TABLE 5.—*State and local government securities held by mutual savings banks, selected States, Dec. 31, 1965*

	State and local government securities		Non-Federal securities as percent of total assets	Corporate stock as percent of total assets
	Amount	Percent of total assets		
New York	$158,000,000	0.5	8.1	1.9
Massachusetts	33,000,000	.3	5.7	3.4
Connecticut	11,000,000	.3	12.9	5.1
Pennsylvania	47,000,000	1.4	22.0	1.4
New Jersey	25,000,000	1.1	13.3	1.7
New Hampshire	6,000,000	.6	9.1	5.1
Rhode Island	2,000,000	.3	12.8	6.2
Maryland	11,000,000	1.4	11.7	(1)
Maine	8,000,000	1.2	14.7	4.5
Vermont	(1)	.1	2.0	.8
All other States	18,000,000	1.1	14.0	2.3
Total	320,000,000	.5	9.4	2.4

[1] Less than $500,000 or 0.05 percent.

NOTE.—Non-Federal securities include corporate bonds, corporate stocks, and State and local government obligations.

Source: National Association of Mutual Savings Banks.

In keeping with their broad investment flexibility, savings banks generally have not followed fixed guidelines with respect to the proportion of assets invested in municipal bonds. Savings banks are mindful, of course, of the proportion of their resources invested in municipals, as is true of every other major type of asset. But this reflects primarily the basic concern of management that the overall composition of assets contribute, to the full extent possible, to realization of the basic investment of goals of safety, liquidity, and strong earning power. Ratios of municipal obligations to total assets or deposits, while hardly unimportant, do not play a role in management decisions comparable, for example, to the mortgage-asset ratio or the relationship of short-term Treasury obligations to anticipated liquidity needs.

The flexibility of savings bank portfolio activity is reflected in the changing position of State and local government securities in the industry's asset structure during the postwar period (table 6). From the low level of $57 million and 0.29 percent of total assets at the end of 1947, savings bank municipal bond holdings expanded gradually throughout the late 1940's and early 1950's, both in dollar amounts and relative to total assets. As noted earlier, this rise accompanied the increase in State and local government spending and borrowing following the World War II period of restrictions on materials and manpower, and was accelerated by legislation enacted in 1951 which made savings banks subject to Federal income taxation. Savings banks simultaneously expanded their holdings of mortgage loans and corporate securities, shifting funds from war-swollen U.S. Government securities portfolios into all major non-Federal investment outlets.