PROGRESS ON INFLATION

1136

HEARING

BEFORE THE

SUBCOMMITTEE ON MONETARY AND FISCAL POLICY

OF THE

JOINT ECONOMIC COMMITTEE
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FRIDAY, APRIL 23, 1982

PROGRESS ON INFLATION

FRIDAY, APRIL 23, 1982

Congress of the United States,
Subcommittee on Monetary and Fiscal Policy
of the Joint Economic Committee,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 6226, Dirksen Senate Office Building, Hon. Roger W. Jepsen (chairman of the subcommittee) presiding.

Present: Senators Jepsen, Abdnor, and Mattingly.

Also present: Bruce R. Bartlett, deputy director; Charles H. Bradford, assistant director; and Douglas N. Ross and Richard Vedder, professional staff members.

Opening Statement of Senator Jepsen, Chairman

Senator Jepsen. The meeting will come to order. I'd like to welcome Mr. Weidenbaum. From our brief visit beforehand, it seems like this may be quite a red letter day as very good news continues on inflation.

During the first 3 months of this year the Consumer Price Index has been running well below 5 percent, but last month's drop in the Consumer Price Index of 3.6 percent on an annual basis is an historic event. Not since August of 1965 has the CPI actually declined, and it has not been since November of 1953 that it fell as much as it did last month. If the trend in prices for the last 3 months holds for the balance of the year, prices will rise just 1 percent in 1982. This would be the lowest annual inflation rate since 1961.

I think this disinflationary trend is real and is going to hold for the balance of the year. I don't think there is any question that we will finish 1982 with the lowest inflation rate in at least 15 years. Obviously, this has enormous implications, both political and economic. As we all know, for many years people have been telling us that inflation is the No. 1 problem in America—and they were right. Inflation is what caused the recession. Inflation is what led to double-digit interest rates, and inflation has been an anchor around our economy's neck for over a decade.

Now we are finally casting that anchor aside. I believe that the decline in inflation is just one part of a general economic upturn, which is becoming more obvious to me and many of my colleagues every day. Interest rates on Treasury bills have fallen all week. Last month durable goods orders were up substantially. And despite all the talk of recession, much of our economy is prospering.

Indeed, I would go so far as to say that these positive developments cast a great deal of doubt on the wisdom of any hastily drafted budget compromise. After all, if inflation is declining, why should we go through the anguish of making cuts in cost-of-living adjustments for people on social security and Federal pensions? And if interest rates are declining and the economy is recovering, why should we feel compelled to impose surtaxes on the people? If inflation and interest rates are falling and the economy is recovering, isn't this more likely to prove to be the solution to our deficit problem rather than cutting social security or raising taxes?

I hope my colleagues will consider these issues carefully. I intend to visit with some of those who are on budget making committees—committees that have been meeting practically around the clock for the last 2 weeks—later on today, and I welcome any comments that Mr. Weidenbaum may have to make in this regard as well.

I now would ask my very distinguished colleague who's made an economic mark and reputation for his expertise since he's come to the Senate, Senator Mattingly, from Georgia, to make his remarks.

Opening Statement of Senator Mattingly

Senator Mattingly. Thank you, Mr. Chairman.

Mr. Weidenbaum, I know as Chairman of the Council of Economic Advisers, you're happy to be here today.

Mr. Weidenbaum. Yes, sir.

Senator Mattingly. For the first time since the mid-1960's the worker's paycheck is going to be worth more rather than less. After years of being ravaged by inflation brought on by the big spenders in Congress, we all agree that the dollar is not going to be eroded by inflation.

This is a victory for Reaganomics. The first objective of the Reagan economic recovery program was to bring inflation under control.

I believe the recession that really began in 1980 is finally bottoming out. We need to further decrease the interest rates in order to stimulate the growth in the economy. With the pent-up consumer demand just waiting to be unleashed by lower interest rates, I believe the country is on its way to economic recovery.

There always are going to be the doomsayers who are betting their political future on the economy's failure. They seek to poison the budding recovery with their pessimism which will never prevail. The people believe in this country and in the President's economic recovery program. No matter what the hard sell, the people will never buy the pessimistic philosophy about our economy from sorehead losers.

We have beaten inflation and soon I believe we will be able to say the same about high interest rates. It took decades of free spending in Washington to get us into this economic mess, and I believe the American people are willing to give the President the few more months he needs to finish his repairs on our long battered economy.

Thank you, Mr. Chairman.

Senator Jepsen. Thank you.

Senator Abdnor.

Opening Statement of Senator Abdnor

Senator Abdnor. I just want to welcome Mr. Weidenbaum to our session today. I, like my colleague from Georgia, greet you on the upbeat, for a change, instead of the gloom and doom we've had to listen to in the past. If this isn't one of the really solid indications of what's to come, I don't know what is.

I probably return back to my State as much as any Member of Congress and if there's been one overriding issue over all this time it's certainly high interest rates. It used to be inflation, but since interest rates shot up, they became the priority concern. And when I see the compound annual rate over the 3 months ending in March for all items was only 1 percent, that's something to shout and scream about.

Let me ask you. I'm not an economist. I'm not a banker. But I keep hearing that interest rates should always be 3 or 4 percent greater than the inflation rate. Am I right and correct, when I associate myself with the remarks of my colleague here from Georgia, that if we do our part, if we can work out a program with the President, if we can show that we are sincere in slowing down this growth in Government, and really come up with the proof in the form of some kind of a budget compromise, then we should witness better days ahead. That's a pretty fair statement, isn't it, Mr. Weidenbaum, from the way you see it?

Mr. Weidenbaum. Well, I would like to give you a full response as part of my statement, if I may, Senator.

Senator Abdnor. Thank you. Any way, we welcome you to the subcommittee. I'm sorry I got carried away. It's just so nice to have something good to talk about for a change that I can't quit.

Senator Jepsen. Senator Hawkins, although unable to attend the hearing today, has provided us with an opening statement for the record.

[The opening statement of Hon. Paula Hawkins follows:]

Opening Statement of Senator Hawkins

Today is indeed historic. Two years ago, the inflation rate was over 12 percent, and the doomsayers warned us that hyperinflation was just around the corner. But today, for the first time in 26 years, consumer prices are falling.

In fact, since the beginning of this year, consumer prices have hardly changed at all; the country has enjoyed price stability. That suggests falling interest rates may not be far behind. This must be welcome news to homebuyers, farmers, and businessmen, in fact, for all Americans.

The American economy has suffered. However, our patience in 1981 appears to have paid off. We have finally earned the right to be optimistic about America's economic future.

Senator Jepsen. Mr. Weidenbaum, you may proceed.

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

Mr. Weidenbaum. Mr. Chairman, Senator Mattingly, and Senator Abdnor, it is a great pleasure indeed to be here this morning and report that inflation is coming down.

I do not know that when Americans go shopping, sometimes it is still hard to notice the difference. And the Consumer Price Index, when you measure it over the past 12 months, is still going up faster than we would like. But I urge us to look at the facts. Over the past 12 months, consumer prices have gone up much more slowly than the previous year. Over the past 12 months, the CPI rose 6.8 percent [see table]. The CPI rose 10.6 percent, double digit, for the previous 12 months. And, as we know, this March, for the first time in 17 years, the CPI actually fell.

I also want to point out that the experimental CPI—that's the one that more appropriately measures housing costs and to which the Bureau of Labor Statistics is moving—did rise in March, but for the past year it remains below the level shown by the currently used index. In other words, no matter how we look at it, we have seen during the past year a very substantial reduction in the rate of inflation.

Frankly, I'm not contending that the inflation problem has gone away. Inflationary pressures still exist in this society, in this economy, but the progress made has been fundamental. Cutting the rate of inflation has meant that the consumers' dollars are going a lot further today than if inflation had stayed up there in those double digits. If shoppers are buying a pound of hamburger or a loaf of bread, chances are they are not paying any more today than a year ago and some are paying less. And if someone is heating a home with oil or driving a car, they surely know that oil and gasoline prices are much lower today than they were several months ago.

Now getting inflation under control just doesn't happen. It takes difficult decisions, as we have seen. Inflation, of course, is too much money chasing too few goods. As a result, however, of Federal Reserve policies which the administration supports, the money supply is growing, but at a slower rate than in the past. In other words, inflation, which is the cruelest tax of all, is coming under control. That unlegislated tax on the earnings of the over 99 million Americans at work and on the savings of millions of households, that unfair, unlegislated tax is coming down and it is coming down fast.

ADJUSTING TO LOWER INFLATION

Few people are trying to beat inflation any more. And those that thought they could by borrowing and speculating in precious metals and other inflation hedges may be having some problems. But that is part of the process of adjusting to a less inflationary environment.

Having grown accustomed to inflation, all of us—government, business, farmers, and consumers—have borrowed more and more, all too often intending to repay that debt with cheaper dollars or with inflation-swollen tax receipts and capital gains. But as inflation recedes and as price increases in a multitude of products, services and capital assets become smaller and smaller, there will be a growing realization that the burden of a dollar of debt is not shrinking as it used to; there will be a growing realization that inflated capital gains on land and real estate are not what they used to be; and a growing realization that wage settlements erroneously predicated on the assumption of double-digit inflation in producer price indexes can unexpectedly now squeeze profits and employment opportunities.

I suggest that the administration's policies have already made for a new sense of realism in economic decisionmaking both in the public and private sectors. Companies are becoming more cost-conscious and they're learning the advantages of being competitive in an economy in which the Federal Government does not assuredly come to bail out the losers in the marketplace. Employees are learning that their wages, salaries, and fringe benefits are vitally dependent on the success of their company. Many workers appear to be increasingly willing to accept adjustments in work rules and job practices to insure their company's success and, thus, to contribute to the productivity of the American economy.

All Americans—managers and workers, consumers and savers, young and old—are experiencing the benefits of lower inflation rates. These benefits result from restraining the growth of the supply of money and credit, and permitting market forces to signal the reality that the inflationary practices of the past are not part of this administration's approach to economic policymaking. As we look to the months ahead and respond to Senator Abdnor's specific question about interest rates, it's my hope and expectation that a prompt resolution of the budget question will send that positive signal to the financial markets. That positive signal that they want to hear is that we do have the budget under control; that next year's deficit will be substantially smaller than this year's; that the 1984 deficit will be substantially smaller than the 1983; and thus, that a rising share of private savings in this country will once again be devoted to the private sector and finance the strong, noninflationary recovery that we all anticipate.

Thank you very much.

[The table referred to by Mr. Weidenbaum, together with the Consumer Price Index press release, follows:]

RECENT PRICE PERFORMANCE

[Percent change, seasonally adjusted annual rate]

	Percent change to March 1982 from—			
	1 mo ago	3 mos ago	6 mos ago	12 mos ago
Consumer Price Index	−3.3	1.0	3.2	6.8
Energy[1]	−18.3	−8.0	−5.2	−.8
Home purchase, finance, insurance, and taxes	−8.3	−2.3	−1.0	8.9
Food	−4.2	3.9	2.8	4.0
Other	6.1	5.4	7.0	8.7

[1] Not seasonally adjusted.

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THE CONSUMER PRICE INDEX--MARCH 1982

The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1 percent before seasonal adjustment in March to 283.1 (1967=100), the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The All Items experimental measure using a rental equivalence approach (CPI-U, X-1) increased 0.2 percent to 258.4. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) declined 0.1 percent before seasonal adjustment in March to 282.5. Compared with their levels in March 1981, the CPI-U was 6.8 percent higher, the CPI-U, X-1 6.4 percent higher, and the CPI-W 6.5 percent higher.

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

On a seasonally adjusted basis, the CPI for All Urban Consumers declined 0.3 percent in March, following moderate increases in each of the preceding 5 months. The CPI-U, X-1 increased 0.2 percent. The 0.3 percent decline in the official CPI-U represents the first decrease since August 1965 and the largest drop registered since a 0.4 percent decline in November 1953. The transportation, housing, and food and beverage components all declined

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 Mar.'82	12-mos. ended Mar.'82
	1981				1982				
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.		
All items	1.1	.4	.5	.4	.3	.2	-.3	1.0	6.8
Food and beverages	.7	.2	.1	.1	.7	.6	-.3	4.2	4.0
Housing	1.3	.0	.5	.4	.3	.4	-.3	1.3	8.5
Apparel and upkeep	.3	.3	-.1	.1	-.1	.4	.4	3.2	3.2
Transportation	1.1	1.3	.9	.6	-.2	-.7	-1.0	-7.2	4.2
Medical care	.9	1.0	1.1	.7	.8	.7	1.0	10.2	12.0
Entertainment	.8	.8	.8	.3	.7	.7	.5	7.4	6.7
Other goods and services	1.5	1.0	.5	.6	.6	.9	1.0	10.1	10.3

in March. The indexes for apparel and upkeep and entertainment continued to rise moderately, while large increases were recorded for the medical care and other goods and services components.

During the 3 months ended in March, the CPI-U rose at a seasonally adjusted annual rate of 1.0 percent, the smallest quarterly increase since 1965. This compares with an advance of 5.4 percent in the fourth quarter of 1981 and substantially larger quarterly increases during the preceding 4 years. The continued deceleration in the first quarter figures was largely due to a sharp decline in the index for transportation and futher moderation in the housing component.

