

TABLE 6.—Average spread¹ for underwritten issues: By size of issue, 1958–59, 1963–65

	Size of issue ² (dollar amounts in millions)				
	0 to \$0.25	\$0.25 to \$0.50	\$0.5 to \$1.0	\$1.0 to \$5.0	\$5.0 and over
Year:					
1958.....	\$24.56 (70)	\$17.31 (47)	\$15.68 (41)	\$16.25 (94)	\$13.99 (113)
1959.....	22.29 (61)	19.50 (31)	22.90 (40)	16.61 (85)	17.98 (47)
1963.....	12.46 (307)	11.80 (248)	11.84 (292)	11.62 (482)	10.46 (103)
1964.....	12.33 (325)	11.99 (297)	11.05 (361)	11.31 (595)	10.07 (120)
1965.....	11.60 (272)	11.82 (260)	11.70 (298)	10.55 (580)	9.82 (118)

¹ On those issues for which data were available. See text for discussion of spread.² Number of issues in sample shown in parentheses.

NOTE.—Spread is stated in dollars per \$1,000 of bonds.

Source: Investment Bankers Association of America.

The most noticeable relationship is the decrease in spread in all categories between the time periods 1958–59 and 1963–65. Even with the latter time period the trend remains downward. Thus, in 1958 a community borrowing \$250,000 to \$500,000 through the bond market would have paid the investment banker (on the average) \$4,327 to \$8,655 for his services. In 1965 these services would have cost \$2,955 to \$5,910.

A study conducted by the IBA in 1964¹⁹ concluded that size was unimportant in determining spread. The fact that the larger issues are usually better rated accounts for much of the difference between large and small issues shown in table 6.

Spread is also the price paid by the issuer for underwriting services. Viewed from this perspective, the cost of these services to the issuer declined 30 to 40 percent from 1958 to 1965.

¹⁹ IBA Statistical Bulletin, occasional paper No. 7, June 1964.