4	280.8	282.7	9.6	12.4	9.8	6.9	11.0	8.3
Other medical care services	357.8	362.5	365.7	371.0	9.4	9.7	10.2	15.9	9.6	12.9
Entertainment	217.0	217.7	218.6	220.2	9.4	8.6	3.8	6.0	9.0	4.9
Entertainment commodities	219.3	219.9	220.9	222.6	8.8	9.6	5.9	6.2	9.2	6.0
Entertainment services 1/	214.2	215.1	216.8	217.9	10.7	6.6	.6	5.3	8.7	2.9
Other goods and services	231.0	232.4	233.7	234.8	9.6	9.4	10.5	8.7	9.5	8.6
Tobacco products 1/	217.8	218.4	218.4	219.1	4.8	10.2	11.6	2.4	7.5	6.9
Personal care 1/	228.4	229.7	231.2	232.4	7.3	8.9	9.6	7.2	8.1	8.4
Toilet goods and personal care appliances 1/	225.5	227.2	228.4	229.4	7.7	11.4	13.4	7.1	9.5	10.2
Personal care services 1/	231.5	232.5	234.4	235.7	6.9	6.8	6.1	7.5	6.8	6.8
Personal and educational expenses	260.4	262.6	265.6	267.2	20.5	9.7	11.0	10.9	15.0	10.9
School books and supplies	236.1	237.8	240.0	240.5	12.8	15.8	8.9	7.7	14.2	8.3
Personal and educational services	266.5	268.9	272.1	273.9	21.9	8.8	11.1	11.6	15.2	11.3
Commodity and service group										
All items	-	-	-	-	14.0	11.3	6.5	11.2	12.7	8.8
Commodities	251.4	252.2	254.2	255.6	14.3	10.2	2.6	6.9	12.2	4.7
Food and beverages	260.4	262.1	264.6	266.1	17.1	3.7	.8	7.3	10.2	4.0
Commodities less food and beverages	241.6	242.4	244.3	245.8	13.0	10.8	3.6	6.8	13.4	5.2
Nondurables less food and beverages	266.1	265.2	265.7	266.3	4.3	29.1	4.5	.3	16.1	2.4
Apparel commodities	177.2	177.3	178.9	179.6	6.0	3.3	4.6	5.5	4.6	5.1
Nondurables less food, beverages, and apparel 1/	314.9	314.7	314.4	314.5	1.3	35.9	7.6	-.5	17.3	3.5
Durables	222.0	224.1	227.0	229.4	17.4	1.7	4.3	14.0	9.2	9.0
Services	300.0	303.5	309.2	312.6	13.5	13.1	13.0	17.9	13.3	15.4
Rent, residential 1/	205.5	206.4	207.4	209.9	10.8	7.5	8.0	8.8	9.1	8.4
Household services less rent	363.4	368.9	378.1	383.2	16.2	16.9	17.2	23.6	16.6	20.4
Transportation services	264.9	267.8	274.0	275.0	9.6	11.0	9.3	16.1	10.3	12.6
Medical care services	313.9	316.7	318.9	322.3	9.5	11.3	10.0	11.1	10.4	10.6
Other services	235.0	236.4	238.0	239.6	12.5	8.2	5.6	8.1	10.3	6.8
Special indexes:										
All items less food	266.8	268.8	272.3	274.5	13.0	13.8	8.0	12.1	13.4	10.0
All items less shelter	256.2	257.1	259.4	261.1	12.6	13.0	5.0	7.9	12.8	6.4
All items less mortgage interest costs	255.0	256.5	259.0	261.0	11.3	10.5	5.0	9.7	10.9	7.4
All items less home purchase and mortgage interest costs	254.4	255.7	258.0	260.0	10.9	12.4	5.9	9.1	11.6	7.5
All items less medical care	266.9	268.6	271.9	274.0	14.1	11.6	6.4	11.1	12.8	8.7
Commodities less food	239.6	240.5	242.3	243.5	12.8	13.7	3.6	6.7	13.2	5.1
Nondurables less food	260.1	259.9	259.9	260.7	4.4	28.4	3.8	.9	15.8	2.3
Nondurables less food and apparel 1/	300.1	300.0	299.8	300.0	1.5	34.0	7.5	-.1	16.6	3.6
Nondurables	245.9	245.0	247.4	248.9	10.7	14.5	2.8	4.6	12.6	3.7
Services less rent	318.1	322.1	328.9	332.4	13.8	14.0	13.6	19.2	13.9	16.4
Services less medical care 1/	296.4	300.4	306.3	309.4	12.9	14.1	13.8	18.7	13.5	16.2
Energy 1/	414.9	417.3	418.9	418.9	-4.9	44.9	9.7	3.9	17.4	6.8
All items less energy	256.2	258.3	261.9	264.4	15.0	7.3	6.7	13.4	11.1	10.0
All items less food and energy	251.4	254.2	257.8	260.3	13.9	8.7	8.5	14.9	11.3	11.7
Commodities less food and energy	214.2	216.0	218.5	220.2	13.7	4.1	5.0	11.7	8.8	8.3
Energy commodities 1/	456.0	453.7	451.9	450.6	-4.1	58.3	5.3	-4.7	22.2	.2
Services less energy	297.0	300.3	305.9	309.2	14.5	12.9	12.8	17.5	13.7	15.1