The transportation component recorded its third consecutive monthly decrease in March, declining 1.0 percent. Gasoline prices dropped 4.0 percent. Over the past 12 months, the gasoline index has declined 8.7 percent. Partially offsetting the March decline in gasoline prices were moderate increases in most other transportation components. The index for used cars rose 0.5 percent, the same as in February. The new car index increased 0.1 percent, following seasonal adjustment, after recording declines in both January and February. The indexes for public transportation and automobile finance charges were both unchanged in March.

The housing component declined 0.3 percent in March. A 0.9 percent decline in homeownership costs was partially offset by moderate increases in the indexes for other shelter costs, fuels and utilities, and household furnishings and operation. Home financing costs declined 1.6 percent, reflecting a 1.3 percent decrease in mortgage interest rates and a 0.4 percent drop in house prices. The rent index rose 0.5 percent. The index for fuel and other utilities also increased 0.5 percent as increases in charges for gas and electricity more than offset a 3.0 percent decline in fuel oil prices. Over the past 12 months, fuel oil prices have declined 5.3 percent.

The index for food and beverages declined 0.3 percent in March. Grocery store food prices declined 0.6 percent, following increases of 1.0 and 0.8 percent in January and February, respectively. Fresh vegetable prices declined sharply -- down 12.5 percent. Beef, poultry, and egg prices all registered moderate declines, while prices for pork increased slightly. All other major grocery store food groups recorded either moderate increases or small declines in March. Prices for the other two components of the food and beverage index -- restaurant meals and alcoholic beverages -- both increased 0.2 percent.

The medical care index rose 1.0 percent in March, somewhat more than earlier this year. Over the past 12 months, the medical care index rose 12.0 percent. The index for medical care commodities, which includes prescription and nonprescription drugs and medical supplies, increased 1.2 percent in March. Charges for hospital rooms and physicians' services rose 1.3 and 0.5 percent, respectively.

The index for apparel and upkeep advanced 0.4 percent in March, the same as in February. The index for women's and girls' clothing rose 1.2 percent, reflecting both a return to regular prices from sales and the introduction of spring wear. Prices for other clothing items registered either small increases or declines in March.

The entertainment index increased 0.5 percent in March. The other goods and services component rose 1.0 percent in March, following a 0.9 percent increase in February. For the second consecutive month, a sharp increase in tobacco prices was largely responsible for the advance.

CPI-U Experimental Measure

On a seasonally adjusted basis, the CPI-U using rent substitution (X-1) rose 0.2 percent in March. The official CPI-U declined 0.3 percent. The large differences in movement in March reflects the differences in the treatment of homeownership costs in the two indexes. The CPI-U, X-1 uses rental charges to represent movements in shelter costs of homeowners. Rental charges increased 0.5 percent in March. The official CPI-U employs house prices, mortgage interest rates, property taxes, property insurance, and maintenance and repair costs. This measure of homeownership costs declined 0.9 percent in March as a result of a decrease in mortgage interest rates and house prices.

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 declined 0.2 percent in March, following moderate increases in each of the preceding 5 months. The food and beverage component decreased 0.2 percent. Grocery store food prices declined 0.5 percent, following increases of 1.0 and 0.6 percent in January and February, respectively. The housing component also declined in March. An 0.8 percent decrease in homeownership costs more than offset moderate increases in the indexes for other shelter costs, fuel and other utilities, and household furnishings and operation. The transportation component declined for the third consecutive month -- down 1.0 percent in March -- primarily due to a 3.9 percent decline in gasoline prices. The index for medical care rose 0.8 percent, reflecting large increases in charges for hospital rooms and prices for prescription and nonprescription drugs and medical supplies. The index for apparel and upkeep increased 0.7 percent. The other goods and services component advanced 1.0 percent in March, the same as in February. The entertainment index rose 0.3 percent.

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

Expenditure category	Seasonally adjusted: Changes from preceding month 1981 Sept.	Oct.	Nov.	Dec.	1982 Jan.	Feb.	Mar.	Compound annual rate 3-mos. ended Mar.'82	Unadjusted 12-mos. ended Mar.'82
All items	1.1	.4	.5	.4	.3	.2	-.2	1.0	6.5
Food and beverages	.6	.2	.1	.1	.8	.4	-.2	4.3	3.9
Housing	1.3	0	.4	.4	.2	.3	-.3	1.2	8.5
Apparel and upkeep	.1	-.2	.1	-.1	0	.4	.7	4.5	3.4
Transportation	1.2	1.3	.9	.6	-.2	-.7	-1.0	-7.1	4.4
Medical care	.9	.9	1.1	.7	.8	.7	.8	10.1	10.6
Entertainment	.6	1.1	.5	.2	.4	.7	.3	6.0	6.2
Other goods and services	1.2	.9	.5	.6	.6	1.0	1.0	10.8	9.9

Homeownership Changes

On October 27, 1981, the Bureau of Labor Statistics announced its intention to change the way in which homeownership costs are measured for the Consumer Price Index. Effective with data for January 1983, the Consumer Price Index for All Urban Consumers (CPI-U) will incorporate a rental equivalence measure for homeownership costs. Effective with data for January 1985, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) will also incorporate the rental equivalence approach. Details of these changes can be found in USDL news release 81-506, October 27, 1981.

Postponement of Rebasing of Consumer Price Index

Because of severe budget constraints, the Bureau of Labor Statistics did not carry out the Government directive to rebase the Consumer Price Index and the Producer Price Index to the new U.S. Government 1977=100 reference base. Postponement was required because of the high cost of both the direct production work necessary to prepare the data and the information services to explain the change. No alternative date for adopting the 1977 reference base has been set. All Items indexes on a 1977=100 reference base are available upon request from the Bureau.

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 Mar. 1982 from		Seasonally adjusted percent changes from-		
	December 1977	Feb. 1982	Mar. 1982	Mar. 1981	Feb. 1982	Dec. to Jan.	Jan. to Feb	Feb. to Mar.
ALL ITEMS								
CPI-U	100.0	283.4	283.1	6.8	-0.1	0.3	0.2	-0.3
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)	100.0	258.0	258.4	6.4	0.2	0.4	0.1	0.2
CPI-U-X2 (User Cost Current Interest)	100.0	284.0	283.9	9.5	0.0	0.1	0.4	-0.5
CPI-U-X3 (User Cost Avg. Interest) ..	100.0	275.3	275.7	9.6	0.1	0.3	0.4	-0.1
Outlays Measures								
CPI-U-X4 (Current Interest)	100.0	279.5	279.4	6.9	0.0	0.3	0.1	-0.1
CPI-U-X5 (Average Interest)	100.0	270.3	270.8	6.9	0.2	0.4	0.1	0.2
HOMEOWNERSHIP								
CPI-U	22.8	368.7	365.7	8.6	-0.8	-0.1	0.4	-0.9
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)1/.......	14.5	218.6	219.6	8.2	0.5	0.6	0.4	0.5
CPI-U-X2 (User Cost Current Interest).	11.4	414.6	411.7	27.5	-0.7	-1.4	0.8	-2.4
CPI-U-X3 (User Cost Avg. Interest) ..	10.0	345.4	346.8	33.9	0.4	-0.5	1.5	-1.7
Outlays Measures								
CPI-U-X4 (Current Interest)	10.0	450.5	446.0	12.2	-1.0	-0.5	0.6	-1.2
CPI-U-X5 (Average Interest)	8.7	336.9	339.7	14.1	0.8	1.3	0.9	0.8

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.

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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	13.4	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	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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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 1981	Unadjusted indexes Feb. 1982	Unadjusted indexes Mar. 1982	Unadjusted percent change to Mar. 1982 from- Mar. 1981	Unadjusted percent change to Mar. 1982 from- Feb. 1982	Seasonally adjusted percent change from- Dec. to Jan.	Seasonally adjusted percent change from- Jan. to Feb.	Seasonally adjusted percent change from- Feb. to Mar.
				Expenditure category				
All items	100.000	283.4	283.1	6.8	-0.1	0.3	0.2	-0.3
All items (1957-59=100)	-	329.6	329.2	-	-	-	-	-
Food and beverages	17.535	275.8	275.6	4.0	-.1	.7	.6	-.3
Food	16.577	283.3	283.0	4.0	-.1	.7	.6	-.4
Food at home	11.343	278.0	277.1	3.2	-.3	1.0	.8	-.6
Cereals and bakery products 1/	1.487	280.9	281.3	5.5	.1	.8	.4	.1
Meats, poultry, fish, and eggs	3.686	256.8	256.9	2.6	.0	-.3	1.2	-.5
Dairy products 1/	1.518	246.5	246.5	1.6	.0	.1	.3	.0
Fruits and vegetables	1.669	301.5	293.1	5.4	-2.8	5.5	1.6	-3.5
Sugar and sweets 1/	.431	364.2	365.5	-4.6	.4	.6	.7	.4
Fats and oils 1/	.317	260.5	259.6	-3.5	-.3	.2	-.4	-.3
Nonalcoholic beverages	1.234	423.4	424.8	3.1	.3	1.0	.5	.5
Other prepared foods	1.001	265.3	266.5	6.9	.5	.5	.2	.5
Food away from home	5.235	301.2	302.4	5.7	.4	.3	.2	.2
Alcoholic beverages	.958	205.6	206.6	4.8	.5	.6	.6	.2
Housing	46.043	307.3	306.7	8.5	-.2	.3	.4	-.3
Shelter	31.928	329.5	327.6	8.6	-.6	.1	.3	-.6
Rent, residential 1/	5.097	218.6	219.6	8.2	.5	.6	.4	.5
Other rental costs	.750	316.9	320.1	12.9	1.0	.8	.4	1.0
Homeownership	26.081	368.7	365.7	8.6	-.8	-.1	.4	-.9
Home purchase 1/	9.576	270.4	269.2	3.1	-.4	-.4	.4	-.4
Financing, taxes, and insurance 1/	12.947	507.2	500.9	13.6	-1.2	-.1	.2	-1.2
Maintenance and repairs	3.558	328.2	327.2	6.9	-.3	.8	.5	-.7
Maintenance and repair services	2.777	359.4	357.8	7.6	-.4	.8	.4	-.9
Maintenance and repair commodities 1/	.781	254.6	255.0	4.6	.2	.9	.8	.2
Fuel and other utilities	6.882	337.1	339.3	10.0	.7	1.1	.2	.5
Fuels	5.071	427.6	430.5	9.3	.7	1.6	.0	.5
Fuel oil, coal, and bottled gas 1/	1.387	683.1	664.0	-4.2	-2.8	.5	-.4	-2.8
Gas (piped) and electricity	3.683	368.7	375.9	15.1	2.0	1.8	.1	1.7
Other utilities and public services 1/	1.811	193.9	195.0	12.1	.6	.4	.6	.6
Household furnishings and operation	7.233	230.2	231.6	6.8	.6	.4	.6	.4
Housefurnishings	3.833	191.4	192.7	5.5	.7	.5	.5	.2
Housekeeping supplies 1/	1.442	282.4	284.2	7.6	.6	.6	1.2	.6
Housekeeping services 1/	1.957	308.1	309.9	8.8	.6	.2	.2	.6
Apparel and upkeep	4.617	188.0	191.1	3.2	1.6	-.1	.4	.4
Apparel commodities	3.952	177.6	180.8	2.6	1.8	-.1	.4	.4
Men's and boys' apparel	1.253	179.3	181.7	3.8	1.3	.4	.7	.1
Women's and girls' apparel	1.435	154.7	160.3	1.8	3.6	-.3	.2	1.2
Infants' and toddlers' apparel	.100	262.2	264.7	3.7	1.0	1.7	1.6	-.3
Footwear	.610	202.8	204.9	3.8	1.0	-.3	.2	.3
Other apparel commodities 1/	.554	214.3	212.7	.2	-.7	-.7	.7	-.7
Apparel services	.665	269.4	271.3	7.5	.7	.1	.3	.5
Transportation	19.313	288.0	285.1	4.2	-1.0	-.2	-.7	-1.0
Private transportation	18.009	284.5	281.3	3.5	-1.1	-.3	-.8	-1.1
New cars	3.497	195.5	194.4	6.3	-.6	-.1	-.8	.1
Used cars	3.297	279.7	280.9	19.3	.4	.3	.5	.5
Motor fuel 2/	5.973	399.2	384.1	-8.7	-3.8	-1.7	-2.3	-4.0
Gasoline 3/	5.868	399.1	383.9	-8.7	-3.8	-1.7	-2.3	-4.0
Maintenance and repair	1.449	307.7	310.2	7.8	.8	.3	.5	.6
Other private transportation 1/	3.794	253.4	254.5	8.4	.4	1.1	.0	.4
Other private trans. commodities 1/	.672	214.8	215.6	4.6	.4	.5	-.3	.4
Other private trans. services 1/	3.122	266.1	267.2	9.2	.4	1.2	.1	.4
Public transportation 1/	1.304	336.8	336.7	14.6	.0	.3	.6	.0
Medical care	4.870	316.2	318.8	12.0	.8	.8	.7	1.0
Medical care commodities	.802	197.7	200.0	10.7	1.2	.5	.6	1.2
Medical care services	4.068	342.4	345.1	12.2	.8	.9	.7	.9
Professional services 1/	1.920	294.2	295.8	9.7	.5	.7	.8	.5
Other medical care services	2.148	400.8	404.7	14.5	1.0	.9	.6	1.3
Entertainment	3.589	231.2	232.8	6.7	.7	.7	.7	.5
Entertainment commodities	2.137	234.3	236.6	6.5	1.0	.4	.6	.6
Entertainment services 1/	1.452	227.1	227.8	6.9	.3	1.1	.7	.3
Other goods and services	4.032	250.3	252.2	10.3	.8	.6	.9	1.0
Tobacco products 1/	1.041	230.7	234.1	10.2	1.5	.1	1.6	1.5
Personal care 1/	1.571	242.3	243.7	7.4	.6	.8	.6	.6
Toilet goods and personal care appliances 1/	.713	238.5	240.6	8.2	.9	.7	.9	.9
Personal care services 1/	.858	246.5	247.3	6.7	.3	.7	.3	.3
Personal and educational expenses	1.420	289.2	290.4	13.8	.4	1.2	.7	1.0
School books and supplies	.179	262.9	263.3	14.2	.2	1.0	1.2	.7
Personal and educational services	1.241	295.8	297.1	13.7	.4	1.2	.6	1.1
				Commodity and service group				
All items	100.000	283.4	283.1	6.8	-0.1	0.3	0.2	-0.3
Commodities	56.819	259.5	258.8	3.6	-.3	.1	.2	-.5
Food and beverages	17.535	275.8	275.6	4.0	-.1	.7	.6	-.3
Commodities less food and beverages	39.284	248.1	247.1	3.4	-.4	-.1	.0	-.5
Nondurables less food and beverages	17.616	265.3	263.4	.1	-.7	.1	-.8	-.8
Apparel commodities	3.952	177.6	180.8	2.6	1.8	-.1	.4	.4
Nondurables less food, beverages, and apparel 1/	13.664	314.9	310.3	-.6	-1.5	.1	-.2	-1.5
Durables	21.667	233.7	233.5	6.2	-.1	.2	.4	.2
Services	43.181	325.3	325.6	11.3	.1	.5	.4	.0
Rent, residential 1/	5.097	218.6	219.6	8.2	.5	.6	.4	.5
Household services less rent	23.925	393.7	392.5	12.5	-.3	.4	.3	-.4
Transportation services	5.874	287.6	288.8	10.0	.4	.8	.3	.3
Medical care services	4.068	342.4	345.1	12.2	.8	.9	.7	.9
Other services	4.217	253.0	254.0	8.9	.4	.8	.5	.6
Special indexes:								
All items less food	83.423	282.1	281.7	7.4	-.1	.2	.2	-.2
All items less shelter	68.072	268.3	268.5	6.0	.1	.4	.2	-.1
All items less mortgage interest costs	89.174	267.1	267.2	5.9	.0	.3	.2	-.1
All items less home purchase and mortgage interest costs	79.597	266.8	267.1	6.2	.1	.4	.0	.0
All items less medical care	95.130	281.5	280.9	6.5	-.2	.3	.2	-.3
Commodities less food	40.242	246.0	245.2	3.5	-.3	-.1	.0	-.5
Nondurables less food	18.574	260.1	258.4	.3	-.7	.2	-.8	-.7
Nondurables less food and apparel 1/	14.622	300.5	296.6	-.2	-1.3	.1	-.2	-1.3
Nondurables	35.152	271.7	270.7	2.1	-.4	.0	-.4	-.6
Services less rent	38.084	345.7	345.7	11.7	.0	.5	.4	.0
Services less medical care 1/	39.113	321.1	321.1	11.1	.0	.6	.3	.0
Energy 1/	11.133	413.0	406.1	-.8	-1.7	.4	-.8	-1.7
All items less energy 1/	88.867	273.4	273.6	7.8	.1	.4	.5	.1
All items less food and energy	72.290	269.5	269.8	8.7	.1	.3	.4	.0
Commodities less food and energy	32.792	224.5	225.3	6.2	.4	.2	.6	.4
Energy commodities 1/	7.450	440.1	424.5	-7.7	-3.5	-.4	-1.4	-3.5
Services less energy	39.498	321.9	321.5	10.9	-.1	.3	.4	-.1
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.353	$.353	-6.4	.0	-.3	-.3	.0
1957-59=$1.00 1/	-	.303	.304	-	-	-	-	-

