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

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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.

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