

A new finance capitalism? Mutual funds and ownership re-concentration in the United States

Gerald F. Davis 

First published: 13 December 2010

<https://doi.org/10.1057/emr.2008.4>



Abstract

Abstract American households have vastly increased their participation in equity markets since the early 1980s, primarily through the purchase of shares in mutual funds. The resulting growth in assets managed by the mutual fund industry has been concentrated in a few fund complexes. Some of these – Fidelity in particular – have ended up holding very large ownership positions simultaneously in hundreds of US companies in the past few years, creating a latent network reminiscent of that operated by JP Morgan a century ago. Yet unlike the Morgan interests, mutual funds are relatively transient owners, rarely holding large ownership blocks for as long as 5 years. Moreover, funds are reticent to exercise their power, in part due to conflicts of interest. The result is that even the largest mutual funds are more likely to exit than to exercise voice, making the current version of American finance capitalism rather different from its predecessor.

References

Aizcorbe, Ana M., Arthur B. Kennickell and Kevin B. Moore, 2003, "Recent changes in U.S. family finances: Evidence from the 1998 and 2001 Survey of Consumer Finances". *Federal Reserve Bulletin*, January: 1-32.

[Google Scholar](#) 

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Bogle, John, 2005, *The battle for the soul of capitalism*. Princeton, NJ: Princeton University Press.

[Google Scholar](#) 

Brandeis, Louis, 1914, *Other peoples' money: And how the bankers use it*. New York: Frederick A. Stokes.

[Google Scholar](#) 

Chandler, Alfred D., 1977, *The visible hand: The managerial revolution in American business*. Cambridge, MA: Belknap.

[Google Scholar](#) 

Cox, Edwin Burk, 1963, *Trends in the distribution of stock ownership*. Philadelphia: University of Pennsylvania Press.

[Google Scholar](#) 

Davis, Gerald F., 2005, "New directions in corporate governance". *Annual Review of Sociology*, 31: 143-162.

[Web of Science®](#)  | [Google Scholar](#) 

Davis, Gerald F. and E. Han Kim, 2007, "Business ties and proxy voting by mutual funds". *Journal of Financial Economics*, 85: 552-570.

[Web of Science®](#)  | [Google Scholar](#) 

Davis, Gerald F. and Michael Useem, 2002, "Top management, company directors, and corporate control". In A. Pettigrew, H. Thomas and R. Whittington (eds.) *Handbook of Strategy and Management*. London: Sage, pp: 232-258.

[Web of Science®](#)  | [Google Scholar](#) 

Davis, Gerald F. and Tracy A. Thompson, 1994, "A social movement perspective on corporate control".

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Del Guercio, Diane and Jennifer Hawkins, 1999, "The motivation and impact of pension fund activism". *Journal of Financial Economics*, 52: 293-340.

[Web of Science®](#) | [Google Scholar](#)

Demsetz, Harold and Kenneth Lehn, 1985, "The structure of corporate ownership: Causes and consequences". *Journal of Political Economy*, 93: 1155-1177.

[Web of Science®](#) | [Google Scholar](#)

Duca, John V., 2001, "The democratization of America's capital markets". *Economic and Financial Review*, (second quarter): 10-19. Federal Reserve Bank of Dallas.

[Google Scholar](#)

Federal Reserve Board, (various years), Survey of Consumer Finances. Available at <http://www.federalreserve.gov/PUBSossoss2scfindex.html>.

[Google Scholar](#)

Fraser, Steve, 2005, *Every man a speculator: A history of Wall Street in American life*. New York: HarperCollins.

[Google Scholar](#)

Gillan, Stuart and Laura Starks, 2000, "Corporate governance proposals and shareholder activism: The role of institutional investors". *Journal of Financial Economics*, 57: 275-305.

[Web of Science®](#) | [Google Scholar](#)

Hilferding, Rudolf, 1910/1981, *Finance capital: A study of the latest phase of capitalist development*. London: Routledge & Kegan Paul. (Translation of the 1910 original.).

[Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Karpoff, Jonathan M., 2001, "The impact of shareholder activism on target companies: A survey of empirical findings". Available at SSRN: <http://ssrn.com/abstract/885365>.

[Google Scholar](#)

Kogut, Bruce and Gordon Walker, 2001, "The small world of Germany and the durability of national networks". *American Sociological Review*, 66: 317-335.

[Web of Science®](#) | [Google Scholar](#)

Manne, Henry G., 1965, "Mergers and the market for corporate control". *Journal of Political Economy*, 73: 110-120.

[Web of Science®](#) | [Google Scholar](#)

Mills, C. Wright, 1956, *The power elite*. New York: Oxford University Press.

[Google Scholar](#)

Roe, Mark J., 1990, "Political and legal restraints on ownership and control of public companies". *Journal of Financial Economics*, 27: 7-41.

[Web of Science®](#) | [Google Scholar](#)

Roe, Mark J., 1994, *Strong managers, weak owners: The political roots of American corporate finance*. Princeton, NJ: Princeton University Press.

[Google Scholar](#)

Rothberg, Burton and S. Steven Lilien, 2006, "Mutual funds and proxy voting: New evidence on corporate governance". *Journal of Business and Technology Law*, 1: 157-184.

[Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Taub, Jennifer S., 2007, "Able but not willing: The failure of mutual fund advisers to advocate for shareholders' rights". Unpublished, University of Massachusetts at Amherst. Available at SSRN: <http://ssrn.com/abstract/1066831>.

[Google Scholar](#) 

United States Congress Joint Economic Committee, 2000, The Roots of Broadened Stock Ownership. April 2000. Available from <http://www.house.gov/jec>.

[Google Scholar](#) 

Useem, Michael, 1996, *Investor capitalism: How money managers are changing the face of corporate America*. New York: Basic Books.

[Google Scholar](#) 

Citing Literature

[Download PDF](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

HELP & SUPPORT

[Contact Us](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential