CHAPTER 5

Characteristics of the Municipal Bond Market for New Issues*

INTRODUCTION

This chapter has been prepared to present a summary of the volume of municipal bond [1] financing in the postwar era and to describe this activity in terms of many of its characteristics. No particular attempt is made to explain reasons underlying the form of financing: such an exposition is far beyond the scope, time, and space allotted to this subject. In order to accomplish this objective, the chapter has been divided into three groups: (1) aggregate measures of market activity, (2) characteristics of new issues, and (3) characteristics of the issuing body. Statistics for the first section were obtained from the Daily Bond Buyer and the Treasury Department, and cover the entire postwar period. The need for a multitude of compilations (many previously unavailable) dictated that the second and third sections be limited to the period 1957 through 1965, since basic statistics maintained by the Investment Bankers Association of America are available for only these years.

Statistical data are presented in the chapter primarily through the use of bar charts. A more detailed compilation of data is provided in the statistical appendix.

AGGREGATE MEASURE OF MARKET ACTIVITY

State and local governments and their political subdivisions have steadily grown in importance as borrowers of funds. In the first postwar year, 1946, 3,319 new issues of municipal bonds, with a total value of $1.2 billion, were brought to the market. Over the next two decades, this activity was increased, until 6,059 issues (valued at $11.1 billion) were brought to market in 1965.

---

* Prepared by John E. Walker, Research Director, Investment Bankers Association of America, with minor editing by committee staff.

[1] "Municipal" bonds are bonds issued by State and local governments and their political subdivisions. These bonds are often referred to as "tax exempts," since interest on such bonds is exempt from Federal and often State income tax.