

Cost of Living Climbs Again; Profits Rise

Buying Power

By Peter Milius

Washington Post Staff Writer

The cost of living sped ahead still another 1.3 per cent last month while the purchasing power of an average hour's labor continued to decline, the Labor Department said yesterday.

The Commerce Department, meanwhile, reported that after-tax corporate profits rose 27 per cent last year over 1972. It added, however that after-tax profits rose hardly at all from the third quarter of last year to the fourth.

The Labor Department said living costs have now gone up 10 per cent in the last year, the first time since 1948 they have increased 10 per cent or more in any 12 months in a row.

In the same 12 months, the department said, the buying power of an average hour's earnings has gone down 3 per cent, and fell 1 per cent last month.

"The statistics are awful," AFL-CIO President George Meany said. He blamed wage and price controls, which he wants Congress to end, saying President Nixon "has abused" his power by reining in wages while letting prices and profits soar.

The administration, for its part, said again that the inflation rate should subside soon. It quickly added, however, that inflation won't subside enough to make it safe to start pumping up the

economy.

Some congressional Democrats want to increase federal spending or cut federal taxes to ward off what they see as a coming recession. The administration wants to do neither.

About two-thirds of last month's and last year's inflation has come from food and fuel, Herbert Stein chairman of the Council of Economic Advisers, said yesterday. These prices will

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Food and Fuel

By Lawrence Feinberg

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Spurred by soaring fuel and food prices, the cost of living in the Washington area rose by 3.3 per cent from November to February, the steepest price increase here for any three-month period in 27 years.

Compared to a year ago, the consumer price index, compiled by the Labor Department, shot up 10.2 per cent, the greatest annual increase in area living costs since 1947.

Nationwide, consumer prices rose 10 per cent over the past 12 months—about the same as in Washington. However, the increases here were more rapid during the past three months.

The consumer price index nationwide increased to 141.5, which means that federal retirees and survivors almost certainly will get a pension increase of at least 4.6 per cent effective in July. The pension checks, which are tied to the price index, go to about 70,000 government retirees in the Washington area.

(See Mike Causey's Federal Diary on Page D-15 for details.)

The new cost of living figures, issued yesterday, also show:

- A 36 per cent increase in the price of home heating oil here since November, when Arab and other foreign oil producers raised their prices. The price of regular gasoline in the D.C. area rose by 16.5 per cent during the same three months.

- A 6 per cent increase in local food store prices from November to February, mainly reflecting higher wholesale price. The food price increase was much greater than it had been during the previous three months, but less steep than during the first half of 1973.

Labor Department officials said the combination of substantial fuel and food price increases at the same

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cool off, the administration thinks, but Stein noted that all other prices paid by consumers have gone up "a lower but still substantial" 5.4 per cent in the last year.

"Thus," he said, even "after the present temporary surge of food and fuel prices has passed, there will still be a serious, even though much reduced, inflation problem. It is for this reason that great caution is needed about measures which may be intended to stimulate the economy but which would make the inflation problem worse."

The Labor Department said its consumer price index rose 1.3 per cent last month both before and after seasonal adjustment. The rise was the second largest in any one month since 1951. The largest occurred last August.

Grocery store prices rose an adjusted 2.9 per cent for the month, with resurgent beef prices causing most of the upward pressure.

Grocery store prices, which make up a fifth of the cost of living, have now risen 22.2 per cent in the last year.

Prices of commodities other than food went up an adjusted 1 per cent in February, and the cost of services 0.9 per cent. Non-food commodities now cost 6.9 per cent more than a year ago, and services 7 per cent more.

It was mostly fuel that forced these averages upward, though the department said prices of a wide assortment of other items also rose, including clothing, house furnishings and newspapers.

Fuel oil prices went up an adjusted 3.8 per cent last month and were 58.8 per cent above the year before. The figures for gasoline and motor oil were 5.9 and 30.9 per cent.

The department said the average U.S. price for regular gasoline climbed 5.7 per cent last month to 49.1 cents a gallon, and the price of premium 5.2 per cent to 52.7 cents.

