

TABLE 14.—*Municipal securities of all commercial banks*

Year (Dec. 31)	Loans and investments	Municipals	Municipals as a proportion of loans and investments	Percentage of total municipal debt outstanding
	<i>Billions</i>	<i>Billions</i>	<i>Percent</i>	<i>Percent</i>
1964.....	\$278.6	\$33.6	12.1	36.8
1963.....	255.2	29.8	11.7	34.7
1962.....	236.7	24.8	10.5	32.0
1961.....	216.1	20.4	9.4	28.5
1960.....	200.1	17.6	8.8	26.5
1959.....	190.9	17.0	8.9	27.5
1958.....	186.3	16.6	8.9	29.3
1957.....	171.1	14.0	8.2	26.9
1956.....	166.1	13.0	7.8	27.3
1955.....	161.7	12.8	7.9	30.0
1954.....	156.8	12.6	8.0	33.7
1953.....	146.4	10.9	7.4	33.8
1952.....	142.4	10.2	7.2	34.9
1951.....	133.3	9.2	6.9	34.5
1950.....	127.4	8.2	6.4	34.5
1949.....	120.9	6.6	5.5	32.2
1948.....	115.0	5.7	5.0	31.0
1947.....	117.0	5.3	4.5	31.9
1946.....	114.7	4.4	3.8	28.0
1945.....	124.7	4.0	3.2	24.4
1944.....	106.0	3.5	3.3	20.2

Source: Federal Deposit Insurance Corporation.

TABLE 15.—*Increases of municipal securities of all commercial banks*

[Dollar amounts in billions]

Item	Increase, 1944-64			Increase, 1944-54			Increase, 1954-64			Increase, 1960-64		
	Amount	Percent	Annual rate	Amount	Percent	Annual rate	Amount	Percent	Annual rate	Amount	Percent	Annual rate
Loans and investments.....	\$172.6	162.8	4.95	\$50.8	47.9	3.99	\$121.8	77.7	5.91	\$78.5	39.2	8.63
State and local government securities.....	30.1	860.0	11.97	9.1	260.0	13.66	21.0	166.6	10.30	16.0	90.9	17.55

As indicated earlier, purchases of municipal bonds by commercial banks are mainly geared to conditions in the money market and to monetary policies that subsequently evolve. When money was easy and monetary policy was expansive, commercial banks were heavy buyers of tax exempts; this happened in 1947, 1950, 1954, 1958 and the the 1961-64 period. On the contrary when money was tight and monetary policy became firm municipal bond buying by banks turned sluggish, as was the case during 1952-53, 1955-56, and 1959-60.

Changes since 1962 in the maximum rates payable on time and savings deposits under provisions of regulation Q and the consequent increases in bank funds also played a part in influencing the buying policies of banks' municipal bond departments. As a result of an inflow of high cost deposits, commercial banks were under pressure to examine all avenues of asset acquisition, and investment in tax-exempt bonds offered one possible way of preserving or improving after tax income in spite of higher costs. Specifically the annual rate of increase of municipal bond holdings averaged 17.55 percent during 1960-64 as against 11.97 percent during the 1944-64 period.

All indications are that over the next 10 years, commercial banks will continue to be a major force in the municipal market. On the basis