

CHARACTERISTICS OF NEW ISSUES

Starting in 1957, yearly data are available in sufficient detail to permit an examination of some of the characteristics of new issues. Of particular interest is the method used by the governmental unit to sell the issue (type offering), the maturity distribution of new issues, and the uses for which the bonds are issued. Only long-term debt (maturity greater than 1 year) is considered.

TABLE 2.—*Privately held outstanding public debt*¹

[Amounts in billions]

State and municipal				U.S. interest bearing			
Year	Amount	Year	Amount	Year	Amount	Year	Amount
1965.....	\$92.0	1955.....	\$37.5	1965.....	\$210.8	1955.....	\$197.6
1964.....	85.1	1954.....	32.4	1964.....	211.6	1954.....	194.5
1963.....	78.9	1953.....	27.3	1963.....	211.7	1953.....	191.6
1962.....	72.4	1952.....	24.5	1962.....	208.5	1952.....	189.6
1961.....	64.0	1951.....	22.3	1961.....	202.4	1951.....	188.9
1960.....	59.0	1950.....	19.8	1960.....	201.5	1950.....	199.0
1959.....	54.6	1949.....	17.3	1959.....	201.2	1949.....	193.1
1958.....	49.9	1948.....	15.4	1958.....	193.4	1948.....	192.9
1957.....	45.8	1947.....	13.6	1957.....	189.9	1947.....	200.4
1956.....	41.9	1946.....	12.8	1956.....	192.7	1946.....	215.2

¹ Includes U.S. interest-bearing securities not held by U.S. Government investment accounts and Federal Reserve banks. Also State and local securities not held by Federal agencies and trust funds; Federal Reserve banks; and State and local sinking funds, trust funds and investment funds.

Sources: The Daily Bond Buyer and the Treasury Bulletin: U.S. Treasury Department.

1. *Type offering.*—Almost without exception, new issues of bonds are sold by the issuing body to investment bankers³ and only this form of financing is considered in this chapter. Investment bankers purchase bonds in order to distribute them to a large number of investors, including individuals, commercial banks, and insurance companies.

Basically, bonds are sold either through negotiation or by advertisement and subsequent bidding by prospective purchasers. Competitive bidding is required for issues guaranteed by the Public Housing Authority (commonly referred to as PHA's), most issues of general obligation bonds, and to a lesser extent also for revenue bonds.

Chart I shows separately the dollar volume of those new issues sold by competitive bidding and those sold by negotiation. Within each category a division is made between general obligation and revenue bonds.⁴ Most apparent is the steady growth of both revenue and general obligation bonds sold as the result of competitive bidding and, with the exception of 1963, the rather constant level of bonds issued through negotiation.⁵

³ Investment banker is a term applied to a security dealer or a dealer bank who underwrites securities (limited to municipal general obligation bonds in the case of dealer banks). It is the function of the investment banker to bring together those who wish to borrow funds by issuing securities and those who wish to lend funds, or invest by purchasing securities. Additionally, the investment banker assumes some market risk in this operation. Because of his knowledge of the markets and efforts to locate investors, the investment banker is able to purchase bonds at a price attractive to the issuer, sell bonds at a price attractive to the investor and normally profit from the transaction himself. See ch. 9 for a more complete discussion of the investment banker.

⁴ Public Housing Authority bonds are not included.

⁵ The very large dollar size and the small number of some revenue issues introduces large fluctuations in the dollar volume of such financing when the volume is measured for short periods of time (such as a year).