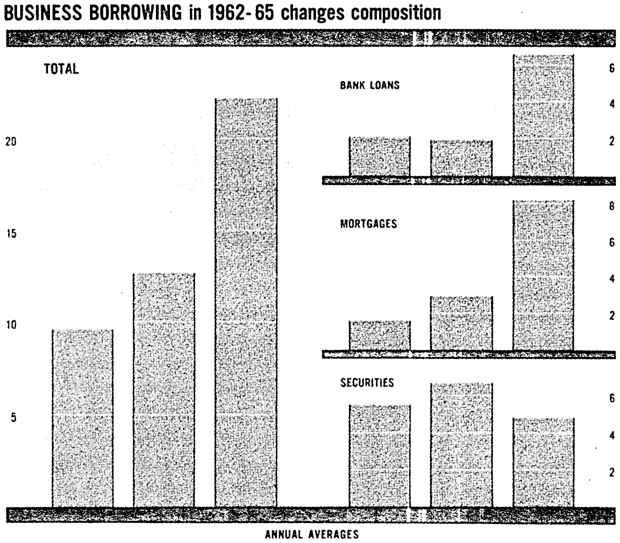
the period 1952–56 they supplied about one-fifth of the net funds raised. As time deposit inflows rose after the 1957 change in the Regulation Q ceiling, banks increased their share of total funds supplied to this market. But the sharpest jump in bank purchases occurred in the early 1960's, when large banks began to issue negotiable CD's in volume and banks accounted for almost three-fourths of the total supply of funds in the market for municipal securities.

Businesses, like consumers, increased their total borrowings in the period from 1962 through 1965—to an annual average of about $22 billion compared with an average of about $12 billion in the previous 5 years. While most of the increased borrowing reflected more capital spending, businesses expanded their borrowing by more than the rise in their net investment in fixed capital and inventories.

The most striking aspect of the change in business external financing was its structure. On average, the volume of stock and bond financing was smaller in the period from 1962 through 1965 than in either of the two earlier periods shown in Chart 4, even though total external financing was much larger. Businesses

BUSINESS BORROWING in 1962-65 changes composition

CHART 4



Flow of funds data for nonfinancial corporations.