

TABLE 9-2.—*Characteristics of FHA-insured and VA-guaranteed mortgage loans on new houses, 1948 and 1956*

	1948	1956
Average term, years.....	21	25.5
Average loan to value ratio, percent.....	81.0	86.7
Average payment in relation to income, percent.....	16.1	16.1
Mortgagees median effective income (1954 dollars).....	4,469	5,921
Percent of loans with no downpayment.....	19.0	31.9
Percent of loans with 30-year terms.....	¹ 2.6	² 53.2

¹ 1950.² 1958.

Source: Ibid., p. 247.

CHAPTER 10. OTHER SHARES, WAGES AND PRICES

INTRODUCTORY: THE CAUSES OF INFLATION

In the last few years there has been much discussion of a new kind of inflation, namely, what is generally called a cost-push inflation. This means that costs rise, and the rise of costs in turn brings about an increase in prices. Much of the emphasis, of course, is put on the great increase in wage rates which in turn induces higher prices. Insofar as there is support to the general idea that the recent inflation i.e., 1955 to 1958, has been a wage inflation or cost-push inflation, to that extent it might be argued that labor does not lose much from rising prices. It leads and, therefore, gains at the expense of the rest of the community until other shares rise with the increase in prices. For example, Gardner Means, distinguishes between a classical type of inflation with too much money chasing around too few goods, the kind of inflation that monetary policy has generally treated, and the inflation which comes with a rise of market-dominated prices in the recovery from a recession or depression. He holds that the latter is a healthy kind of inflation and is a normal and a necessary part of economic recovery.

The third type of inflation has been called an administrative inflation, which involves a rise in prices in the more concentrated industries where there is a considerable area of discretion within which price and policy can be made.⁷⁶

It is in the period since 1953 that Gardner Means finds the evidence of administrative inflation. This type of inflation comes, of course, where there is a heavy concentration of industries such as in steel and automobiles. For example, Means finds that in the steel industry, prices from 1953 to October 1958 rose by 36 percent, whereas all wholesale prices rose by only 8 percent.⁷⁷ According to one study from 1947 to the spring of 1957, unit labor cost in the iron and steel industry had increased 35 percent, but the steel industry had raised prices by 96 percent, or two to three times the increase in labor cost. The cost per unit of other materials and services purchased by United States Steel, aside from some of the direct labor costs, increased 37 percent in a period of 10 years. Obviously, prices rose considerably more than was justified by the rise of wages or even of costs.⁷⁸

⁷⁶ G. C. Means, "Administrative Inflation and Public Policy," 1959, pp. 4, 5.⁷⁷ Ibid., p. 16.⁷⁸ See Senate Committee on Finance, "Investigation of the Financial Condition of the United States," pt. 7, 1959, p. 2140.