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 1981	Indexes June 1981	Indexes July 1981	Indexes Aug. 1981	Percent change to Aug. 1981 from- Aug. 1980	June 1981	July 1981	Percent change to July 1981 from- July 1980	May 1981	June 1981
U.S. city average			269.1	271.4	274.6	276.5	10.8	1.9	0.7	10.7	2.0	1.2
Chicago, Ill.-Northwestern Ind.	M		263.9	267.9	271.7	274.6	11.9	2.5	1.1	10.0	3.0	1.4
Detroit, Mich.	M		271.3	275.9	278.9	279.1	10.0	1.2	.1	10.6	2.8	1.1
L.A.-Long Beach, Anaheim, Calif.	M		270.7	271.7	276.3	278.6	11.4	2.5	.8	9.9	2.1	1.7
N.Y., N.Y.-Northeastern N.J.	M		255.9	257.9	262.3	264.0	9.7	2.4	.6	10.0	2.5	1.7
Philadelphia, Pa.-N.J.	M		262.9	265.6	268.5	271.6	9.8	2.3	1.2	9.5	2.1	1.1
Anchorage, Alaska	1	10/67	240.1	-	241.7	-	-	-	-	7.5	.7	-
Baltimore, Md.	1		268.6	-	273.7	-	-	-	-	9.1	1.9	-
Boston, Mass.	1		263.6	-	266.5	-	-	-	-	10.6	1.1	-
Cincinnati, Ohio-Ky.-Ind.	1		273.3	-	276.3	-	-	-	-	8.6	1.1	-
Denver-Boulder, Colo.	1		293.4	-	299.9	-	-	-	-	12.8	2.2	-
Miami, Fla.	1	11/77	144.8	-	147.3	-	-	-	-	9.4	1.7	-
Milwaukee, Wis.	1		283.5	-	291.2	-	-	-	-	13.8	2.7	-
Northeast Pennsylvania	1		263.3	-	269.0	-	-	-	-	10.6	2.2	-
Portland, Oreg.-Wash.	1		276.1	-	279.2	-	-	-	-	10.7	1.1	-
St. Louis, Mo.-Ill.	1		268.4	-	269.2	-	-	-	-	9.5	.3	-
San Diego, Calif.	1		292.5	-	300.5	-	-	-	-	13.1	2.7	-
Seattle-Everett, Wash.	1		271.5	-	277.8	-	-	-	-	10.4	2.3	-
Washington, D.C.-Md.-Va.	1		267.7	-	271.4	-	-	-	-	9.1	1.4	-
Atlanta, Ga.	2		-	272.8	-	278.1	11.4	1.9	-	-	-	-
Buffalo, N.Y.	2		-	256.1	-	259.4	10.1	1.3	-	-	-	-
Cleveland, Ohio	2		-	283.8	-	283.0	11.2	-.3	-	-	-	-
Dallas-Fort Worth, Tex.	2		-	284.0	-	285.1	10.8	.4	-	-	-	-
Honolulu, Hawaii	2		-	253.8	-	256.6	11.8	1.1	-	-	-	-
Houston, Tex.	2		-	289.4	-	291.8	9.9	.8	-	-	-	-
Kansas City, Mo.-Kans.	2		-	269.1	-	270.2	8.4	.4	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.	2		-	276.6	-	287.0	14.5	3.8	-	-	-	-
Pittsburgh, Pa.	2		-	273.0	-	278.1	10.7	1.9	-	-	-	-
San Francisco-Oakland, Calif.	2		-	274.3	-	287.2	14.2	4.7	-	-	-	-
Region 3/												
Northeast	2	12/77	-	142.4	-	145.4	10.5	2.1	-	-	-	-
North Central	2	12/77	-	147.0	-	149.4	10.5	1.6	-	-	-	-
South	2	12/77	-	146.9	-	149.4	11.2	1.7	-	-	-	-
West	2	12/77	-	147.8	-	151.1	11.1	2.2	-	-	-	-
Population size class 3/												
A-1	2	12/77	-	143.2	-	146.5	10.6	2.3	-	-	-	-
A-2	2	12/77	-	147.4	-	150.1	10.9	1.8	-	-	-	-
B	2	12/77	-	148.2	-	150.8	11.1	1.8	-	-	-	-
C	2	12/77	-	145.8	-	148.5	10.5	1.9	-	-	-	-
D	2	12/77	-	144.9	-	147.0	10.7	1.4	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	-	139.0	-	142.0	9.9	2.2	-	-	-	-
North Central/A	2	12/77	-	149.4	-	151.7	10.7	1.5	-	-	-	-
South/A	2	12/77	-	146.8	-	149.0	10.2	1.5	-	-	-	-
West/A	2	12/77	-	148.1	-	152.7	12.3	3.1	-	-	-	-
Northeast/B	2	12/77	-	146.7	-	150.3	11.8	2.5	-	-	-	-
North Central/B	2	12/77	-	148.5	-	150.3	10.5	1.2	-	-	-	-
South/B	2	12/77	-	148.5	-	151.3	11.7	1.9	-	-	-	-
West/B	2	12/77	-	149.1	-	151.0	10.2	1.3	-	-	-	-
Northeast/C	2	12/77	-	151.8	-	154.7	12.0	1.9	-	-	-	-
North Central/C	2	12/77	-	141.6	-	144.5	9.4	2.0	-	-	-	-
South/C	2	12/77	-	146.2	-	148.9	11.0	1.8	-	-	-	-
West/C	2	12/77	-	144.9	-	147.3	9.4	1.7	-	-	-	-
Northeast/D	2	12/77	-	145.8	-	147.3	9.8	1.0	-	-	-	-
North Central/D	2	12/77	-	143.8	-	146.4	10.7	1.8	-	-	-	-
South/D	2	12/77	-	145.0	-	147.3	11.8	1.6	-	-	-	-
West/D	2	12/77	-	146.7	-	147.5	9.2	.5	-	-	-	-