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-U

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

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in				6 months ending in	
	Dec. 1981	Jan. 1982	Feb. 1982	Mar. 1982	June 1981	Sept. 1981	Dec. 1981	Mar. 1982	Sept. 1981	Mar. 1982
					Expenditure category					
All items	-	-	-	-	8.1	12.8	5.4	1.0	10.4	3.2
Food and beverages	272.1	274.1	275.8	274.9	2.3	7.6	1.8	4.2	4.9	3.0
Food	279.5	281.5	283.2	282.2	2.2	7.7	1.7	3.9	4.9	2.8
Food at home	273.1	275.9	278.1	276.4	.3	7.8	-.3	4.9	4.0	2.3
Cereals and bakery products 1/	277.7	279.8	280.9	281.3	7.4	4.2	5.1	5.3	5.8	5.2
Meats, poultry, fish, and eggs	253.7	252.9	256.0	254.6	2.4	14.0	-6.5	1.4	8.1	-2.6
Dairy products 1/	245.5	245.8	246.5	246.5	2.0	.8	2.0	1.6	1.4	1.8
Fruits and vegetables	283.5	299.2	303.9	293.4	-8.2	13.9	2.9	14.7	2.2	8.6
Sugar and sweets 1/	359.3	361.6	364.2	365.5	-21.0	.1	-2.3	7.1	-11.1	2.3
Fats and oils 1/	261.1	261.6	260.5	259.6	1.0	-1.6	-10.6	-2.3	-.3	-6.5
Nonalcoholic beverages	417.0	421.2	423.4	425.7	-1.6	-.8	6.3	8.6	-1.2	7.4
Other prepared foods	263.0	264.3	264.8	266.0	8.6	9.6	4.9	4.6	9.1	4.7
Food away from home	299.4	300.4	300.9	301.5	6.6	7.1	6.1	2.8	6.8	4.5
Alcoholic beverages	203.4	204.6	205.8	206.2	5.6	7.0	1.4	5.6	6.3	3.5
Housing	305.9	306.7	307.9	306.9	13.0	16.9	3.6	1.3	14.9	2.5
Shelter	328.2	328.5	329.6	327.5	15.1	19.8	1.8	-.9	17.4	.5
Rent, residential 1/	216.5	217.8	218.6	219.6	7.7	10.2	9.0	5.9	9.0	7.4
Other rental costs	311.4	313.9	315.3	318.5	10.0	27.7	5.7	9.4	18.5	7.6
Homeownership	367.9	367.7	369.0	365.7	16.9	21.5	.3	-2.4	19.2	-1.0
Home purchase 1/	270.5	269.3	270.4	269.2	8.7	12.4	-5.7	-1.9	10.5	-3.8
Financing, taxes, and insurance 1/	506.3	506.0	507.2	500.9	25.9	33.1	3.6	-4.2	29.4	-.4
Maintenance and repairs	325.5	328.0	329.7	327.4	10.7	8.9	5.6	2.4	9.8	4.0
Maintenance and repair services	357.3	360.0	361.6	358.2	12.2	10.9	6.5	1.0	11.5	3.7
Maintenance and repair commodities 1/	250.3	252.5	254.6	255.0	6.2	1.8	2.6	7.7	4.0	5.1
Fuel and other utilities	335.5	339.3	339.9	341.6	8.6	14.8	9.3	7.5	11.7	8.4
Fuels	425.6	432.3	432.3	434.4	9.1	11.3	9.1	8.5	10.2	8.8
Fuel oil, coal, and bottled gas 1/	682.5	686.0	683.1	664.0	-6.4	-4.9	5.5	-10.4	-5.7	-2.8
Gas (piped) and electricity	367.1	373.8	374.3	380.5	16.1	18.3	10.6	15.4	17.2	13.0
Other utilities and public services 1/	191.9	192.7	193.9	195.0	7.3	25.4	10.0	6.6	16.0	8.3
Household furnishings and operation	228.1	229.1	230.4	231.3	7.8	6.9	6.8	5.7	7.3	6.2
Housefurnishings	189.9	190.8	191.8	192.1	5.6	7.1	4.5	4.7	6.4	4.6
Housekeeping supplies 1/	277.4	279.1	282.4	284.2	8.8	5.3	6.1	10.2	7.0	8.1
Housekeeping services 1/	306.9	307.4	308.1	309.9	11.9	7.6	12.0	4.0	9.7	7.9
Apparel and upkeep	189.4	189.3	190.1	190.9	2.6	6.4	.8	3.2	4.5	2.0
Apparel commodities	179.3	179.2	180.0	180.7	1.8	5.5	-.2	3.2	3.7	1.5
Men's and boys' apparel	179.8	180.5	181.8	181.9	3.7	7.2	-.2	4.8	5.4	2.2
Women's and girls' apparel	158.1	157.6	157.9	159.8	-.5	6.5	-3.0	4.4	3.0	.6
Infants' and toddlers' apparel	258.5	262.8	267.0	266.3	3.3	8.3	-8.4	12.6	5.8	1.6
Footwear	204.6	204.0	204.4	205.1	5.2	3.9	5.0	1.0	4.5	3.0
Other apparel commodities 1/	214.5	212.9	214.3	212.7	.0	2.1	2.3	-3.3	1.0	-.6
Apparel services	267.8	268.1	268.9	270.2	8.9	9.8	7.7	3.6	9.4	5.6
Transportation	292.5	291.9	289.9	287.1	2.3	11.6	11.6	-7.2	6.9	1.8
Private transportation	289.6	288.7	286.5	283.4	1.6	10.0	12.0	-8.3	5.7	1.4
New cars	196.1	196.0	194.5	194.6	20.9	3.6	5.0	-3.0	11.9	.9
Used cars	284.3	285.1	286.6	288.1	8.5	44.2	22.7	5.5	25.1	13.8
Motor fuel 2/	420.3	413.1	403.6	387.6	-16.1	1.8	12.3	-27.7	-7.6	-9.9
Gasoline 3/	420.3	413.0	403.5	387.4	-16.1	1.8	12.3	-27.8	-7.6	-10.0
Maintenance and repair	304.9	305.8	307.4	309.3	7.0	10.1	8.3	5.9	8.5	7.1
Other private transportation 1/	250.6	253.3	253.4	254.5	11.2	5.4	10.9	6.4	8.3	8.6
Other private trans. commodities 1/	214.5	215.5	214.8	215.6	4.5	8.1	3.6	2.1	6.3	2.8
Other private trans. services 1/	262.6	265.8	266.1	267.2	12.7	4.8	12.5	7.2	8.7	9.8
Public transportation 1/	333.8	334.9	336.8	336.7	14.3	37.5	5.8	3.5	25.4	4.7
Medical care	310.5	312.9	315.0	318.1	11.8	14.4	11.7	10.2	13.1	10.9
Medical care commodities	195.3	196.3	197.5	199.8	12.3	11.9	9.1	9.5	12.1	9.3
Medical care services	335.8	338.7	341.0	344.2	11.6	14.9	12.3	10.4	13.2	11.3
Professional services 1/	290.0	292.0	294.2	295.8	9.5	12.9	8.3	8.2	11.2	8.3
Other medical care services	391.7	395.2	397.6	402.7	13.6	16.7	16.0	11.7	15.1	13.9
Entertainment	228.2	229.7	231.2	232.3	5.1	6.9	7.3	7.4	6.0	7.4
Entertainment commodities	232.0	232.9	234.3	235.7	6.3	6.2	7.0	6.5	6.2	6.8
Entertainment services 1/	223.0	225.5	227.1	227.8	3.2	8.1	7.7	8.9	5.6	8.3
Other goods and services	246.2	247.6	249.8	252.2	11.3	10.8	8.4	10.1	11.0	9.2
Tobacco products 1/	226.8	227.1	230.7	234.1	13.0	4.8	9.5	13.5	8.8	11.5
Personal care 1/	239.1	240.9	242.3	243.7	9.5	7.4	4.8	7.9	8.5	6.4
Toilet goods and personal care appliances 1/	234.7	236.4	238.5	240.6	11.6	4.6	6.2	10.4	8.1	8.3
Personal care services 1/	243.9	245.7	246.5	247.3	7.6	9.7	4.0	5.7	8.6	4.9
Personal and educational expenses	282.2	285.5	287.5	290.4	12.3	19.9	11.1	12.1	16.0	11.6
School books and supplies	254.0	256.6	259.8	261.7	9.2	35.8	2.1	12.7	21.8	7.2
Personal and educational services	289.1	292.5	294.3	297.4	12.8	17.7	12.5	12.0	15.2	12.3
					Commodity and service group					
All items	-	-	-	-	8.1	12.8	5.4	1.0	10.4	3.2
Commodities	259.6	259.9	260.4	259.1	3.2	8.5	3.6	-.8	5.8	1.4
Food and beverages	272.1	274.1	275.8	274.9	2.3	7.6	1.8	4.2	4.9	3.0
Commodities less food and beverages	249.6	249.3	249.2	247.9	3.6	9.1	4.4	-2.7	6.3	.8
Nondurables less food and beverages	267.7	268.0	265.8	263.7	-1.8	4.7	4.0	-5.8	1.4	-1.1
Apparel commodities	179.3	179.2	180.0	180.7	1.8	5.5	-.2	3.2	3.7	1.5
Nondurables less food, beverages, and apparel 1/	315.3	315.6	314.9	310.3	.6	1.2	2.2	-6.2	.9	-2.1
Durables	233.1	233.6	234.6	235.1	9.7	10.8	1.2	3.5	10.3	2.3
Services	322.9	324.4	325.6	325.7	14.8	19.2	7.8	3.5	17.0	5.6
Rent, residential 1/	216.5	217.8	218.6	219.6	7.7	10.2	9.0	5.9	9.0	7.4
Household services less rent	392.2	393.7	394.8	393.3	19.5	24.9	6.3	1.1	22.2	3.7
Transportation services	284.4	286.7	287.6	288.6	11.6	12.6	10.0	6.0	12.1	8.0
Medical care services	335.8	338.7	341.0	344.2	11.6	14.9	12.3	10.4	13.2	11.3
Other services	249.2	251.2	252.5	253.9	7.8	11.4	8.3	7.8	9.6	8.0
Special indexes:										
All items less food	281.6	282.3	282.9	282.2	9.3	13.9	6.2	.9	11.6	3.5
All items less shelter	267.4	268.5	269.1	268.8	5.0	9.8	7.0	2.1	7.4	4.5
All items less mortgage interest costs	266.0	266.9	267.4	267.2	6.3	10.0	5.6	1.8	8.2	3.7
All items less home purchase and mortgage interest costs	265.9	267.0	267.1	267.1	6.2	9.9	7.4	1.8	8.0	4.6
All items less medical care	280.6	281.5	282.2	281.3	8.0	12.8	5.0	1.0	10.3	3.0
Commodities less food	247.5	247.2	247.2	245.9	3.8	9.0	4.3	-2.6	6.3	.8
Nondurables less food	262.0	262.6	260.6	258.7	-1.4	4.6	3.7	-4.9	1.6	-.7
Nondurables less food and apparel 1/	300.7	301.0	300.5	296.6	.9	1.5	2.2	-5.3	1.2	-1.7
Nondurables	272.3	272.4	271.4	269.9	1.1	6.5	4.7	-3.5	3.7	.5
Services less rent	343.2	344.8	346.1	346.0	15.8	20.4	7.6	3.3	18.1	5.4
Services less medical care 1/	318.1	320.0	321.1	321.1	16.4	20.0	5.2	3.8	18.2	4.5
Energy 1/	414.6	416.4	413.0	406.1	4.7	3.0	-2.4	-8.0	3.8	-5.2
All items less energy 1/	271.1	272.1	273.4	273.6	10.5	13.6	3.8	3.7	12.0	3.8
All items less food and energy	268.1	269.0	270.0	270.1	11.6	15.0	5.6	3.0	13.3	4.3
Commodities less food and energy	223.7	224.1	225.4	226.2	8.7	9.5	2.2	4.5	9.1	3.4
Energy commodities 1/	448.0	446.4	440.1	424.5	-5.9	-3.3	-1.2	-19.4	-4.6	-10.7
Services less energy	319.4	320.5	321.7	321.3	14.8	19.1	7.6	2.4	16.9	5.0