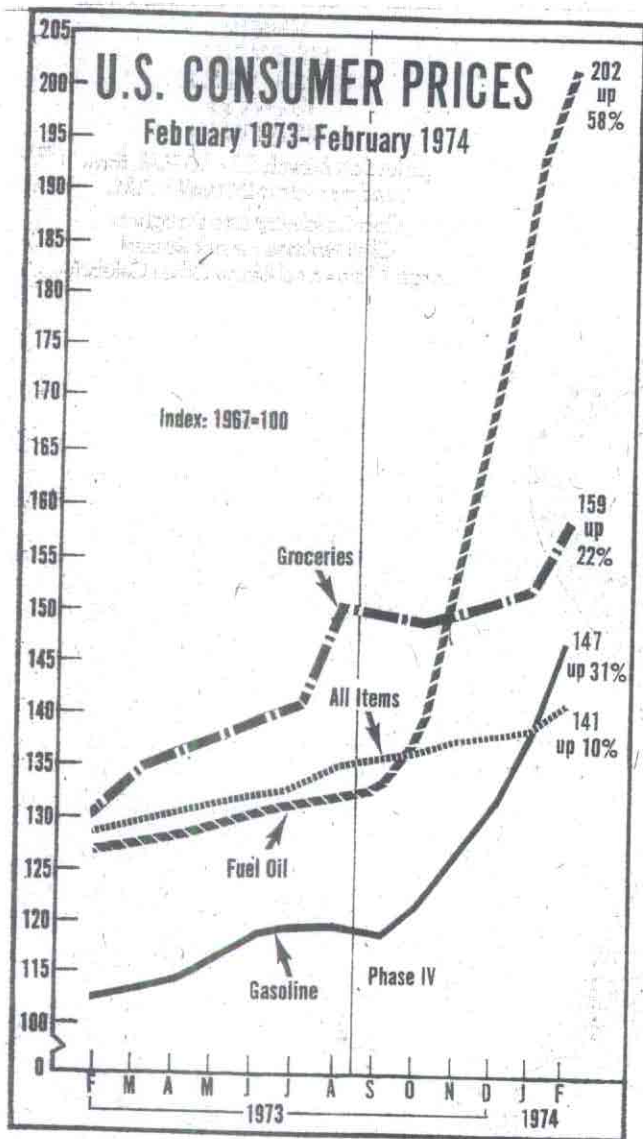
The Commerce Department said the after-tax profits of U.S. corporations rose to \$70.5 billion last year from \$55.4 billion the year before.

Most of that increase occurred in the first two quarters of the year, however. From the third quarter to the fourth, profits rose from an annual rate of \$71.5 billion to \$72 billion.

The Commerce Department also reported yesterday that the federal government took in more money than it paid out in calendar 1973, running at a surplus of \$1 billion after deficits of \$15.9 billion and \$22.2 billion in the two preceding years.

These surpluses and deficits in money actually paid out and taken in are different from the more familiar ones in the budget. They measure more accurately how much the government is stimulating or restraining the economy.

The government began 1973 running at a deficit, but by the fourth quarter receipts were outrunning expenditures at an annual rate of \$5 billion. The administration says this is what the economy needs right now as a way of retarding inflation. Democratic critics say it needs stimulus instead, as a way of averting recession.



By Ken Bur... Washington Post

3-Month Living Cost Rises 3.3%

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time caused the overall consumer price index to rise at an exceptionally steep rate from November to February.

Before November, fuel price increases had been relatively moderate.

Other items in the index, including medical care, newspapers, and gas and electricity bills also rose more during the past three months than earlier in 1973, but the rises in fuel and food costs had by far the greatest impact on the overall cost of living.

The overall consumer price index for Washington is issued once every three months, although a Labor Department report on local retail food prices comes out monthly.

This report showed a 1.9 per cent rise in grocery prices here from January to February, compared to a 3 per cent increase nationwide. From December to January the grocery price increase had been 3 per cent in Washington, and 1.8 per cent nationwide.

Since the current index was established in 1967, overall consumer prices in Washington have risen by 44 per cent. This means that consumers now have to pay \$144 for items that cost \$100 in 1967.

Nationwide the average price of the same goods and services has increased by 41.5 per cent since 1967.

However, the index does not show whether actual price levels here are higher or lower than elsewhere.

The 10.2 per cent overall price rise in Washington over the past year was just about the same as increases in Chicago (10.3 per cent) and New York (10.4 per cent).

According to the Labor

Department, the steepest price increases in major metropolitan areas last year occurred in Philadelphia and Detroit — both 10.9 per cent. The smallest increases were in Honolulu (6.8 per cent), San Francisco-Oakland (7 per cent), and Kansas City (7.1 per cent).

The recent surge in oil prices brought the cost of home heating oil here up to an average of 35.7 cents a gallon in February, compared to 26.2 cents a gallon in November, and 33.3 cents in January.

The average price of a gallon of regular gasoline rose to 49.5 cents here in February, the Labor Department reported. This was an increase of 1.7 cents from January and 7 cents since November. The average price of a gallon of premium gas rose to 53.7 cents in February.

Largely because of the gasoline price increases, the cost of private transportation in the area rose by 4.3 per cent between November and February. Gas and electric costs rose by 3.8 per cent, also mainly because of fuel price boosts.

Two other categories with substantial price rises over the past three months were medical care—up 3.1 per cent—and reading and recreation—up 2.8 per cent. The latter includes the recent nickel price rise by Washington's two daily newspapers.