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.

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REAL EARNINGS IN AUGUST 1981

Preliminary real earnings figures for August--covering full-time and part-time workers on production or nonsupervisory jobs in the private nonfarm sector of the American economy--were released today by the Bureau of Labor Statistics of the U. S. Department of Labor. Real earnings--or earnings in constant dollars--for August were calculated by adjusting earnings in current dollars for changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

*Real gross average weekly earnings increased 0.5 percent from July to August after allowance for the usual seasonal variation. A 1.0 percent increase in average hourly earnings and a 0.3 percent increase in average weekly hours were partially offset by a 0.8 increase in the CPI-W. (See Table A.)

Over the year, real average weekly earnings were down 0.9 percent. A 9.4 percent increase in average hourly earnings and a 0.3 percent increase in average weekly hours were offset by a 10.8 percent increase in the CPI-W. Before adjustment for changes in the CPI-W and seasonal change, average weekly earnings were $259.88 in August compared with $236.79 a year earlier. (See Table 1.)

*Real spendable earnings--average weekly earnings reduced by social security and Federal income taxes applicable to a married worker with three dependents who earned the average amount and then deflated by changes in the CPI-W--increased

Table A. Composition of change in real earnings (production or nonsupervisory workers on private nonfarm payrolls)

Month	(1) Average hourly earnings	(2) Average weekly hours	(3) Average weekly earnings	(4) Consumer price index 1/	(5) Real average weekly earnings	(6) Average tax effect 2/	(7) Real spendable earnings 3/
1980	Percent change from preceding month, seasonally adjusted						
August	0.9	0.3	1.2	0.8	0.4	0.2	0.2
Sept.	0.6	0.3	0.9	1.1	-0.3	0.1	-0.4
October	1.0	0.0	1.0	1.0	(4)	0.1	-0.1
Nov.	1.0	0.0	1.0	1.1	-0.1	0.1	-0.2
Dec.	0.6	0.0	0.6	1.0	-0.4	0.1	-0.5
1981							
January	0.7	0.0	0.7	0.8	(4)	0.7	-0.7
Feb.	0.7	-0.3	0.4	0.9	-0.5	0.1	-0.6
March	0.7	0.3	1.0	0.6	0.4	0.1	0.3
April	0.7	0.3	1.0	0.4	0.6	0.1	0.5
May	0.6	-0.3	0.3	0.6	-0.4	(4)	-0.4
June	0.7	-0.3	0.4	0.7	-0.3	(4)	-0.3
July p	0.6	0.0	0.6	1.2	-0.6	0.1	-0.7
Aug. p	1.0	0.3	1.3	0.8	0.5	0.2	0.4
1980	Percent change from same month a year ago						
August	7.9	-1.4	6.4	12.7	-5.6	0.9	-6.4
Sept.	7.8	-1.4	6.3	12.6	-5.6	0.8	-5.4
October	8.6	-1.1	7.3	12.6	-4.7	1.0	-5.6
Nov.	9.1	-0.8	8.2	12.7	-3.9	1.1	-5.0
Dec.	8.8	-0.8	7.9	12.5	-4.1	1.0	-5.1
1981							
January	9.5	0.0	9.5	11.7	-2.0	1.8	-3.8
Feb.	9.5	-0.3	9.1	11.4	-2.1	1.8	-3.8
March	9.2	0.0	9.2	10.5	-1.2	1.8	-2.9
April	9.2	0.3	9.5	10.0	-0.4	1.8	-2.2
May	9.3	0.6	9.9	9.8	0.1	1.8	-1.8
June	8.9	0.3	9.2	9.5	-0.3	1.7	-2.0
July p	9.0	0.6	9.7	10.7	-1.0	1.8	-2.8
Aug. p	9.4	0.3	9.8	10.8	-0.9	1.8	-2.7