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
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 Dec. 1981	Indexes Jan. 1982	Indexes Feb. 1982	Indexes Mar. 1982	Percent change to Mar. 1982 from— Mar. 1981	Percent change to Mar. 1982 from— Jan. 1982	Percent change to Mar. 1982 from— Feb. 1982	Percent change to Feb. 1982 from— Feb. 1981	Percent change to Feb. 1982 from— Dec. 1981	Percent change to Feb. 1982 from— Jan. 1982
U.S. city average			281.5	282.5	283.4	283.1	6.8	0.2	-0.1	7.7	0.7	0.3
Chicago, Ill.-Northwestern Ind.	M		273.9	275.4	274.9	276.4	6.4	.4	.5	5.9	.4	-.2
Detroit, Mich.	M		278.3	280.8	277.8	278.2	3.7	-.9	.1	2.8	-.2	-1.1
L.A.-Long Beach, Anaheim, Calif.	M		282.3	285.8	285.6	286.6	8.8	.3	.4	9.2	1.2	-.1
N.Y., N.Y.-Northeastern N.J.	M		267.9	268.5	269.0	267.4	5.3	-.4	-.6	6.5	.4	.2
Philadelphia, Pa.-N.J.	M		274.9	275.7	275.5	274.7	6.3	-.4	-.3	7.7	.2	-.1
Anchorage, Alaska	1	10/67	-	253.0	-	260.0	7.8	2.8	-	-	-	-
Baltimore, Md.	1		-	282.1	-	281.9	4.3	-.1	-	-	-	-
Boston, Mass.	1		-	274.0	-	269.8	2.9	-1.5	-	-	-	-
Cincinnati, Ohio-Ky.-Ind.	1		-	285.7	-	284.9	7.1	-.3	-	-	-	-
Denver-Boulder, Colo.	1		-	305.4	-	309.2	9.9	1.2	-	-	-	-
Miami, Fla.	1	11/77	-	155.2	-	155.1	10.8	-.1	-	-	-	-
Milwaukee, Wis.	1		-	291.3	-	289.3	7.2	-.7	-	-	-	-
Northeast Pennsylvania	1		-	272.5	-	267.2	3.7	-1.9	-	-	-	-
Portland, Oreg.-Wash.	1		-	288.4	-	286.7	6.9	-.6	-	-	-	-
St. Louis, Mo.-Ill.	1		-	278.4	-	280.7	8.3	.8	-	-	-	-
San Diego, Calif.	1		-	323.1	-	319.0	8.8	-1.3	-	-	-	-
Seattle-Everett, Wash.	1		-	295.9	-	293.4	8.2	-.8	-	-	-	-
Washington, D.C.-Md.-Va.	1		-	278.0	-	278.8	6.3	.3	-	-	-	-
Atlanta, Ga.	2		282.2	-	279.8	-	-	-	-	6.4	-.9	-
Buffalo, N.Y.	2		264.3	-	259.9	-	-	-	-	3.4	-1.7	-
Cleveland, Ohio	2		281.6	-	285.9	-	-	-	-	4.5	1.5	-
Dallas-Fort Worth, Tex.	2		295.1	-	293.6	-	-	-	-	7.0	-.5	-
Honolulu, Hawaii	2		258.3	-	262.2	-	-	-	-	7.8	1.5	-
Houston, Tex.	2		302.7	-	304.1	-	-	-	-	8.0	.5	-
Kansas City, Mo.-Kans.	2		273.5	-	276.0	-	-	-	-	5.4	.9	-
Minneapolis-St.Paul, Minn.-Wis.	2		298.7	-	306.0	-	-	-	-	17.4	2.4	-
Pittsburgh, Pa.	2		281.8	-	278.6	-	-	-	-	4.9	-1.1	-
San Francisco-Oakland, Calif.	2		294.0	-	295.8	-	-	-	-	13.6	.6	-
Region 3/												
Northeast	2	12/77	148.0	-	147.6	-	-	-	-	6.3	-.3	-
North Central	2	12/77	150.3	-	152.1	-	-	-	-	6.9	1.2	-
South	2	12/77	153.0	-	154.3	-	-	-	-	8.4	.8	-
West	2	12/77	154.2	-	156.1	-	-	-	-	9.5	1.2	-
Population size class 3/												
A-1	2	12/77	147.8	-	148.5	-	-	-	-	6.7	.5	-
A-2	2	12/77	153.5	-	154.3	-	-	-	-	8.5	.5	-
B	2	12/77	153.9	-	154.9	-	-	-	-	7.6	.6	-
C	2	12/77	151.8	-	152.8	-	-	-	-	7.5	.7	-
D	2	12/77	149.4	-	151.9	-	-	-	-	8.7	1.7	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	144.2	-	144.2	-	-	-	-	6.3	.0	-
North Central/A	2	12/77	152.6	-	153.6	-	-	-	-	6.7	.7	-
South/A	2	12/77	152.0	-	152.6	-	-	-	-	7.4	.4	-
West/A	2	12/77	156.1	-	157.9	-	-	-	-	10.7	1.2	-
Northeast/B	2	12/77	152.9	-	150.7	-	-	-	-	5.2	-1.4	-
North Central/B	2	12/77	149.2	-	151.9	-	-	-	-	6.4	1.8	-
South/B	2	12/77	155.9	-	157.2	-	-	-	-	8.5	.8	-
West/B	2	12/77	155.1	-	157.1	-	-	-	-	9.1	1.3	-
Northeast/C	2	12/77	159.2	-	158.1	-	-	-	-	7.8	-.7	-
North Central/C	2	12/77	147.4	-	149.1	-	-	-	-	6.7	1.2	-
South/C	2	12/77	152.3	-	154.0	-	-	-	-	8.4	1.1	-
West/C	2	12/77	149.4	-	150.2	-	-	-	-	6.4	.5	-
Northeast/D	2	12/77	150.7	-	151.4	-	-	-	-	6.9	.5	-
North Central/D	2	12/77	147.6	-	151.0	-	-	-	-	8.2	2.3	-
South/D	2	12/77	150.8	-	152.3	-	-	-	-	9.7	1.0	-
West/D	2	12/77	149.1	-	153.3	-	-	-	-	8.7	2.8	-

