

(d) The plentiful demand for municipal securities projected largely depends on projected holdings for commercial banks, the dominant force in the municipal securities market. Given the severe jolt to this market occasioned by periods of credit tightness, one may be justifiably concerned about this heavy reliance upon commercial banks. If for any reason commercial banks were to become less active in the municipal market, the apparent sufficiency of demand for municipals could be turned overnight into a shortage.

It should be recognized that by focusing attention upon municipal security holdings and developments within the municipal securities market, this study may have unwittingly induced the participating analysts to lose sight of the credit needs of the other sections of the capital market. While the materials presented in the respective chapters on financial institutions evidence that these alternative needs were considered, it is conceivable that little allowance was made for any large expansion of credit for housing, business, or consumers, or perhaps by the Federal Government, such as might have been made had there been a comparable detailed analysis of these other sectors. Large credit requirements for these other purposes could "crowd out" municipal securities in commercial bank portfolios.

Aside from these alternative loan considerations, there is the possibility that commercial bank asset expansion may be less than projected. Or, it is conceivable that the credit authorities may be reluctant to permit large-scale commercial bank credit expansion, if a sizable portion of the expansion were to be invested in tax-exempt municipal securities.

(e) Similar conjectures may be raised regarding the future investment activity of other investment groups. Or one may inject the possibility of lower Federal income tax rates, which would cause a wholesale reexamination of the value of tax-exempt income to the respective investor groups.

Making projections is a hazardous occupation, albeit necessary, if our economic planners and policymakers are to have some notion of what to expect as the economy continues to grow. But our economy has become so large, and there are so many variables to contend with, that, if we are to study economic forces in detail, we must necessarily do so through a sector-by-sector approach, while making certain assumptions regarding the other sectors.

The present study has endeavored to explore the prospects of the relatively small but vital sector relating to the needs and credit financing of the Nation's infrastructure of State and local public facilities. It is hoped that similar studies will be undertaken for other delineated sectors so that policymakers and economic planners, be they in government, business, labor, or in the academic community, will be able to assess meaningfully their intended decisions or recommendations before they are put into effect, rather than await judgments from subsequent historical reviews.