Note: The following relationships hold approximately:
column (1) + column (2) = column (3)
column (3) - column (4) = column (5)
column (5) - column (6) = column (7)

p = preliminary

1/ The deflator for the constant dollar series presented in this release is derived from the the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

2/ When comparing spendable earnings estimates for periods subject to the same Federal tax laws, the percent change in average tax effect is a measure of the progressive effect of the Federal tax system on average earnings. This is the case for comparisons within 1980 and within 1981 and of 1980 to 1979 as the only tax law change effective in 1980 was an increase in the social security tax base which was already above the level that would affect such comparisons. In January 1981, both the social security tax base and tax rates increased. When comparing spendable earnings estimates for periods subject to different tax laws, i.e., 1981 to 1980, the percent change in average tax effect reflects both the progressive effect and the effect of the tax law change.

3/ Spendable earnings are calculated by deducting social security and Federal income taxes applicable to a worker (in this case a married worker with 3 dependents filing a joint return) who earned the gross average weekly earnings of all production or nonsupervisory workers.

4/ Less than 0.05 percent.

0.4 percent from July, seasonally adjusted. Over the year, real spendable earnings were down 2.7 percent. (See footnote 2, table A, for explanation of over-the-year average tax effect.)

*The Hourly Earnings Index in dollars of constant purchasing power was up 0.4 percent from July to August. Compared with a year ago, the index was down 1.4 percent. (See tables 2 and 3.) The index excludes the effects of overtime in manufacturing and of interindustry shifts, such as the shift of workers between high-wage and low-wage industries.

Explanatory Notes

The earnings series presented in this release are derived from the Bureau of Labor Statistics monthly establishment survey of employment, payroll, and hours. The deflator used for constant dollar earnings series presented in this release is derived from the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Earnings series from the monthly establishment survey are estimated arithmetic averages (means) of the hourly and weekly earnings of all production or nonsupervisory jobs in the private nonfarm sector of the economy. Weekly earnings estimates for each industry are obtained by dividing the estimated industry payroll—for all production or nonsupervisory jobs—by the corresponding employment level. Hourly earnings estimates are similarly derived by dividing payroll by the number of corresponding paid hours. The weekly and hourly earnings estimates for aggregate industries, such as the major industry division and the total private sector averages reported in this release, are derived by summing the corresponding payroll, hours, and employment estimates of the component industries. As a result, each industry receives a "weight" in the published averages that corresponds to its current level of activity (employment or total hours). This further implies that fluctuations and varying trends in employment activity in high-wage versus low-wage industries as well as wage rate changes influence the earnings averages. The Hourly Earnings Indexes (HEI's) adjust for this effect by assigning a fixed weight to the various component industries that is derived from the industries' base period aggregate paid hours estimates. The HEI's utilize a further adjustment to the component industries in the manufacturing sector to adjust for the varying impact that overtime hours have on the earnings estimates. The manufacturing sector is the only sector for which the requisite overtime data are available. There are no attempts to adjust the HEI's for the impact of fluctuations and varying trends in occupational employment within industries and other factors which also influence the trends in earnings averages.

Spendable Earnings are calculated from the average weekly earnings estimates by deducting the social security and Federal income taxes applicable to a single worker or to a married worker with three dependents who earned the gross average weekly earnings of all production or nonsupervisory jobs. Real Spendable Earnings are spendable earnings expressed in constant (1977) dollars.

There are several characteristics of the series presented in this release that limit their suitability for some types of economic analyses. 1) The denominator for the weekly earnings series is the number of private nonfarm production or nonsupervisory worker jobs. This number includes full-time and part-time jobs as well as the jobs held by multiple job holders in the private nonfarm sector. These factors tend to result in weekly earnings averages significantly lower than the corresponding numbers for full-time jobs. 2) Annual earnings averages can differ significantly from the result obtained by multiplying average weekly earnings times 52 weeks. The difference may be due to factors such as turnovers and layoffs. 3) The series are the average earnings of all production or nonsupervisory jobs, not the earnings average of "typical" jobs or of jobs held by "typical" workers. Specifically, there are no adjustments for occupational, age, or schooling variations or for household type or location. Many studies have established the significance of these factors and that their impact varies over time.

The Bureau of Labor Statistics also publishes current earnings data from the *Current Population Survey*, and those data can be analyzed without some of the limitations noted above for the establishment survey series. The CPS data, for example, can be used to compare the earnings of household heads to those of other demographic groups. For more information on the CPS data, see BLS Report 601, "Technical Description of the Quarterly Data on Weekly Earnings from the Current Population Survey."

