

[Working Papers](#)

On the Economic Consequences of Index-Linked Investing

Jeffrey Wurgler

SHARE   

WORKING PAPER 16376

DOI 10.3386/w16376

ISSUE DATE September 2010

Trillions of dollars are invested through index funds, exchange-traded funds, and other index derivatives. The benefits of index-linked investing are well-known, but the possible broader economic consequences are unstudied. I review research which suggests that index-linked investing is distorting stock prices and risk-return tradeoffs, which in turn may be distorting corporate investment and financing decisions, investor portfolio allocation decisions, fund manager skill assessments, and other choices and measures. These effects may intensify as index-linked investing continues to grow in popularity.

Download a PDF

[Information on access](#)

Acknowledgements and Disclosures



Download Citation



Published Versions

“[On the Economic Consequences of Index - Linked Investing](#),” Challenges to Business in the Twenty - First Century: The Way Forward , edited by W.T. Allen, R. Khurana, J. Lorsch, and G. Rosenfeld, American Academy of Arts and Sciences, 2011.

Related

TOPICS

[Financial Economics](#)
[Financial Markets](#)
[Portfolio Selection and Asset Pricing](#)
[Financial Institutions](#)

PROGRAMS

[Asset Pricing](#)
[Corporate Finance](#)

More from NBER

In addition to [working papers](#), the NBER disseminates affiliates’ latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Retirement and Disability](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



15th Annual Martin Feldstein Lecture:

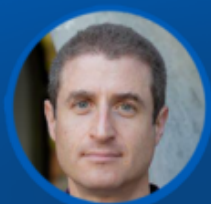
The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone

Mario Draghi, former President, European
Central Bank and former Prime Minister, Italy
Summer Institute, 2023

2023, 15th Annual Feldstein Lecture, Mario Draghi, "The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone"

LECTURE

Dr. Mario Draghi, who served as President of the European Central Bank and Prime Minister of Italy, presented the 2023...



Methods Lecture:

Linear Panel Event Studies

Jesse M. Shapiro, Harvard University and NBER
Liyang Sun, CEMFI
July 28, 2023

2023 Methods Lectures, Jesse Shapiro and Liyang (Sophie) Sun, "Linear Panel Event Studies"

Overview: Linear panel event studies are increasingly used to estimate and plot causal effects of changes in policies...



Panel Discussion:

Long-Term Dynamics of the Employment-to-Population Ratio

Karen Glenn, Social Security Administration
Stephen Goss, Social Security Administration
Nicole Maestas, Harvard University and NBER
Julie Topoleski, Congressional Budget Office
July 26, 2023

2023, SI Economics of Social Security, Panel Discussion, "Long-Term Dynamics of the Employment-to-Population Ratio"

Supported by the Alfred P. Sloan Foundation, the National Science Foundation, and the Lynde and Harry Bradley...

National Bureau of Economic Research

Contact Us

1050 Massachusetts Avenue

Cambridge, MA 02138

617-868-3900

info@nber.org

webaccessibility@nber.org

[HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

[Standards of Conduct](#)

FOLLOW



© 2024 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.