

This increase in the proportion of liquid assets and intangible assets in relation to total assets, points to vulnerability to inflation. Households, in particular, increased their share of intangible assets to total assets from 37 percent in 1899 to 53 percent in 1949. The proportion of the rise for business enterprise was not as large, and governments' increase has been from 18 to 36 percent. Price-sensitive assets to total assets for households declined from 81 to 65 percent of total assets, for business enterprises from 50 to 40 percent, for nonfinancial corporations rose from 67 to 75 percent, and for governments declined from 71 to 50 percent. Those that experienced declines in price sensitive assets are likely to be affected by the inflationary process to that extent.

But we should also consider the change in debt ratios. Here, households experienced losses in the sense that they did not gain as much from rising prices with a decline of debt ratios, for their debts declined from 10 to 8.6 percent. The debts of business enterprises rose from 54 to 57 percent, and governments from 48 to 156.2 percent. Here governments are the main gainers and households the main losers.

MORTGAGES AND THE INFLATIONARY PROCESS

In late 1959, total mortgages were about \$181 billion, and they are held largely by financial institutions. With the rise of prices and the increase in per capita incomes, the mortgagee, of course, gains with the passage of time. His payments in dollars of stable purchasing power tend to decline and in relation to the total income available even more. Nonfarm residential mortgages absorb an increasing percentage of new savings.

It is of some interest that when we examine the income distribution of those who get into debt on installment payments of all kinds, we find that the lowest incomes do not incur much indebtedness of this type. For example, those with incomes of less than \$1,000 in 1957 and 1958 incurred little indebtedness; for all incomes, 52 percent did not have installment debt payments to make, but 73 percent of those with incomes under \$1,000 had no debt payments. Then the amount of indebtedness tends to increase up to incomes of \$6,000 to \$10,000, where they seem to be at a maximum, and then decline after that.

One of the peculiar developments of our Federal housing program has been the tendency for houses to be covered under Federal guarantees at higher and higher values. For example, in 1952 the average property value under FHA, section 203 guarantees, was \$10,022; by 1957, the total was \$14,261. Hence the appeal had to be made to higher and higher income groups, because per capita income did not rise nearly as much. Therefore, Federal policy tends to favor especially the middle and high income groups who profit further from the large mortgages currently being put on houses. In view of the increased tendency to put large mortgages on houses, it might be assumed that the burden of mortgages tends to rise vis-a-vis income. But this does not seem to be true for two reasons: first, because the mortgages tend to go to higher income groups, and, secondly, because there are longer period mortgages and this tends to bring down the annual cost. On reasonable assumptions concerning the rise of prices and incomes, a 30-year mortgage today might well reduce the real cost in terms of dollars of stable purchasing power by about 20 percent.