Seasonally adjusted data are preferred by some users for analyzing general earnings trends in the economy since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude each year and, therefore, reveal the underlying trends and cyclical movements. Changes in average earnings may be due to seasonal changes in the proportion of workers in high-wage and low-wage industries or occupations or to seasonal changes in the amount of overtime work, and so on. The seasonally adjusted data are presented in table 2.

Income tax law changes that become effective during the year may produce misleading year-to-year com-

parisons of changes in the tax liability from the spendable earnings series. For example, in 1977, the calculation of spendable earnings following the enactment of the Tax Reduction and Simplification Act of 1977, effective June 1, 1977, concentrated the entire 1977 reduction in the subsequent 7 months of that year. The Bureau of Labor Statistics develops and publishes "annual average" spendable earnings formulas which distribute the impact of tax law changes over the entire calendar year. These formulas can be used to make meaningful year-to-year comparisons in tax liability changes.

For a comprehensive discussion of the spendable earnings series and other wage data, see the following articles: Jack Alterman, "Compensation per Man-Hour and Take Home Pay," *Monthly Labor Review,* June 1971; Thomas Gavett, "Measures of Change in Real Wages and Earnings," *Monthly Labor Review,* February 1972; Norman Samuels, "Developing a General Wage Index," *Monthly Labor Review,* March 1971; Paul Ryscavage, "Two Divergent Measures of Purchasing Power," *Monthly Labor Review,* April 1971; and, Paul O. Flaim, "Weekly and Hourly Earnings Data from the Current Population Survey," *Special Labor Force Report 195,* Bureau of Labor Statistics, 1977.

Table 1. Earnings of production or nonsupervisory workers on private nonagricultural payrolls by major industry division

Industry	Gross average hourly earnings			Hourly earnings index 1/ (1977 = 100)			Gross average weekly earnings			Spendable average weekly earnings 2/					
										Married worker with 3 dependents			Single worker with no dependents		
	Aug. 1980	July 1981p	Aug. 1981p	Aug. 1980	July 1981p	Aug. 1981p	August 1980	July 1981p	August 1981p	August 1980	July 1981p	August 1981p	August 1980	July 1981p	August 1981p
TOTAL PRIVATE: 3/															
Current dollars	$6.67	$7.24	$7.30	128.2	138.9	140.0	$236.79	$257.02	$259.88	$207.68	$221.69	$223.85	$190.01	$202.80	$204.79
Constant (1977) dollars 4/	4.85	4.79	4.79	93.2	91.8	91.9	172.21	169.87	170.44	151.06	146.52	146.98	138.19	134.04	134.46
Mining:															
Current dollars	9.16	10.07	10.17	135.0	148.5	149.4	395.71	434.92	441.38	325.23	349.74	354.85	293.89	314.57	319.94
Constant (1977) dollars 4/	6.66	6.66	6.68	98.2	98.1	98.1	287.79	286.96	289.81	236.53	231.16	232.99	213.74	207.91	209.42
Construction:															
Current dollars	10.04	10.73	10.83	123.6	131.9	132.9	374.49	404.52	405.04	310.10	329.28	329.65	291.19	297.06	297.37
Constant (1977) dollars 4/	7.30	7.09	7.11	89.9	87.1	87.2	272.36	267.36	265.95	225.53	217.63	216.45	204.50	196.34	195.25
Manufacturing:															
Current dollars	7.30	8.02	8.03	130.9	142.4	143.0	287.62	317.59	320.40	246.25	266.99	269.02	225.11	243.40	245.18
Constant (1977) dollars 4/	5.31	5.30	5.27	95.1	94.1	93.9	209.18	209.91	210.37	179.09	176.46	176.54	163.72	160.87	160.98
Transportation and public utilities:															
Current dollars	8.94	9.73	9.95	127.9	139.4	142.4	354.92	387.25	396.01	295.94	317.31	323.38	269.90	296.91	292.01
Constant (1977) dollars 4/	6.50	6.43	6.53	93.0	92.1	93.5	258.12	255.95	260.02	215.16	209.72	212.33	195.56	189.56	191.73
Trade, wholesale and retail:															
Current dollars	5.49	5.91	5.92	128.6	138.2	138.7	179.52	193.26	193.58	154.90	173.07	173.31	148.50	157.57	157.91
Constant (1977) dollars 4/	3.99	3.91	3.89	93.5	91.4	91.1	130.56	127.73	127.10	119.93	114.39	113.80	108.90	104.14	103.62
Finance, insurance, and real estate:															
Current dollars	5.93	6.28	6.36	128.0	137.8	139.4	211.63	227.96	231.50	195.38	199.80	202.47	171.96	182.65	185.11
Constant (1977) dollars 4/	4.24	4.15	4.15	93.1	91.1	91.5	153.91	150.67	152.00	137.00	132.06	132.94	125.06	120.72	121.54
Services:															
Current dollars	5.91	6.33	6.40	125.4	136.6	138.0	192.31	208.99	211.20	173.33	185.15	186.94	157.89	168.98	170.55
Constant (1977) dollars 4/	4.23	4.18	4.20	91.2	90.3	90.6	139.96	138.06	138.67	126.06	122.38	122.74	114.83	111.62	111.98

p = preliminary

1/ Adjusted for overtime (manufacturing only) and interindustry employment shifts.

