

tion in affecting total demand, they cannot generally be directly related to changing use patterns in State and local construction. But the substitution of more highly fabricated materials for the purpose of minimizing onsite labor costs and the use of new, inherently less costly materials in all types of construction were factors which influenced price trends.

The average wholesale price rise for all construction materials during 1947-65 was just over 40 percent. However, it should be noted that those materials which are predominantly dependent on the State and local construction sector (table 3) did show above average price changes during the period (table 4), reflecting the more rapid growth of this sector.

Only in the case of structural steel did price rises probably have an impact on its consumption pattern. During the postwar period the prices of structural shapes more than doubled. This contrasts sharply with the price movement of a competitive material, concrete, the price of which increased by only about one-third. Although the value of structural steel increased as a share of State and local construction expenditures (table 2), the steel tonnage consumed per constant dollar of construction activity was less in 1965 than in 1947.

In order to put construction cost developments in the State and local area in perspective it is necessary to sharply distinguish between the divergent cost trends of highways, and those of all other public works.

Because of the precipitous drop-off in unit costs of highway construction between 1948 and 1950, the overall average construction cost for State and local facilities declined. This differed sharply from the cost experience for all new construction in this 2-year period. Cost decreases from 1948 to 1949 reflected the effects of the initial postwar recession. In the 1949 to 1950 recovery period the cost decrease for highways was probably associated with increases in productivity rather than with a decline in the price of materials. Unlike other types of construction, between 1950 and 1959, highway costs were subject to sharp cyclical movements, possible due to the changing mix within highway construction. Since 1960, however, highway cost trends have not differed from overall construction costs (chart II). Prices of materials used for highway construction were stable until 1965, as were the prices of most other types of building materials.

During the early 1960's materials prices going into other than highway construction were not of primary importance in the increase in construction costs which reflected mostly rising wages. The prices of all construction materials from 1961-64 were slightly below the 1957-59 level. This was a period of more than adequate capacity, rising productivity, and strong competition from new products and materials. Actually the prices of some materials such as plywood, aluminum, insulation materials and asphalt roofing dropped markedly and helped to counterbalance the strong forces which were pushing construction costs upward.

The cost of educational and hospital building saw a rapid, almost 90 percent, increase over the 20-year span, but this cannot be primarily ascribed to material price changes. The only cost stable years over this period were 1948-50, during which building materials prices, except for steel and concrete, dropped. These products, which ac-