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 1981	Unadjusted indexes Feb. 1982	Mar. 1982	Unadjusted percent change to Mar. 1982 from- Mar. 1981	Feb. 1982	Seasonally adjusted percent change from- Dec. to Jan.	Jan. to Feb.	Feb. to Mar.
Expenditure category								
All items	100.000	282.9	282.5	6.5	-0.1	0.3	0.2	-0.2
All items(1957-59=100)	-	329.0	328.5	-	-	-	-	-
Food and beverages	19.136	276.0	275.9	3.9	.0	.8	.4	-.2
Food	18.089	283.4	283.1	3.9	-.1	.8	.5	-.2
Food at home	12.485	277.0	276.2	3.0	-.3	1.0	.6	-.5
Cereals and bakery products 1/	1.639	279.8	280.0	5.1	.1	.7	.4	.1
Meats, poultry, fish, and eggs	4.108	256.4	256.4	2.6	.0	-.2	1.1	-.5
Dairy products 1/	1.668	245.8	245.9	1.3	.0	.1	.2	.0
Fruits and vegetables	1.721	297.4	289.1	5.1	-2.8	5.8	.7	-3.1
Sugar and sweets 1/	.463	364.1	365.4	-5.0	.4	.6	.7	.4
Fats and oils 1/	.343	260.6	259.7	-4.0	-.3	.2	-.3	-.3
Nonalcoholic beverages	1.417	425.0	426.6	2.7	.4	1.0	.5	.6
Other prepared foods	1.124	266.9	268.1	7.2	.4	.6	.0	.5
Food away from home	5.604	304.2	305.4	5.8	.4	.5	.1	.4
Alcoholic beverages	1.047	207.6	208.8	5.1	.6	.5	.7	.1
Housing	42.657	306.7	306.2	8.5	-.2	.2	.3	-.3
Shelter	29.005	330.3	328.5	8.6	-.5	.0	.3	-.6
Rent, residential 1/	4.819	218.1	219.1	8.1	.5	.6	.3	.5
Other rental costs	.513	315.6	318.9	12.5	1.0	.6	.4	1.1
Homeownership	23.672	370.8	367.9	8.6	-.8	-.1	.3	-.8
Home purchase 1/	8.363	268.3	267.1	2.7	-.4	-.5	.3	-.4
Financing, taxes, and insurance 1/	12.131	513.2	507.0	13.6	-1.2	-.1	.2	-1.2
Maintenance and repairs	3.178	324.6	323.7	6.9	-.3	.5	.6	-.6
Maintenance and repair services	2.314	360.1	358.6	8.2	-.4	.6	.4	-.9
Maintenance and repair commodities 1/	.865	248.2	248.6	3.6	.2	.6	.7	.2
Fuel and other utilities	6.786	337.9	340.2	10.0	.7	1.2	.1	.5
Fuels	5.048	426.8	429.9	9.3	.7	1.6	.0	.5
Fuel oil, coal, and bottled gas 1/	1.387	686.0	666.7	-4.3	-2.8	.5	-.4	-2.8
Gas (piped) and electricity	3.660	367.3	374.8	15.0	2.0	1.8	.2	1.7
Other utilities and public services 1/	1.738	194.3	195.4	12.0	.6	.5	.6	.6
Household furnishings and operation	6.866	226.7	228.0	6.7	.6	.4	.7	.3
Housefurnishings	3.905	189.3	190.4	5.7	.6	.5	.6	.2
Housekeeping supplies 1/	1.479	278.8	280.4	7.4	.6	.6	1.1	.6
Housekeeping services 1/	1.481	306.8	308.2	8.8	.5	.2	.3	.5
Apparel and upkeep	4.625	187.3	190.5	3.4	1.7	.0	.4	.7
Apparel commodities	3.991	177.4	180.8	2.8	1.9	.0	.4	.8
Men's and boys' apparel	1.253	179.4	181.6	3.8	1.2	.0	.8	.1
Women's and girls' apparel	1.472	157.1	163.0	2.6	3.8	.4	.0	1.9
Infants' and toddlers' apparel	.119	271.4	275.4	3.4	1.5	.7	.7	.5
Footwear	.647	203.3	205.2	4.7	.9	-.3	.4	.5
Other apparel commodities 1/	.500	202.8	201.6	-1.4	-.6	-.9	.7	-.6
Apparel services	.634	267.2	269.0	7.0	.7	.0	.3	.4
Transportation	21.835	289.6	286.6	4.4	-1.0	-.2	-.7	-1.0
Private transportation	20.681	286.9	283.7	3.8	-1.1	-.3	-.8	-1.0
New cars	3.703	195.3	194.2	6.3	-.6	-.2	-.7	.1
Used cars	4.215	279.7	280.9	19.3	.4	.3	.5	.5
Motor fuel 2/	6.831	400.7	385.6	-8.7	-3.8	-1.7	-2.4	-3.9
Gasoline 3/	6.696	400.6	385.4	-8.7	-3.8	-1.7	-2.4	-3.9
Maintenance and repair	1.596	308.4	311.1	7.9	.9	.3	.4	.7
Other private transportation 1/	4.336	256.8	257.8	8.6	.4	1.1	.0	.4
Other private trans. commodities 1/	.756	217.3	218.2	4.9	.4	.5	-.3	.4
Other private trans. services 1/	3.580	269.8	270.8	9.5	.4	1.2	.0	.4
Public transportation 1/	1.154	331.0	331.0	16.1	.0	.2	.5	.0
Medical care	4.392	314.9	317.4	10.6	.8	.8	.7	.8
Medical care commodities	.732	198.3	200.6	10.7	1.2	.5	.8	1.1
Medical care services	3.661	340.6	343.0	10.6	.7	.9	.8	.8
Professional services 1/	1.836	294.3	295.9	7.9	.5	.7	.7	.5
Other medical care services	1.824	398.0	401.6	13.3	.9	1.1	.8	1.0
Entertainment	3.396	228.1	229.5	6.2	.6	.4	.7	.3
Entertainment commodities	2.155	228.9	230.8	5.9	.8	.1	.7	.3
Entertainment services 1/	1.241	227.8	228.4	6.8	.3	1.0	.8	.3
Other goods and services	3.959	247.1	249.3	9.9	.9	.6	1.0	1.0
Tobacco products 1/	1.257	229.8	233.2	9.8	1.5	.1	1.6	1.5
Personal care 1/	1.615	240.4	241.8	7.4	.6	.7	.7	.6
Toilet goods and personal care appliances 1/	.788	239.2	241.5	9.3	1.0	.6	1.0	1.0
Personal care services 1/	.827	241.8	242.6	5.8	.3	.8	.3	.3
Personal and educational expenses	1.088	290.2	291.7	13.9	.5	1.2	.8	1.0
School books and supplies	.160	267.1	267.5	14.1	.1	.9	1.3	.6
Personal and educational services	.928	296.3	298.0	13.9	.6	1.2	.7	1.1
Commodity and service group								
All items	100.000	282.9	282.5	6.5	-0.1	0.3	0.2	-0.2
Commodities	59.723	259.9	259.1	3.6	-.3	.2	.1	-.4
Food and beverages	19.136	276.0	275.9	3.9	.0	.8	.4	-.2
Commodities less food and beverages	40.587	248.6	247.5	3.4	-.4	-.1	-.1	-.5
Nondurables less food and beverages	18.786	267.5	265.3	-.2	-.8	.2	-.9	-.9
Apparel commodities	3.991	177.4	180.8	2.8	1.9	.0	.4	.8
Nondurables less food, beverages, and apparel 1/	14.795	316.4	311.5	-1.0	-1.5	.0	-.3	-1.5
Durables	21.801	232.5	232.4	6.7	.0	.2	.5	.1
Services	40.277	325.5	325.8	11.2	.1	.4	.3	.0
Rent, residential 1/	4.819	218.1	219.1	8.1	.5	.6	.3	.5
Household services less rent	21.838	397.7	396.6	12.7	-.3	.3	.3	-.4
Transportation services	6.329	286.7	287.9	10.2	.4	.8	.2	.3
Medical care services	3.661	340.6	343.0	10.6	.7	.9	.8	.8
Other services	3.630	251.3	252.4	8.3	.4	.7	.6	.5
Special indexes:								
All items less food	81.911	281.7	281.3	7.1	-.1	.3	.1	-.2
All items less shelter	70.995	268.6	268.7	5.7	.0	.4	.1	-.1
All items less mortgage interest costs	89.736	267.2	267.3	5.7	.0	.4	.0	-.1
All items less home purchase and mortgage interest costs	81.373	267.2	267.4	6.0	.1	.4	.0	-.1
All items less medical care	95.608	280.9	280.4	6.3	-.2	.3	.1	-.3
Commodities less food	41.634	246.6	245.6	3.5	-.4	-.1	-.1	-.5
Nondurables less food	19.833	262.2	260.2	.1	-.8	.3	-.9	-.8
Nondurables less food and apparel 1/	15.842	302.0	297.8	-.6	-1.4	.0	-.2	-1.4
Nondurables	37.922	272.8	271.6	1.9	-.4	.0	-.4	-.7
Services less rent	35.458	346.3	346.4	11.6	.0	.4	.3	.0
Services less medical care 1/	36.617	321.6	321.6	11.2	.0	.6	.3	.0
Energy 1/	11.982	415.4	407.9	-1.4	-1.8	.3	-.9	-1.8
All items less energy 1/	88.018	272.1	272.3	7.7	.1	.4	.4	.1
All items less food and energy	69.929	268.0	268.3	8.7	.1	.3	.3	.1
Commodities less food and energy	33.312	223.6	224.5	6.5	.4	.1	.6	.4
Energy commodities 1/	8.322	440.7	425.0	-7.8	-3.6	-.4	-1.4	-3.6
Services less energy	36.617	322.2	321.8	10.7	-.1	.3	.3	-.2
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.353	$.354	-6.1	.3	-.6	-.3	.3
1957-59=$1.00 1/	-	.304	.304	-	-	-	-	-

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
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: Dec. 1981	Jan. 1982	Feb. 1982	Mar. 1982	Seasonally adjusted annual rate percent change for- 3 months ending in: June 1981	Sept. 1981	Dec. 1981	Mar. 1982	6 months ending in: Sept. 1981	Mar. 1982
Expenditure category										
All items	-	-	-	-	7.6	12.7	5.3	1.0	10.1	3.1
Food and beverages	272.4	274.6	275.8	275.3	2.4	7.2	1.6	4.3	4.8	3.0
Food	279.6	281.8	283.1	282.5	2.1	7.4	1.6	4.2	4.7	2.9
Food at home	272.3	275.1	276.7	275.4	.4	7.4	-.3	4.6	3.9	2.1
Cereals and bakery products 1/	276.6	278.6	279.8	280.0	6.5	3.7	5.1	5.0	5.1	5.0
Meats, poultry, fish, and eggs	253.1	252.5	255.4	254.1	2.9	14.2	-7.1	1.6	8.4	-2.8
Dairy products 1/	244.9	245.2	245.8	245.9	2.0	.3	1.3	1.6	1.2	1.5
Fruits and vegetables	280.0	296.3	298.3	289.1	-8.0	11.9	4.4	13.6	1.5	8.9
Sugar and sweets 1/	359.3	361.6	364.1	365.4	-20.6	.1	-4.1	7.0	-10.9	1.3
Fats and oils 1/	261.0	261.5	260.6	259.7	-1.5	-3.1	-9.2	-2.0	-2.3	-5.7
Nonalcoholic beverages	418.7	423.0	425.0	427.5	-2.8	-1.0	6.5	8.7	-1.9	7.6
Other prepared foods	264.7	266.3	266.4	267.6	9.8	9.7	5.1	4.5	9.8	4.8
Food away from home	302.1	303.7	303.9	305.1	6.2	7.4	5.8	4.0	6.8	4.9
Alcoholic beverages	205.8	206.8	208.2	208.4	6.6	5.7	2.8	5.2	6.1	4.0
Housing	305.5	306.2	307.2	306.4	13.1	17.4	3.2	1.2	15.2	2.2
Shelter	329.4	329.5	330.4	328.4	15.5	20.4	1.2	-1.2	17.9	.0
Rent, residential 1/	216.0	217.4	218.1	219.1	7.5	10.3	8.8	5.9	8.9	7.3
Other rental costs	310.6	312.6	313.7	317.0	10.9	27.0	4.8	8.5	18.7	6.6
Homeownership	370.5	370.0	371.0	367.9	17.3	22.4	-.3	-2.8	19.9	-1.6
Home purchase 1/	268.7	267.4	268.3	267.1	9.5	11.9	-7.2	-2.4	10.7	-4.8
Financing, taxes, and insurance 1/	512.9	512.2	513.2	507.0	26.9	33.2	3.1	-4.5	30.0	-.8
Maintenance and repairs	322.3	324.0	325.8	323.7	6.4	13.5	6.3	1.7	9.9	4.0
Maintenance and repair services	358.3	360.3	361.9	358.6	8.0	17.1	8.3	.3	12.4	4.3
Maintenance and repair commodities 1/	244.9	246.4	248.2	248.6	2.7	4.4	1.3	6.2	3.5	3.7
Fuel and other utilities	336.3	340.2	340.7	342.5	8.2	-15.3	8.9	7.6	11.7	8.2
Fuels	425.0	431.6	431.6	433.8	8.6	12.0	8.6	8.5	10.3	8.6
Fuel oil, coal, and bottled gas 1/	685.5	688.9	686.0	666.7	-6.3	-4.6	5.1	-10.5	-5.5	-3.0
Gas (piped) and electricity	365.8	372.3	372.9	379.4	15.5	19.1	10.0	15.7	17.3	12.8
Other utilities and public services 1/	192.2	193.1	194.3	195.4	6.8	25.9	9.7	6.8	16.0	8.3
Household furnishings and operation	224.5	225.4	227.0	227.7	7.5	7.6	5.9	5.8	7.5	5.9
Housefurnishings	187.6	188.5	189.7	190.0	5.2	8.6	3.7	5.2	6.9	4.5
Housekeeping supplies 1/	274.1	275.7	278.8	280.4	9.0	5.3	5.6	9.5	7.2	7.5
Housekeeping services 1/	305.4	305.9	306.8	308.2	12.4	7.3	12.0	3.7	9.8	7.8
Apparel and upkeep	188.5	188.5	189.2	190.6	4.6	5.3	-.6	4.5	4.9	1.9
Apparel commodities	178.8	178.8	179.6	181.0	4.4	4.6	-2.2	5.0	4.5	1.3
Men's and boys' apparel	180.4	180.4	181.8	182.0	4.9	6.9	.2	3.6	5.9	1.9
Women's and girls' apparel	159.2	159.8	159.8	162.8	3.8	3.0	-5.3	9.4	3.4	1.7
Infants' and toddlers' apparel	271.8	273.7	275.5	276.8	5.6	10.9	-9.3	7.6	8.2	-1.2
Footwear	204.8	204.1	204.9	206.0	7.5	3.9	5.5	2.4	5.7	3.9
Other apparel commodities 1/	203.2	201.4	202.8	201.6	.6	2.4	-5.3	-3.1	1.5	-4.2
Apparel services	266.1	266.0	266.7	267.7	7.6	9.8	8.4	2.4	8.7	5.4
Transportation	294.2	293.7	291.6	288.8	2.2	12.3	12.1	-7.1	7.1	2.0
Private transportation	292.0	291.2	288.9	286.0	1.8	10.7	12.5	-8.0	6.1	1.8
New cars	196.1	195.7	194.3	194.4	22.2	3.6	4.6	-3.4	12.5	.5
Used cars	284.3	285.1	286.6	288.1	8.5	44.4	22.6	5.5	25.2	13.7
Motor fuel 2/	421.7	414.5	404.7	389.1	-16.3	2.1	12.2	-27.5	-7.6	-9.8
Gasoline 3/	421.7	414.5	404.6	388.9	-16.3	2.1	12.2	-27.7	-7.6	-9.9
Maintenance and repair	305.7	306.5	307.8	309.9	7.6	10.4	8.1	5.6	9.0	6.9
Other private transportation 1/	254.2	256.9	256.8	257.8	11.6	5.0	12.4	5.8	8.3	9.0
Other private trans. commodities 1/	216.9	218.0	217.3	218.2	6.1	8.6	2.6	2.4	7.3	2.5
Other private trans. services 1/	266.6	269.7	269.8	270.8	12.9	4.3	14.5	6.5	8.5	10.4
Public transportation 1/	328.6	329.4	331.0	331.0	12.5	49.2	5.2	3.0	29.5	4.0
Medical care	309.2	311.8	314.1	316.7	10.3	11.1	11.1	10.1	10.7	10.6
Medical care commodities	195.9	196.8	198.3	200.4	13.2	12.3	7.9	9.5	12.8	8.7
Medical care services	333.9	337.0	339.6	342.2	9.6	10.8	11.7	10.3	10.2	11.0
Professional services 1/	290.3	292.2	294.3	295.9	7.8	7.5	8.4	7.9	7.7	8.2
Other medical care services	388.3	392.6	395.6	399.6	11.6	14.3	15.1	12.2	12.9	13.6
Entertainment	225.5	226.5	228.1	228.8	4.3	7.2	7.4	6.0	5.7	6.7
Entertainment commodities	227.1	227.4	228.9	229.7	5.6	7.7	5.7	4.7	6.7	5.2
Entertainment services 1/	223.9	226.1	227.8	228.4	2.5	6.1	10.7	8.3	4.3	9.5
Other goods and services	243.0	244.4	246.8	249.3	10.6	9.4	8.7	10.8	10.0	9.7
Tobacco products 1/	225.9	226.2	229.8	233.2	11.8	4.7	9.4	13.6	8.2	11.4
Personal care 1/	237.1	238.8	240.4	241.8	8.4	7.0	6.1	8.2	7.7	7.1
Toilet goods and personal care appliances 1/	235.4	236.9	239.2	241.5	11.9	7.0	7.7	10.8	9.4	9.2
Personal care services 1/	239.2	241.0	241.8	242.6	5.5	6.7	5.0	5.8	6.1	5.4
Personal and educational expenses	283.2	286.5	288.7	291.6	12.1	19.9	11.5	12.4	15.9	11.9
School books and supplies	258.0	260.4	263.9	265.6	9.4	34.3	2.7	12.3	21.2	7.4
Personal and educational services	289.7	293.1	295.1	298.3	12.5	17.5	13.1	12.4	14.9	12.8
Commodity and service group										
All items	-	-	-	-	7.6	12.7	5.3	1.0	10.1	3.1
Commodities	260.0	260.5	260.7	259.6	3.2	8.8	3.5	-.6	6.0	1.4
Food and beverages	272.4	274.6	275.8	275.3	2.4	7.2	1.6	4.3	4.8	3.0
Commodities less food and beverages	250.3	250.0	249.8	248.5	3.5	9.6	4.4	-2.8	6.5	.7
Nondurables less food and beverages	269.9	270.5	268.0	265.6	-1.5	4.5	3.2	-6.2	1.4	-1.6
Apparel commodities	178.8	178.8	179.6	181.0	4.4	4.6	-2.2	5.0	4.5	1.3
Nondurables less food, beverages, and apparel 1/	317.2	317.2	316.4	311.5	.3	1.4	1.8	-7.0	.8	-2.7
Durables	232.2	232.6	233.7	234.0	10.8	11.9	1.6	3.1	11.3	2.3
Services	323.4	324.8	325.9	326.0	14.5	19.2	7.9	3.3	16.8	5.6
Rent, residential 1/	216.0	217.4	218.1	219.1	7.5	10.3	8.8	5.9	8.9	7.3
Household services less rent	396.5	397.8	398.9	397.4	19.6	26.4	6.0	.9	22.9	3.4
Transportation services	283.7	286.0	286.6	287.6	11.5	12.6	11.2	5.6	12.1	8.3
Medical care services	333.9	337.0	339.6	342.2	9.6	10.8	11.7	10.3	10.2	11.0
Other services	247.8	249.6	251.0	252.3	6.3	9.6	9.6	7.5	8.0	8.5
Special indexes:										
All items less food	281.5	282.3	282.6	281.9	8.8	13.9	6.0	.6	11.3	3.3
All items less shelter	267.9	269.1	269.5	269.2	4.6	9.8	6.8	2.0	7.2	4.4
All items less mortgage interest costs	266.4	267.5	267.5	267.3	6.3	9.8	5.4	1.4	8.1	3.4
All items less home purchase and mortgage interest costs	266.5	267.5	267.5	267.1	6.2	9.7	7.2	.9	7.9	4.0
All items less medical care	280.3	281.2	281.6	280.8	7.3	12.9	5.0	.7	10.1	2.8
Commodities less food	248.2	248.0	247.8	246.5	3.8	9.5	4.3	-2.7	6.6	.7
Nondurables less food	264.4	265.1	262.7	260.5	-1.1	4.7	3.1	-5.8	1.8	-1.4
Nondurables less food and apparel 1/	302.5	302.6	302.0	297.8	.7	1.7	1.6	-6.1	1.2	-2.3
Nondurables	273.5	273.5	272.5	270.5	1.5	6.1	4.5	-4.3	3.8	.0
Services less rent	344.1	345.6	346.7	346.6	15.6	20.4	7.8	2.9	18.0	5.3
Services less medical care 1/	318.7	320.5	321.6	321.6	16.4	20.3	5.3	3.7	18.3	4.5
Energy 1/	417.6	419.0	415.4	407.9	3.5	2.7	-2.4	-9.0	3.1	-5.7
All items less energy 1/	269.9	270.9	272.1	272.3	10.5	13.3	3.6	3.6	11.9	3.6
All items less food and energy	266.8	267.6	268.5	268.8	11.8	15.1	5.3	3.0	13.4	4.1
Commodities less food and energy	223.0	223.2	224.5	225.4	9.8	10.0	2.4	4.4	9.9	3.4
Energy commodities 1/	448.7	447.0	440.7	425.0	-6.1	-3.2	-1.2	-19.5	-4.7	-10.8
Services less energy	320.0	321.0	322.1	321.6	14.5	19.1	7.7	2.0	16.7	4.8