2/ Spendable earnings are calculated by deducting social security and Federal income taxes applicable to a worker who earned the gross average weekly earnings of all production or nonsupervisory workers. A technical note on the calculation and uses of the spendable earnings series is available on request.

3/ Data relate to production and related workers in mining and manufacturing; construction workers in construction; and nonsupervisory workers in transportation and public utilities, trade, finance, insurance, and real estate, and services. Included in this group are approximately four-fifths of all workers on private industry payrolls.

4/ The deflator for the constant dollar series presented in this release is derived from the the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Table 2. Earnings of production or nonsupervisory workers on private nonagricultural payrolls, seasonally adjusted

	1980					1981							
	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	July p c	Aug. p
Gross average hourly earnings:													
Current dollars	$6.72	$6.76	$6.93	$6.90	$6.94	$6.99	$7.04	$7.09	$7.14	$7.18	$7.23	$7.27	$7.34
Constant (1977) dollars 1/	4.90	4.87	4.98	4.87	4.85	4.85	4.84	4.86	4.86	4.85	4.86	4.82	4.84
Hourly earnings index 2/ (1977 = 100):													
Current dollars	128.7	129.4	130.6	132.1	132.6	133.9	135.0	135.8	136.7	137.7	138.4	139.0	140.6
Constant (1977) dollars 1/	93.9	93.3	93.7	93.3	92.7	92.9	92.7	92.9	93.0	93.1	92.9	92.2	92.6
Gross average weekly earnings:													
Current dollars	$236.54	$238.63	$241.10	$243.57	$244.98	$246.75	$247.81	$250.28	$252.76	$253.45	$254.50	$255.90	$259.10
Constant (1977) dollars 1/	172.53	172.05	172.09	171.89	171.19	171.12	170.20	170.96	172.06	171.37	170.92	169.91	170.69
Spendable average weekly earnings: 3/													
Current dollars	207.49	209.08	210.95	212.93	213.90	213.96	214.75	216.62	218.49	219.00	219.80	220.95	223.26
Constant (1977) dollars 1/	151.34	150.74	150.57	150.20	149.48	148.38	147.49	147.96	148.73	148.07	147.62	146.55	147.08

p=preliminary.

1/ The deflator for the constant dollar series presented in this release is derived from the the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

2/ See footnote 1, table 1.

3/ Spendable earnings are calculated by deducting social security and Federal income taxes applicable to a worker (in this case a married worker with 3 dependents filing a joint return) who earned the gross average weekly earnings of all production or nonsupervisory workers.

Table 3. Percentage change 1/ over the year in earnings of production or nonsupervisory workers on private nonagricultural payrolls by major industry division
August 1980 - August 1981

	Hourly earnings index 2/ (1977 = 100)		Gross average weekly earnings		Spendable average weekly earnings 3/ Married worker with 3 dependents		Single worker with no dependents	
	Current dollars	Constant (1977) 4/ dollars	Current dollars	Constant (1977) 4/ dollars	Current dollars	Constant (1977) 4/ dollars	Current dollars	Constant (1977) 4/ dollars
TOTAL PRIVATE	9.2	-1.4	9.8	-0.9	7.8	-2.7	7.8	-2.7
Mining	10.7	-0.1	11.5	0.7	9.1	-1.5	8.5	-2.0
Construction	7.5	-3.0	8.2	-2.4	6.3	-4.0	5.9	-4.5
Manufacturing	9.4	-1.3	11.4	0.6	9.2	-1.4	8.9	-1.7
Transportation and public utilities	11.3	0.5	11.6	0.7	9.3	-1.3	8.6	-2.0
Trade, wholesale and retail	7.9	-2.6	7.8	-2.7	5.1	-5.1	6.3	-4.1
Finance, insurance, and real estate	9.9	-1.7	9.4	-1.2	7.5	-3.0	7.6	-2.8
Services	10.1	-0.6	9.8	-0.9	7.9	-2.6	8.0	-2.5

1/ Based on preliminary data for the current month (data are not seasonally adjusted).

2/ See footnote 1, table 1.

3/ Spendable earnings are calculated by deducting social security and Federal income taxes applicable to a worker who earned the gross average weekly earnings of all production or nonsupervisory workers.

4/ The deflator for the constant dollar series presented in this release is derived from the the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Representative REUSS. Mr. Jordan, please proceed in your own way. I'm aware of the fact that you haxe a date downtown and will have to leave here sometime before 11 o'clock, but I think we can get through with the enlightenment that you're going to give us by that time. The Consumer Price Index, as I understand it, went up 0.8 percent in August, which works out to just a little under 10 percent annually and is in line with recent CPI inflation.

