The table reveals the extraordinary consequences of our complicated tax laws. We start with a high graduated income tax and then enact a series of reductions or exemptions in order to avoid or soften double taxation on the individual saver who saves through pension funds, insurance companies, or savings banks. These complex laws, and the tendency of Americans to save through institutions, have resulted in an extraordinary concentration of savings in institutions which are subject to no tax or to a bracket less than half of the corporate bracket.

The table shows that of \$23.5+ billion of annual nonbank institutional savings flowing into bonds and mortgages, less than \$1 billion was subject to as much as the full corporate tax bracket. Out of the grand total of \$35.9 billion of annual bond flow only \$8.3 billion, or a fourth, was identifiably taxable at above 20%. Furthermore, almost all of this \$8.3 of fully taxable flow of savings was accounted for by commerical banks which in some years in the past have shown very little appetite for municipal bonds and whose investment funds are highly variable from year to year. Statistics unfortunately do not break down private investor savings by bracket, but it is probable that most dollar savings accrue to those in low or medium brackets.

Who Buys Municipals

Table I and Table II, taken together, show why only a small part of our big annual flow of new bond investment money in recent years has been attracted to municipal bonds and why, therefore, municipal yields equate to taxable yields at a bracket as low as 28%. At the February 1966 yield ratio (municipals yielding 72% of corporates) corporate bonds (or mortgages) were much more attractive to pension funds, retirement funds, foundations, life insurance companies, savings banks, and savings and loan associations. Municipal bonds at this yield relationship were of interest only to three investor groups: commercial banks, fire and casualty insurance companies, and higher