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
NOTE: Index applies to a month as a whole, not to any specific date.

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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 Dec. 1981	Indexes Jan. 1982	Indexes Feb. 1982	Indexes Mar. 1982	Percent change to Mar. 1982 from- Mar. 1981	Percent change to Mar. 1982 from- Jan. 1982	Percent change to Mar. 1982 from- Feb. 1982	Percent change to Feb. 1982 from- Feb. 1981	Percent change to Feb. 1982 from- Dec. 1981	Percent change to Feb. 1982 from- Jan. 1982
U.S. city average			281.1	282.1	282.9	282.5	6.5	0.1	-0.1	7.4	0.6	0.3
Chicago, Ill.-Northwestern Ind.	M		274.4	275.9	275.4	276.5	6.8	.2	.4	6.4	.4	-.2
Detroit, Mich.	M		275.1	277.8	274.8	275.1	4.4	-1.0	.1	3.5	-.1	-1.1
L.A.-Long Beach, Anaheim, Calif.	M		286.1	289.8	289.4	290.4	9.0	.2	.3	9.2	1.2	-.1
N.Y., N.Y.-Northeastern N.J.	M		266.9	267.5	267.8	265.9	4.8	-.6	-.7	6.0	.3	.1
Philadelphia, Pa.-N.J.	M		274.1	275.1	275.1	274.3	5.7	-.3	-.3	6.6	.4	.0
Anchorage, Alaska	1	10/67	-	248.6	-	254.5	7.7	2.4	-	-	-	-
Baltimore, Md.	1		-	282.3	-	282.2	4.8	.0	-	-	-	-
Boston, Mass.	1		-	273.4	-	269.8	3.1	-1.3	-	-	-	-
Cincinnati, Ohio-Ky.-Ind.	1		-	288.4	-	287.2	7.3	-.4	-	-	-	-
Denver-Boulder, Colo.	1		-	310.5	-	315.0	10.2	1.4	-	-	-	-
Miami, Fla.	1	11/77	-	156.4	-	156.4	10.4	.0	-	-	-	-
Milwaukee, Wis.	1		-	295.3	-	292.5	6.5	-.9	-	-	-	-
Northeast Pennsylvania	1		-	274.5	-	268.4	3.0	-2.2	-	-	-	-
Portland, Oreg.-Wash.	1		-	285.5	-	283.9	6.3	-.6	-	-	-	-
St. Louis, Mo.-Ill.	1		-	277.1	-	279.3	7.7	.8	-	-	-	-
San Diego, Calif.	1		-	317.4	-	313.9	9.0	-1.1	-	-	-	-
Seattle-Everett, Wash.	1		-	291.9	-	289.6	8.1	-.8	-	-	-	-
Washington, D.C.-Md.-Va.	1		-	281.8	-	283.8	7.4	.7	-	-	-	-
Atlanta, Ga.	2		284.1	-	282.7	-	-	-	-	6.1	-.5	-
Buffalo, N.Y.	2		262.7	-	258.0	-	-	-	-	3.3	-1.8	-
Cleveland, Ohio	2		281.2	-	285.0	-	-	-	-	4.1	1.4	-
Dallas-Fort Worth, Tex.	2		291.0	-	289.8	-	-	-	-	6.2	-.4	-
Honolulu, Hawaii	2		259.3	-	263.2	-	-	-	-	8.1	1.5	-
Houston, Tex.	2		298.8	-	300.3	-	-	-	-	8.1	.5	-
Kansas City, Mo.-Kans.	2		272.0	-	274.1	-	-	-	-	5.4	.8	-
Minneapolis-St.Paul, Minn.-Wis.	2		298.3	-	305.3	-	-	-	-	16.3	2.3	-
Pittsburgh, Pa.	2		282.6	-	280.0	-	-	-	-	5.1	-.9	-
San Francisco-Oakland, Calif.	2		292.7	-	294.9	-	-	-	-	12.7	.8	-
Region 3/												
Northeast	2	12/77	147.6	-	147.2	-	-	-	-	6.1	-.3	-
North Central	2	12/77	150.4	-	152.0	-	-	-	-	6.7	1.1	-
South	2	12/77	152.9	-	154.1	-	-	-	-	8.0	.8	-
West	2	12/77	154.7	-	156.6	-	-	-	-	9.4	1.2	-
Population size class 3/												
A-1	2	12/77	147.8	-	148.5	-	-	-	-	6.5	.5	-
A-2	2	12/77	153.1	-	153.8	-	-	-	-	8.1	.5	-
B	2	12/77	153.6	-	154.6	-	-	-	-	7.1	.7	-
C	2	12/77	151.5	-	152.4	-	-	-	-	7.2	.6	-
D	2	12/77	149.8	-	152.2	-	-	-	-	8.6	1.6	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	143.8	-	143.8	-	-	-	-	5.8	.0	-
North Central/A	2	12/77	152.3	-	153.1	-	-	-	-	6.6	.5	-
South/A	2	12/77	152.4	-	153.0	-	-	-	-	7.4	.4	-
West/A	2	12/77	156.4	-	158.2	-	-	-	-	10.4	1.2	-
Northeast/B	2	12/77	152.5	-	150.6	-	-	-	-	5.3	-1.2	-
North Central/B	2	12/77	150.5	-	152.9	-	-	-	-	5.6	1.6	-
South/B	2	12/77	155.1	-	156.3	-	-	-	-	7.9	.8	-
West/B	2	12/77	155.2	-	157.2	-	-	-	-	8.9	1.3	-
Northeast/C	2	12/77	158.3	-	157.4	-	-	-	-	7.4	-.6	-
North Central/C	2	12/77	146.5	-	148.0	-	-	-	-	6.5	1.0	-
South/C	2	12/77	152.3	-	153.9	-	-	-	-	7.8	1.1	-
West/C	2	12/77	150.6	-	151.3	-	-	-	-	6.6	.5	-
Northeast/D	2	12/77	150.6	-	151.7	-	-	-	-	7.4	.7	-
North Central/D	2	12/77	148.5	-	151.8	-	-	-	-	8.1	2.2	-
South/D	2	12/77	151.0	-	152.3	-	-	-	-	9.6	.9	-
West/D	2	12/77	149.2	-	153.2	-	-	-	-	8.8	2.7	-

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.

Senator JEPSEN. Thank you, Mr. Weidenbaum. I'm sure that there will be some people who will downplay the significance of this dramatic decline in inflation because we're in a recession. There's no doubt that unemployment is too high and interest rates are still too high. We recognize that even in our state of jubilance here this morning. People in this country aren't worried today about getting ahead; they're worried about falling behind or just keeping up, worried about keeping their job.

People out in my part of the country are worried about getting their crop in.

But neither should we forget the misery of the high inflation we had when prices rose over 27 percent during 1979 and 1980—quite a market difference than the last several months. It's very obvious that hyperinflation has led to the double-digit interest rates that we're in now.

If we just don't panic and don't foul it up, we are on the right track, as many have said for a long time. The President in his resolve and commitment has stood fast and refused to be intimidated, and it is starting to really show signs of turnaround.

Mr. WEIDENBAUM. Yes, sir. Mr. Chairman, I think it's important to note that the progress on bringing down inflation started before the recession. That is why I am confident that it will continue after we pull out of the recession. In fact, if you look at previous business cycles, it turns out, generally, that progress on inflation has been made primarily during the initial phases of the upturn as the economy is pulling out of the recession. As more overhead costs and fixed costs are spread over larger and larger production runs, unit costs are brought down. Quite clearly, recession by reducing unit production often has an upward pressure on unit cost.

I think it's quite clear that the reason we are seeing this progress on inflation is fundamentally that fact that we have shifted away from that unsustainably rapid growth in the money supply such as in the second half of 1980, which was the fastest growth rate in the money supply at least since the end of World War II. Shifting away from that to a lower but sustainable growth in the money supply has been and will continue to be the key to unwinding the inflation in the American economy.

Senator JEPSEN. Along that line, Mr. Weidenbaum, this would be a good time to discuss again—for both information and education—what is the relationship between inflation and interest rates? More importantly, with inflation rates down the past 6 months, is that not now a potent force to bring interest rates down? And then, the real question everybody is asking is, how long will it take to convince the money markets that our current low interest rates are for real?

