

term funds can be seen by a comparison of the estimated holdings of municipal securities with their total liquid assets² (see table II). For example, in 1965 holdings of municipals constituted only 4.1 percent of total liquid assets, as shown in table II, whereas Federal Government issues comprised 19 percent of liquid assets.³

TABLE II.—*Relationship of State and local government securities holdings to total liquid assets of nonfinancial corporations (1956–65)*

[Dollar amounts in billions]

Year	Total liquid assets	Investment in State and local government securities	
		Amount	Percent of liquid assets
1956	\$59.7	\$1.3	2.3
1957	60.2	1.5	2.5
1958	63.6	2.0	3.2
1959	68.2	2.7	4.0
1960	69.0	2.5	3.6
1961	72.5	2.4	3.4
1962	77.9	2.1	2.7
1963	84.4	2.8	3.3
1964	84.6	3.1	3.7
1965	88.0	3.6	4.1

Source: Quarterly series on Net Working Capital of U.S. Corporations published by the Securities and Exchange Commission. Total liquid assets is the sum of cash, U.S. Government securities, and "other current assets" as presented in the statistical releases for that series.

The rather minor role which State and local government securities have in the liquid investment programs of nonfinancial corporations could be due in part to the maturity structure of municipal obligations. Only about 5 percent of the \$100 billion total of outstanding State and local government debt in 1965 consisted of short-term obligations. The desire of corporate treasurers to maintain liquidity of their investments undoubtedly prompts them to purchase short-term issues or long-term issues which are approaching maturity. Actually, relatively little detailed data are available publicly concerning the types of municipal securities purchased or the companies investing in these securities.

A survey conducted in the summer of 1966 by the Securities and Exchange Commission provides a limited amount of data on municipal holdings for 203 large manufacturing corporations for the period from 1961 to 1965. The results are summarized in table III. For most of the 5-year period, about two-thirds of the State and local government securities held by the 203 corporations had original maturities of less than 1 year.

² Figures for total liquid assets used here consist of cash and deposits. Government obligations, and miscellaneous current assets; the latter category includes all other types of marketable investments as well as prepaid items and supplies. The amount representing prepaid items, etc., is not considered to be large enough to affect the conclusions of this study.

³ Net Working Capital of U.S. Corporations, Securities and Exchange Commission Statistical Release No. 2156.