

TABLE 6.—*State and local government securities held by mutual savings banks, yearend*

Year	Amount	Percent of total assets	Percent of total securities
1945	\$84,000,000	0.50	0.71
1946	58,000,000	.31	.42
1947	57,000,000	.29	.42
1948	73,000,000	.36	.56
1949	83,000,000	.43	.67
1950	96,000,000	.43	.73
1951	140,000,000	.60	1.12
1952	335,000,000	1.33	2.64
1953	428,000,000	1.57	3.31
1954	608,000,000	2.07	4.71
1955	646,000,000	2.06	5.18
1956	676,000,000	2.02	5.54
1957	685,000,000	1.94	5.43
1958	729,000,000	1.93	5.62
1959	721,000,000	1.85	5.80
1960	672,000,000	1.66	5.60
1961	677,000,000	1.58	5.70
1962	527,000,000	1.14	4.46
1963	440,000,000	.89	3.87
1964	391,000,000	.72	3.47
1965	320,000,000	.55	2.91

Source: National Association of Mutual Savings Banks.

As a proportion of total assets, the industry's municipal bond holdings reached a peak of 2.07 percent at the end of 1954. Further expansion in the dollar amount of holdings kept the percentage of assets invested in municipal obligations near the 2-percent level until the end of 1958. Between 1958 and 1965, however, savings bank municipal security holdings declined significantly, from \$729 to \$320 million, and from 1.93 to 0.55 percent of total assets.

The first phase of the recent decline accompanied the sharp reduction in savings bank deposit gains—from \$2.3 billion in 1958 to only \$1.2 billion in the 1959 period of tight money and high interest rates—as the flow of individuals' saving shifted sharply from savings accounts to direct capital market investments, most notably the Treasury's "magic fives." Savings banks also reduced holdings of corporate bonds and stocks, as well as U.S. Government securities (see table 3), to supplement shrinking deposit inflows and provide funds for meeting mortgage commitments. Liquidation of municipals continued in 1960, as deposit growth showed only modest improvement, but with the stronger upturn in deposit gains in 1961, to an aggregate volume of \$1.9 billion, reduction of municipal security holdings was temporarily halted.

During the 1962-65 period, by contrast, the decline in the industry's holdings of State and local government security holdings steepened despite strong deposit gains, as savings bank investment activity was dominated by mortgage expansion to an even greater degree than in earlier postwar years. Savings bank earnings and deposit interest rates were under increasing pressure as a result of escalating commercial bank competition in savings markets. With mortgage yields continuing attractive relative to alternative investments, savings banks expanded their mortgage holdings by \$15.5 billion, 10 percent more than their total deposit growth, over the course of the 4-year period. At the same time, they reduced their holdings of all major types of debt securities—U.S. Government, corporate, and municipal—while continuing to expand corporate stock portfolios moderately.