Mr. WEIDENBAUM. Let me provide some perspective as I respond to the question. In January of 1977, the prime rate was 7 percent. In January of 1981, the prime rate was in the neighborhood of 21 percent. It tripled during that 4-year period.

Since then, the trend of interest rates, especially short-term rates, has been downward. The prime is now at 16.5 percent. I suggest that is still a painfully high rate, but it is measurable progress from January 1981. It's not enough progress. We've got to get those interest rates down and down substantially.

Part of it, of course, is the fact that this new situation that we're describing this morning of fundamental lower inflation is just that: It is a new situation which financial markets are only slowly taking into account. They've been burnt many times in the past by stop and go policies of prior administrations, and I can understand their reluctance in adjusting to this new, but what in my estimation is a durable, environment of lower inflation.

So I do anticipate that the trend of interest rates will continue to come down. But as participants in the financial markets tell us time and time again, they are concerned about the budget. They are very concerned about those budget deficits. And, as I said in my earlier statement, they want to receive a signal from the Federal Government, both Congress and the administration, that the deficits are coming down.

They're reconciled reluctantly—we all are reluctantly—to a large $100 billion deficit approximately this fiscal year, a period of recession. However, what the financial markets tell us they want to hear and want to see, are budget deficits coming down, double digit not triple digit, in fiscal 1983 and 1984.

Senator JEPSEN. Is there a relationship between the large deficits and inflation?

Mr. WEIDENBAUM. There has been in the past. Thankfully, there isn't today because, quite clearly, what we are seeing, I'm pleased to say, are two things. We're seeing a very substantial decline in inflation. At the same time—very frankly, it's not on the chart but in my invisible blackboard I would draw it in—we are seeing an increase in the budget deficit. That quite clearly shows there's no necessarily direct one-to-one relationship, but why? Because, unlike administrations in the past, we are not monetizing the deficit. I think that is the key, monetary restraint which refuses to monetize the deficit, and that eliminates the inflationary effect of deficit spending.

Senator JEPSEN. You said the financial community wants to see the Congress send that signal. That would indicate that there is a crisis of confidence in the financial community as to what, over the years—what they've expected is what they got—they're grown to expect from government. Government basically has never done what it said it was going to do, whether it be in a political or nonpolitical year; whether on a projection basis by way of promises to not raise taxes or to not get further involved in the personal lives of people by way of regulations. Too, they've properly grown to expect a topside government tinkering, whether it be priming the money machine or putting on the brakes.

Now we have an administration led by a President who has been very consistent and very firm in his commitment. What is it going to take to prove to the financial community that this course is for real? Is the final step. in fact—as I think you indicated. our solution of the fiscal side—getting hold of these deficits and coming out and showing them that whatever the deficit amounts to this year, that next year is less and the following year is less and the following year is less and we establish a trend.

Mr. WEIDENBAUM. First of all, I would describe the situation in the financial markets in my own terminology, which would be somewhat different. They are concerned about the budget and the deficits and, yes, Mr. Chairman, I think it would have a salutory effect on financial markets to see those deficits come down.

I think it's quite clear at every level from the CEO's of major financial institutions to the analysts, they are concerned about those numbers we all see in the media about the possibility of rising deficits.

It is within our command surely to take those difficult actions which will continue the policies of this administration—and I think you're absolutely right to point out the need to maintain the continuity of policy—and that is to reduce the role of Government in all its dimensions. We're certainly doing that on the regulatory front. There's an unparalleled program of regulatory relief. We certainly have done that on the tax front, and I think it's important that the percentage of personal income taken by the Federal Government continues to decline and decline very substantially.

But I also think it's important that on the spending side we see enough spending cuts so that the Federal Government is taking a smaller and smaller percentage of the GNP. That's not been true in recent years.

And finally, in the vital financial markets and our credit markets, it's important that the Federal Government take not a rising share but a declining share of credit so that more funds are available to the private sector to finance healthy economic growth.

Now in all of this there's a common long-term theme, reducing the role of Government, reducing the resources available to Government, so that the private sector once again can be the primary engine of growth and progress in our economy. That, as I see it, is the fundamental consistency in Ronald Reagan's economic program.

Senator JEPSEN. Senator Mattingly.

Senator MATTINGLY. Thank you, Mr. Chairman.

Mr. Weidenbaum, in the final analysis, I agree that the control of the budget must be permanent and I think it almost is permanent. High rates of inflation must be broken, and also we must get interest rates down and control Federal spending.

What sort of impact do you think that this major decrease in the rate of inflation will have upon the automatic indexation of Federal programs?

Mr. WEIDENBAUM. Well, quite clearly, the billions of dollars that the Federal Government spends each year to provide annual cost-of-living adjustments to help recipients of these transfer payments keep abreast of inflation, that drain on the budget will be lowered because it will take smaller costs of living adjustments to help the same people keep abreast of a lower rate of inflation. This will help reduce the growth of spending. It will help reduce the deficit.

Senator MATTINGLY. The lower inflation——

Mr. WEIDENBAUM. On the other hand, I need, in all candor, to point out that in the short run lower inflation means smaller tax bases and a smaller than otherwise flow of revenues into the Treasury, which is part of the short-term budget deficit problem.

Senator JEPSEN. In the short term, this past year I've chaired congressional oversight on the CPI. In talking about the CPI as it impacts all the indexed programs, one other question that I would like to ask you is in reference to the lag time.

Do you feel like the lag time problem with such indexed programs will interfere with the recovery, knowing that there is approximately a 15-month lag?

Mr. WEIDENBAUM. Well, let me respond this way. I think the status quo in handling those COLA's means in practice during the coming year, a period we anticipate of lower inflation, the COLA adjustments will be based not on the current low rate of inflation but on the earlier, much higher rate of inflation, and there is an anomaly there.

Senator MATTINGLY. And there's going to be a tremendous difference in the next index period.

Mr. WEIDENBAUM. Yes, indeed. That's a fact. And I point out that so much of the earlier period when inflation was rising, because of a quirk in the law which Congress has cleared up, those programs were overindexed.

Senator MATTINGLY. That's true. I think in the last 4 years a figure amounting to more than $20 billion has been paid out because of overindexation. It's not that anybody here is trying to recollect that amount, but we should stop such overpayments. In reference to the lag time—which even the former head of the Bureau of Labor Statistics testified as being a problem—we must change it. It's conceivable that possibly the last 3 or 6 months of the COLA should be given a different weight. Possibly, 15-month figure that we use to figure the indexed CPI to calculate the COLA's should be changed.

Mr. WEIDENBAUM. That's a new idea. We don't get many new ideas here in Washington.

Senator MATTINGLY. Obviously we need some.

Mr. WEIDENBAUM. I'd be glad to give you my considered judgment on that.

Senator MATTINGLY. Are you ready now?

Mr. WEIDENBAUM. For the record.

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

As I understand from the testimony this April of Geoffrey Moore before the Governmental Affairs Subcommittee on Congressional Operations, he has suggested comparing the Consumer Price Index for the first calendar quarter with the average index for the preceding four quarters, and then expressing this percentage increase on an annual basis. Under current law, benefits rise by the percentage increase in the CPI between the first quarter of the current year and the first quarter of the previous year.

The primary effect of shifting to a formula such as Mr. Moore has proposed is to shorten the lag between the cost-of-living adjustment and the inflation for which it is adjusting. When inflation is rising, beneficiaries are better protected against it, and when inflation is falling, the adjustments are more in line with the actual price increases during the benefit year.

This effect has implications for the budget. During periods when inflation is rising, such as the 1970s, outlays for social security would have grown faster under Mr. Moore's proposal than they actually did. When inflation is dropping, as has happened recently and as we expect will continue to be the case, reducing the lag in the COLA adjustments would produce budget savings. If Mr. Moore's suggestion were to go into effect with the July 1982 COLA, it would save approximately $1.6 billion in FY 1983 and a total of $20 billion by 1987, based on our current economic assumptions.

Senator MATTINGLY. Does the automatic indexing provision that is used for many Federal programs assume that our Nation's rate of inflation will be controlled as today's figures would indicate then?

Mr. WEIDENBAUM. Let me emphasize, along with this excellent news on March inflation, that the inflation battle isn't over—or I should say the war against inflation hasn't been won even though some battles have gone our way. I think that it is vitally important that every sector of our economy understand that monetary and fiscal restraint are necessary as a long-term, continuing proposition in order to squeeze out and keep out what has been such a serious inflation. It's taken not years, but decades, for inflationary pressures and the inflation psychology to work itself into the system, and I think it's essential that everyone understand that the Federal Government on both sides of Pennsylvania Avenue is determined to carry through this noninflationary program because whether I look at budget cuts, whether I look at reductions of deficits, continuation of programs of regulatory relief—there's so much work that needs to be done in the years ahead to maintain the momentum in fighting inflation. It's too soon, very frankly, in my judgment, to declare victory in this war, but the tide is turning and I'm delighted to report it this morning.

Senator MATTINGLY. Let me ask you one other question about lag time. Just as the indexed programs went up due to increased inflation, when the inflation rate comes down dramatically as it is now, isn't it true that the payout is going to be at an accelerated pace in the other direction? Am I correct? That is, decreasing payouts?

Mr. WEIDENBAUM. I haven't made the specific calculations on that, but quite clearly—and I think if I sense the thrust of your question, Senator Mattingly, because the revenues are based on current incomes and the outlays are based on previous inflation rates—there's an imbalance there in the short term that puts additional pressures on the budget and on the deficit.

Senator MATTINGLY. I think you should note also that no matter what indexed program we're talking about, none would be decreased, but in fact, they would just be increased at a smaller rate.

Mr. WEIDENBAUM. Senator, that is such a fundamental point that I think it's been overlooked. I get calls from social security recipients, and one very important one, my father, and he often has been concerned by what he sees on the television and reads in the newspaper on this subject in terms of will he continue to receive his social security check. I assure him, like every other social security recipient, he is going to continue to receive his monthly check, at least what he is receiving now. The only question, of course, depending on what the COLA adjustments are, how fast will that monthly check go up. But I get the inevitable question, "But, Murray, you mean I'm going to get that monthly check I'm getting now?" "Dad, yes, of course." And that's the message, very frankly, that we need to get across to our senior citizens who I think needlessly have been upset by misinformation.

Senator MATTINGLY. I would give you one other good piece of information to go along with the good piece that you brought along today is that there will be some information released soon that will show that the perception out there has changed and people do understand more now and they don't think that somebody is trying to give them the ax, but they understand what is going on.

Mr. WEIDENBAUM. I'm delighted to hear that. I guess my dad must be passing on the word.

Senator MATTINGLY. Or watching the wrong channel on TV. One other comment. I wish some of our colleagues from the other side were here today. I notice that the day the CPI went up that they were here, but I wish that they would also come on the good news days. Thank you, Mr. Weidenbaum.

Senator JEPSEN. I miss them. Senator Abdnor.

Senator ABDNOR. Thank you, Mr. Chairman.

Mr. Weidenbaum, I recall when the President presented his budget and I heard the size of that deficit I was rocked back on my feet. It was unbelievable to think in terms of such a figure and, of course, after all of us got into the details we realized we would be fortunate to come up with that deficit figure. But there is good news on inflation and it looks like it's going to be durable, at least we hope so.

That being the case, deficits do play a big part in the performance of the economy. In your judgment, what do we have to bring that deficit down to, to really make this low inflation pay off so we can get those interest rates down?

Mr. WEIDENBAUM. I can't specifically give you a figure. I can say this in all sincerity, the sooner the budget agreement is reached, the better; the lower those deficits in the future years, the better in terms of the impact on financial markets and of course on interest rates.

In my judgment and in the judgment of a great many analysts, those high interest rates are the most serious obstacle to a prompt and strong recovery in the economy. I don't think there's any magic formula in getting those interest rates down because we've addressed ourselves to the inflation premium in interest rates. Even when you put that aside, you still have a very high level of real interest rates, reflecting not just the deficit financing in the United States but the even proportionately greater deficit financing in countries around the world, and that's one reason why I expect a continued high level of real interest rates. However, we can make a very important contribution there by getting the deficit down, although I can't give you a specific number. I don't think with any assurance anyone can, with any assurance, specify how much of a decline in interest rates will ocur, but the direction of movement is there.

Senator ABDNOR. Even more important than the deficit figure, might the kind of action we take in arriving at our budget be even more important, such as the restraints we put on the growth in the long term rather than just some immediate quick fix to our budget? For instance, the entitlement programs are frequently talked about. Isn't this the key that some of these money market people must be looking for?

Mr. WEIDENBAUM. Of course, and to report their concerns, there are two areas of spending that they focus on in their discussions. The first, of course, is the entitlements, and they see the same numbers that we see—a growing share of the Federal budget over the years going to those so-called uncontrollable entitlements.

The second area of Government spending that the financial markets are concerned about is the defense program. They watch with considerable concern the very rapid buildup in budget authority and appropriations for that important sector of the budget.

Those are the two areas that are watched most closely in financial markets in terms of curbing, slowing down the growth of deficit spending.

Senator ABDNOR. There's been a great concern on entitlements and trying to slow down the growth. I was home in South Dakota for a week and made 23 appearances and that's all I talked about. At first, they said what is he talking about, but that phrase has come a long way in the last 60 or 70 days, and more and more people are becoming familiar with it. I think those with the greatest concern might be going along with us now and would like to see a long-term period of stability in this program. There is something to it, and I think it is a key.

