

New York, N.Y. 10003  
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FOR NC INFORMATION:

Correction on Real Wages

A mistake in the table on real wages sent out by the National Office November 2 has been brought to my attention. According to the figures used in that calculation, the 1965 row should read \$79.53 in column D and \$70.38 in column F. This would show a real wage increase in 1966 of 1.2 per cent, not a decrease as was indicated. The correct arithmetic, however, gives an exaggerated picture of the increase. The difficulty arises from my attempt to calculate the consumer price index throughout on the 1947-49 base even though different commodities were used and different bases established by the government during the intervening years.

If we calculate the change in cost of living from current government figures we get different results. The current CPI rose from 110.2 in September, 1965, to 114.1 in September, 1966, or 3.5 per cent. That is higher than the increase shown in the table and would change the figures in the 1966 row to 139.9 for the 1947-49 based CPI; \$80.09 for column D; and \$70.72 for the final column. That would then show an increase of .5 per cent over the 1965 level.

The United Mine Workers Journal for September 15, which uses its own cost-of-living calculations, presented a table for after-tax weekly earnings in constant 1957-59 dollars. That showed an increase of only .3 per cent between June, 1965, and June, 1966, and added in the text: "moreover, the July figures, issued since the above chart was drawn up, show an actual loss of buying power."

This opinion is also held in business circles. "Because forthcoming wage contracts in important 'pace setting' industries," states the July, 1966, Monthly Review of the Federal Reserve Bank of New York, "will be negotiated against the background of sharply higher consumer prices, low unemployment, expanded profits, and large order backlogs, some observers foresee wage settlements in excess of the Administration's guideposts.... Taking into account also the increase in social security contributions last January, the purchasing power of the take-home pay of many workers has declined since May 1965. There is thus a real danger that both labor supply and price factors may push up wage demands in the coming (1967) round of negotiations..."

November 7, 1966

Dick Roberts