Would you describe what has happened and perhaps break it down a bit so we can examine it?

STATEMENT OF HON. JERRY L. JORDAN, MEMBER, COUNCIL OF ECONOMIC ADVISERS

Mr. JORDAN. Yes. Thank you, Mr. Chairman.

For the first 8 months now of 1981, we have seen a pattern of inflation measures emerge: Some of the series that you mentioned, the Consumer Price Index or the variations of it, the Producer Price Index, the GNP deflator, all suggest that inflation is going to come in under 10 percent for the full year of 1981.

A midyear review by the administration looking at all of 1981 indicated that we thought the Consumer Price Index would be slightly under 10 percent in 1981 compared to 1980.

The broader measures of inflation, the gross national product deflator, would be well under 10 percent. The figures in our July forecast were revised downward compared to our February forecast. We have now seen a pattern where most private forecasters are revising down their inflation forecast, not only for 1981 but for 1982. We think that we are on course and that inflation will decline further by 1 or 2 percentage points in 1982.

Representative REUSS. The Department of Labor's Bureau of Labor Statistics' release accompanying these figures breaks down to some extent what happened in August. It says that indexes for transportation, and food and beverages rose less than in July. That tends to indicate, does it not, that the oil market softness which dealt OPEC a happy blow, and the beneficent effect of the weather on crops, were helping us all by keeping those two items from zooming upward as they have in the past? Is that a fair statement?

Mr. JORDAN. Yes; we do look at individual components on a month-to-month basis as we do to try and understand what the pattern is, the changes. We do take account of the factors you cite.

For instance, in July, the transportation component was influenced by some midyear fare or rate increases in transportation, but the overall pattern there is very favorable.

Representative REUSS. The Bureau of Labor Statistics' release goes on to say that housing costs did register a substantial advance in August, though it was not as bad as in July, and accounted for one-half of the total August Consumer Price Index increase. That is very largely due to extraordinarily high interest rates, is it not?

Mr. JORDAN. Yes; it's mainly the reflection of earlier increases in mortgage rates that are averaged into the Consumer Price Index over a period of time. That was a fairly predictable component of the Consumer Price Index. As interest rates generally decline for the balance of 1981 and as we move into 1982, we are expecting that component of the Consumer Price Index to show much smaller increases or even some actual declines.

Representative REUSS. Well, then, would it be fair to say overall that for the improvement in inflation in the August figures we can thank God and a bountiful harvest for the food decrease and thank the confusion in the ranks of OPEC for the transportation and energy decrease, but the item that really looked bad, housing c osts, is largely due to high interest rates, and those are the results of policies undertaken by the Government of the United States?

Mr. JORDAN. We don't look at what's happening to housing costs—interest rates—as being a reflection of policies undertaken in 1981, but earlier policies that were inflationary. We still view the interest rates as being mainly a function of inflation and inflation expectations which are built up over very long periods of time, and so the increases, especially in some of the longer term interest rates such as the mortgage rate, we think reflect the fact that the economy is still suffering from very substantial overall inflation and inflation psychology, and so these interest rate levels are not a target of policy—they are not an instrument of policy; they are something that we think that the policies will work to bring down, given time.

When you look separately at the various components of the inflation measures in the overall Consumer Price Index, you can explain at times why from month to month or even over a 6-month period one component goes up or another component goes down. But when you look at the total Consumer Price Index, it still reflects the fact that monetary growth has been lagged out over a 2-year period or much longer. The correlation between the rate of growth of the money supply and the Consumer Price Index 2 years later is quite good and we think that there's no accident that the rate of monetary growth in 1979 during the spring and summer, the second and third quarters, was about a 10-percent annual rate, at that time about the highest rate of growth supply for two quarters that we had ever seen, and now 2 years later we are seeing inflation running around the 10-percent rate.

Now our analysis suggests that monetary growth having declined in 1980 and continued to decline in 1981 is a pretty good predictor that inflation in 1982 and 1983 will similarly decline.

Representative REUSS. My goodness, I wish you had told us all that last February. Of course, you weren't around. You didn't join the Council until when?

Mr. JORDAN. April.

Representative REUSS. So you're exempted from my churlish comments. But good Lord, your leader, our friend Murray Weidenbaum, was up here in February saying, "Look, you just pass the President's program of budget cuts and a big tax decrease, and with firm control over the monetary aggregates by the Fed, interest rates will come down and the stock market will go up." A lot of people believed him and, of course, just the opposite is true.

The President's program was passed by Congress with remarkable speed and almost immediately there ensued even more atrocious interest rates and collapse of the stock and bond markets. Next time, if it was all foreordained in what happened in 1979, please tell us that enacting your program isn't going to do any good until 2 years.