Where is this fine line between inflation control and economic growth and employment? Do you have both low inflation and high employment at the same time?

Mr. WEIDENBAUM. We have had some—as I look at American history, we have had periods of rapid economic growth and low inflation. And, in fact, just the reverse. When we've had high inflation, often we've had the weakest period of economic activity. As we say in much detail in the Economic Report which we released in February, there is no so-called Phillips curve, that there is no tradeoff between inflation and unemployment on any durable basis. It's really important to bring down the inflation as part of an effort to restore economic growth and in fact that's precisely why, at the outset, the Reagan administration came in with a comprehensive program. The tax cuts and the regulatory relief are essential for the economic growth, in my judgment.

Senator ABDNOR. Just one last question. You know, some reference was made to our colleagues who normally sit to my left and are not here today to receive some of the good news.

Mr. WEIDENBAUM. I've noticed they're to your left, Senator.

Senator ABDNOR. I was skipping the chairman. There are a lot of critics even in this period of what we think is a brighter picture. Some people on the other side say the decline in the inflation rate can be attributed to nothing but luck because of the softening in all prices and depressed farm prices, and certainly I know what that means.

I'd like to think that the recent improvement in the inflation rate is a result of more than the onset of the recession going out of this recession, and instead, the result of some of the programs we've put in in the past have been greater reason for the success. Would you agree with that or there's no luck in this? I think it's the result of a long-term course of action, is it not?

Mr. WEIDENBAUM. First of all, in my judgment, the major reason for the progress on inflation is a shift to monetary restraint which is squeezing out the inflation. But, second, some of the specific sectors such as the oil area you mentioned were helped along by regulatory relief. I think we shouldn't forget the action by the President in January 1981. By promptly decontrolling gasoline prices and eliminating gasoline allocations, he truly helped conservation, domestic production, and, in the process, reduced our dependence on world petroleum markets and contributed to the softness in those markets, and to the price declines that occurred in recent months.

That's isn't just dumb luck. That was wise action. The reason I emphasize it, very frankly, is that we were criticized for it back in January 1981 and in retrospect that's a perfect example of where deregulation worked. But, as I pointed out at the outset, the progress on inflation preceded the recession.

Senator ABDNOR. Thank you.

Senator JEPSEN. Mr. Weidenbaum, isn't it true that banks could have a lower amount of interest and still maintain their real interest rates?

Mr. WEIDENBAUM. The short answer is, yes. A somewhat longer answer would say, of course, like everyone else, the price they charge as interest has to reflect their costs and the cost of money to an individual bank is nothing they can control. It's set in financial markets. And the basic factors involved aren't subject to the control of banks generally, but, frankly, are controlled here in Washington.

Senator JEPSEN. Well, is it not true that the rates that many banks are charging today are higher than they have been over the years in relationship with the T-bill rate?

Mr. WEIDENBAUM. I've noticed in recent months a healthy substantial spread between the cost of money and the price charged for money and earnings of many financial institutions are reflecting that. This is why I'm hopeful that we will see, in the months ahead, interest rates declining as competition in financial markets—and I need to emphasize the importance of competition—as competition in financial markets drives down what I think is an excessive inflation premium.

Senator JEPSEN. It seems to me one of the reasons T-bills may be holding up as high as they are now, with all the good economic signs in place, is that the recession increases demand for short-term loans. In your opinion, is it possible that the high interest rate has continued because of this demand for the short-range loans?

Mr. WEIDENBAUM. It's a chicken and egg problem, in part. I sense that there's considerable demand for short-term money or short-term borrowing, at a time when people anticipate—and in a sense this is a good sign—that long-term interest rates are going to be declining in the future. Rather than locking themselves into long-term obligations at these fixed current high interest rates, they'd rather borrow short, even though those are even higher interest rates, to tide them over until a period in the near future when long-term rates are coming down. That's a good sign.

Senator JEPSEN. It's kind of a paradox. Everybody is kind of in a wait-and-see posture.

Mr. WEIDENBAUM. Mr. Chairman, let me just point out the reverse of that—and this is not the case—if investors expected long-term interest rates to be rising, you'd have the reverse; you'd have people borrowing long rather than borrowing short. That's why I say, on balance, this is a healthful sign.

Senator JEPSEN. At the same time, Mr. Weidenbaum, economists, financial planners, and others are scrambling to try to understand what is actually happening with Federal revenues. For the first 6 months of the fiscal year Federal revenues are running well above last year—markedly above last year. If the trend continues revenues will be about $656 billion, which is some $28 billion above the projection. At this point in time—assuming that those figures are true, and they are actually true as of today—that would be lowering the deficit to about $72 billion.

Now, in addition to that, some more good news is that the departments and the various bureaus in Government seem to be actually operating more efficiently and the cost of Government is markedly reduced.

You combine those things and the question I present to you is this: Don't you think that we should take a second look, before forming the 1983 budget on the basis of the huge deficit forecast? Do you think these figures warrant them looking at it again?

I understood you to say that you think the quicker we get this thing settled, the better; and generally that's true. But are we going to make haste and miss something?

Mr. WEIDENBAUM. No, sir. I've examined that question and I'm convinced within the normal range of error, $2 billion and not tens of billions of dollars. We, unfortunately, will experience a deficit in the neighborhood of $100 billion. If there's anything I've learned in the many years I worked in the Budget Bureau and in the Treasury Department, it is that you should not take the first half of the year and multiply it by two and assume you have an actual estimate of the year's budget results. That, more often than not, leads to erroneous results and, in this case, we had so many factors in the first 5 months that by all likelihood will be different in the second period of the year.

Let me just give you a few of them if I may. Let's take corporate profits. There's about half a year lag between collection and the time your liability is incurred, the time the profit is received. So the profits taxes that the Treasury will get in the second half of the year will be based on recent, very low corporate profit performance, while the revenues they collected in the first half of the year were based on the previous 6-month period which is a period of greater profitability.

So it's quite clear to me and to others who've looked into the detail that the corporate profits collections for the fiscal year will be close to what the budget estimate showed and not simply the result of grossing up, so to speak, or extrapolating the first 5 months.

There's another factor—interest penalty on tax liability has gone up. In other words, the cost of deferring tax payments has gone up. Quite clearly, the response is what you would expect. Large taxpayers that used to defer their tax liability because they could earn more investing it short term, now find because of the increase in tax interest penalty that they'd better pay what they owe the Treasury more promptly. This is a recent change and, again, this has been reflected in the high figures for the first 5 months.

But also on the expenditure side, we see that in the first 5 months the VA and HHS, the Department of Health and Human Services, in paying out the SSI benefit checks, they have issued five checks, while in the first 5 months of last year they issued six checks. This means we will see more checks than last year issued in the second half of the year.

Similarly, for unemployment compensation expenditures. It turns out that last fiscal year unemployment, if you compare the first half to the second half, declined as the basis for the unemployment compensation. This fiscal year, in my estimate and the estimates of OMB, we'll see the reverse—a higher average unemployment rate in the second half of the year than in the first half of the year.

For all these reasons and for many others, I think that we have to reconcile ourselves not to the rose-colored glasses view, as much as I'd love to see a $70 billion deficit this year, but to what I think is the more realistic view. I would urge the more realistic view for a very fundamental policy reason. I truly believe it is essential to keep up the pressure on Government spending.

Senator ABDNOR. One last question. Have you had an indication in the last 4 or 5 months that the reservoir for savings is increasing, the American people are putting more into savings?

Mr. WEIDENBAUM. Yes. Not overwhelmingly, but measurably. First of all, if you take the first 9 months of 1981, the savings rate was about 5 percent. In the last 3 months, following the tax cut and following the progress we've made on inflation, the personal savings rate rose to 6 percent. The first 3 months of this year, as you would expect, as consumers adjust their expenditures, they start spending that tax cut, but not all of it. The savings rate has backed off a bit from the 6 percent, but it's still above the 5 percent level which preceded the tax cut.

I expect we'll see a variation of that same movement later this year. In other words, after the July 1 tax cut takes effect. I think we'll see a sharp spurt in the savings rate to 7 percent or maybe 8 percent. I wouldn't be surprised if you see some backing off, but, again, the maintenance of a higher savings rate than before the tax cut.

Senator ABDNOR. Wouldn't it be extremely important to our recovery—I think we concede now that as we bring this deficit to $100 billion we're doing great, and that's a lot of dollars?

Mr. WEIDENBAUM. Yes, indeed. For every 1 percent increase in the savings rate we generate, at current income levels, another $20 billion of savings.

Senator ABDNOR. One percent more savings and we get $20 billion more?

Mr. WEIDENBAUM. That's right?

Senator ABDNOR. But when you add that—I'm just saying that with the $100 billion deficit, just using that figure, plus all the off-budget involvements we're in, if we really hope to get our economy moving and businesses expanding, they need dollars; and if we are to move housing, they need dollars. Where's the money going to come from?

Mr. WEIDENBAUM. There's another factor that we should be aware of, and that is improvement in the quality of saving. In other words, during this past period of rapid inflation, so many investors shifted from traditional savings instruments—savings accounts, stocks, bonds—to purchases of inflation hedges—coins, postage stamps, works of art—not because they wanted to have these as permanent items but because they wanted to invest in these as inflation hedges. Those are not productive forms of savings.

I see now people moving out of those items back into traditional productive forms of savings—savings accounts, purchases of securities—all of which finance the growth of American industry.

Senator ABDNOR. Thank you.

Mr. WEIDENBAUM. By the way, Senator, I know frequently you ask me about the farm sector which clearly has been hurting during this period. I have some good news to report and that is the tremendous progress on inflation means that costs on the farm for purchases that farmers make, those costs are increasing much less rapidly. In fact, during March, for the year ending March 1982, prices paid by farmers rose by only one-half of the rate that they rose the year ending March 1981. We've seen a 50-percent reduction in the inflation rate of items purchased by farmers in the past year.

Senator ABDNOR. Well, that's very encouraging. This is one of the reasons the recovery program has helped. Part of it is also that farmers are so broke right now they haven't got any money to purchase anything and retailers have to cut prices to keep sales going. Decreasing inflation can be one of the greatest benefits to farmers, along with lowering these high interest rates. You put those two together, even though farm prices are deplorable, they wouldn't be nearly as bad off and in as tough shape.

Senator JEPSEN. Several times a week I have early morning visits with my brother who's managing and farming our family farms. There have been much brighter reports, just in the last few weeks, in the farming community and agricultural areas. We have cattle prices now that broke $70 a hundred, hog prices broke over $50 a hundred; and this means in both instances that we're talking about profits in those areas for the first time in many years. We look at one of the major items for getting the crops in that is a big item: that's your fuel and energy. And that's markedly lower. It's not that it's increased; it's dramatically lower.

So there are some good signs. There are some signs that are woven in the fabric of this whole economic recovery that are very positive for all America and I think if I had a word for all of us consumers it is that the day has returned when we can find good prices if we pick and choose. I drove into a gas station this morning in the Washington, D.C., area and I paid $1.59 a gallon, partly because I was in a hurry and I got in a line that wasn't self-service and that costs more. But I was in Iowa last weekend and gas was 99 cents a gallon.

Mr. WEIDENBAUM. I'll tell my daughter in Des Moines to gas up the family car in Des Moines before she drives here.

Senator JEPSEN. No, what I'm saying is that regardless what market you are in, if you shop around you will find gas prices that are down all over. not just in Iowa.

Regardless of that, the recession makes this a very tough year for Congress and the President and we've been kind of basking here in a little bit of good news this morning. On the more sober side, there are no easy or palatable options available. This has been a tough business. It means we've got to establish our priorities swiftly, and as you indicated this morning, we've got to do it with care. It's not an easy task.

But one of the things the American people are looking for to see everybody here work together to deal with the problems that have been building over many years. We're going to have a major breakthrough in favor of economic recovery. I think the thing we're reporting on here this morning is a major breakthrough. The signs are there. The signposts are good.

Economic problems can only be addressed by joint effort all around—Congress, the President, Democrats and Republicans. I would suggest that those that seek partisan advantage from our economic dilemma are mistaken, very mistaken. If we hang, we're all going to hang together, regardless of party. What people want is results. The President has been steadfast and firm in his commitment in holding to the four basic steps which are the same as they were on January 21, 1981, in his economic recovery program: Getting control of Government spending; a tax structure giving individuals incentives to invest and giving people an opportunity to have a piece of the American dream; regulatory reform, 23,762 pages less last year and we're just beginning; and a stable monetary policy. Those steps haven't changed today. They are as good today as they were then. They are starting to show signs that we are on the right track. It's been a tough job and we've got some tough times ahead, but we need to work together.

I thank you for coming here today. Do you have any closing remarks?

Mr. WEIDENBAUM. I just wanted to express my great appreciation for your closing statement, Senator Jepsen. That statement is most heartening and I wish all of us truly can take it to heart because I think you put your finger on precisely the approach we need to take to get this economy turned around.

And we are, as the President said, determined to do our full share and, as the President said, he'll walk that extra mile.

Senator JEPSEN. Thank you. The subcommittee stands adjourned.

[Whereupon, at 11:40 a.m., the subcommittee adjourned, subject to the call of the Chair.]

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