

Inflation Rate Is Highest In 25 Years

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The worst inflation rate in nearly a quarter of a century continued to plague the nation in March, when the consumer price index rose another 1.1 per cent, equivalent to an annual rate of 13.2 per cent.

It was the second consecutive day of bad economic news, the government having reported a recession-like drop in the Gross National Product Thursday by 5.8 per cent.

The combined squeeze of higher prices and sluggish production has government officials worried, but the current posture of the Nixon administration, fearful of worsening the inflation rate, is to try to ride out the storm without stimulative measures.

The March result compared with a 1.3 per cent increase in February and 1 per cent for January (all figures seasonally adjusted.) But while food price pressures eased somewhat, inflationary pressures in non-food items and services became more severe.

The food price index increased by 0.8 per cent in March, substantially less than the 2.5 per cent in February or 1.6 per cent in March, thanks mostly to a decline in beef, pork, poultry, eggs and fresh fruits. Nevertheless, the Labor Department said that the 0.8 per cent increase is much higher than is usual for foods in March.

In the Washington area, the Department said, the retail food price index was unchanged at 163.3 (1967 equals 100). A decline in grocery store prices about offset an increase in restaurants. (Food is the only major category of the CPI prices monthly in the Washington area.)

Gary L. Seevers, a member

of the President's Council of Economic Advisers said that the inflation problem could be worsened "by measures designed to stimulate the pace of economic activity."

But administration critics are concerned by the fact that workers' real income — that is, pay after making an adjustment for higher prices and taxes — is lower than the year-before level for the twelfth consecutive month.

For the average married worker with three dependents, real earnings dropped another 0.9 per cent, bringing the March figure 4.7 per cent below a year ago. That means the average worker has the spending power now of only \$95.30 out of each \$100 a year ago.

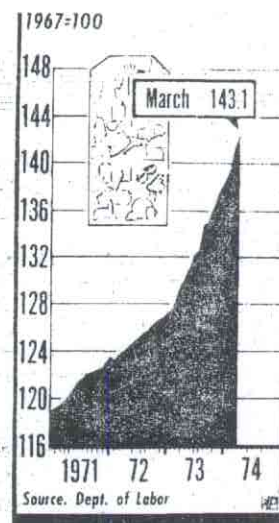
Taking the first three months of the year together, the Labor Department said that the cost of living has soared at an annual rate of 14.5 per cent, the largest since the first quarter of 1951.

On a year to year basis (March, 1973 to March, 1974), the cost of living has jumped 10.2 per cent, which explains why officials refer to the inflation rate as a "double-digit" affair. This is more than twice the rate of the preceding year, and the highest 12-month

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bulge in prices since January, 1948.

Another worrisome aspect of yesterday's news is that while the sharp recent rise in food prices abated considerably in March, the price tag for non-food prices and services continued to escalate even faster.

In fact, the 1.5 per cent increase in industrial prices for the month (an 18 per cent annual rate) is the biggest in that category since the government began to keep such statistics in 1954.

Within this group, gasoline and motor oil went up 7 per cent to a level 39.3 per cent above a year ago, the Labor Department said.

All told, higher prices for gasoline and food—which until recently have been accounting for about two-thirds of the inflation—accounted for only 25 per cent of it in March, which means that price rises have spread in a pervasive way to a wide range of other consumer goods and services.

There were notable price increases in physicians' fees (up at a 20.4 per cent annual rate), apparel, gas, electricity, postal rates, newspapers, textiles, new cars, city bus fares

and household durable goods.

In a separate report, the department said that average prices of regular gasoline rose 7.5 per cent to 52.8 cents per gallon in March. In the last five months the price of regular gasoline has gone up 31.1 per cent.

SeEVERS expressed some optimism, in a cautious way, about prospects that the level of price hikes would abate. Administration officials are also hoping for an upturn in economic activity despite Thursday's first quarter report on GNP.

In the first three months, GNP rose only \$14.3 billion, or at a 4.4 per cent annual rate, to a seasonally adjusted pace of \$1,352 billion. This dollar value gain—all in prices—was much smaller than a \$33 billion gain, or 10.5 per cent, in the previous quarter.

The 5.8 per cent slide in real GNP terms is almost triple what the administration had privately expected at the beginning of the year.