Mr. JORDAN. That's as far as the Consumer Price Index. Our reluctance to forecast inflation coming down even faster—I'm more optimistic probably than most private forecasters on inflation, but knowing that the lags are fairly long between monetary actions, and

the inflation rate constrains us from becoming as optimistic as I would like to be about inflation.

As far as interest rates go, it's certainly been disappointing that short-term interest rates haven't declined sooner and started pulling down longer term rates, but we have noticed in the last 5 weeks that short-term interest rates have been declining week in and week out, and since the time the President signed the tax package in early August, within a short period after that, the Federal funds rate started declining, and it's now declined almost 250 basis points in the last 5 weeks, and we think that's a very favorable trend and we are expecting continued declines in short-term interest rates through the balance of this year and into next year and that will pull down long-term interest rates, including the mortgage rate.

Representative REUSS. Well, what happened to the big psychological boost that the stock market was alleged by the administration to start receiving the moment the President's program was passed? The Dow Jones is down 100 points since the President, amid toasts of champagne, signed the tax bill. What went wrong here?

Mr. JORDAN. I don't know that something went wrong on the stock market. I have never been able to predict it. I have been amazed at the people that have had even a mild degree of success at times at predicting the stock market. I don't know whether they were smart or lucky, but I know I don't know how to do it.

Interest rates I'm more comfortable about as to what the relationships are—a general relationship over a period of time related to monetary growth and inflation—but that has never helped me in knowing what to make of the stock market.

We were encouraged that the dollar was so strong in 1981 as a symbol of confidence in the U.S. economy, real rates of return on real investments rising, being attractive to both our own citizens and to foreigners. Americans who had previously been investing abroad decided to repatriate their assets and bring them back home and foreign investors finding it attractive, and the price of gold going down, which I take as a symbol of confidence that the dollar was looking a lot better.

So to pair these up with what has happened in the stock market is difficult. It may be the stock market reflects short-run concerns and uncertainty about the ultimate outcome over the budget, but I don't know what to make of it as far as relating it to the tax package. The budget is still an unsettled matter.

Representative REUSS. Well, if the stock market is as flaky as you believe it is, was the administration justified in proclaiming that the assets of its program would result very promptly in improving the stock market, as it did? Would you have done that if you had been here?

Mr. JORDAN. No; I have no confidence in my ability to predict the stock market.

Representative REUSS. Well, I wish you had been here.

The September 14 issue of Bond Week quotes an analyst for Jeffries Co. as saying:

> The Federal Reserve has eased its monetary policy in the past 2 months. That easing has had major implications for the bond market and, along with worries over the budget deficit, has increased concern among bond buyers that the pace of inflation could flare up again in 1982 and 1983.

Where, in your judgment, is the Federal Reserve going astray at the present time?

Mr. JORDAN. I don't believe they are going astray. I think that what he may be referring to is the fact that the short-term interest rates have been declining. That in many ways is an encouraging sign, but I do not view it as a more stimulative policy. We think that the long-term effect of relatively slow monetary growth is going to be declines in both short-term and long-term interest rates, but we were aware that short-term interest rates had to decline first. We were concerned that people might misinterpret declining short-term interest rates as being a caving-in on the will to fight against inflation, and I don't believe that that is the correct interpretation at all.

We expect interest rates to decline the rest of this year and all of next year, but we don't think that that should signal that we are not as determined to fight against inflation or that the Federal Reserve is not persisting in its anti-inflation policies. We think that declining interest rates is consistent with a restrictive anti-inflation monetary policy.

What was disturbing in the last couple days was some fairly sharp declines in short-term interest rates with increases in long-term interest rates and the dollar showing a little weakness. That may signal that inflation psychology for the longer term is not improving, that there may be a belief that in the near term there will be less inflation, less credit demands, but that long-term investors are still unwilling to revise down their expectation of inflation over the next, say 10 to 20 years, and we view that as a very serious problem.

Representative REUSS. One final question. You just said that long-term investors may be feeling that while inflation is going to get better for the next few months that it may flare up again. Do you think those long-term investors are out of their minds in having that feeling or do you think they could be well grounded?

Mr. JORDAN. Well, I think it's a very rational response. The risks are not symmetrical for long-term investors. Even if they think the probability is maybe only 5 or 10 percent that inflation will rise again, if that 5 or 10 percent turned out to be true, they would not be happy about having bought long-term bonds when later the interest rates go back up and the prices decline. They have done that several times before. One comment to me from a Wall Street investor was that he didn't know anybody that hadn't lost their last job from buying bonds too soon. So they say, yes, they believe in the program 90 or 95 percent, but there's that little bit of doubt that causes them to hold back. Until they see what happens on the budget and know the total fiscal package is put together and consistent with the monetary policy, they are unwilling to start buying long-term securities.

Representative REUSS. Thank you very much, Mr. Jordan. We appreciate your frank answers and your being here. And knowing that you need to get back, I'm going to adjourn the committee.

We now stand adjourned.

[Whereupon, at 10:30 a.m., the committee adjourned, subject to the call of the Chair.]

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