

[< Working Papers](#)

Exchange Traded Funds (ETFs)

Itzhak Ben-David, Francesco Franzoni & Rabih
Moussawi

SHARE       

WORKING PAPER 22829

DOI 10.3386/w22829

ISSUE DATE November 2016

REVISION DATE September 2017

Over nearly a quarter of a century, ETFs have become one of the most popular passive investment vehicles among retail and professional investors due to their low transaction costs and high liquidity. By the end of 2016, the market share of ETFs topped over 10% of the total market capitalization traded on US exchanges, while representing more than 30% of the overall trading volume. ETFs revolutionized the asset management industry by taking market share from traditional investment vehicles such as mutual funds and index futures. Because ETFs rely on arbitrage activity to synchronize their prices with the prices of the underlying portfolio, trading activity at the ETF level translates to trading of the underlying securities. Researchers found that while ETFs enhance price discovery, they also inject non-fundamental volatility to market prices and affect the correlation structure of returns. Furthermore, ETFs impact the liquidity of the underlying portfolios, especially during events of market stress.

[Download a PDF](#)

[Information on access](#)

Acknowledgements and Disclosures



Citation and Citation Data



Other Versions



Published Versions

Exchange-Traded Funds. Itzhak Ben-David, Francesco Franzoni, Rabih Moussawi Vol. 9, 2017, pp. 169–189

Related

TOPICS

Financial Economics
Portfolio Selection and Asset Pricing
Financial Markets

PROGRAMS

Asset Pricing
Corporate Finance

WORKING GROUPS

Behavioral Finance
Risks of Financial Institutions

Mentioned in the News

[Fears grow that popularity of ETFs is a ticking time bomb](#)

NOVEMBER 16, 2017

SOURCE: [Market Watch](#)

[Read the research here.](#)

More from the 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 Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



Martin Feldstein Lecture, Summer Institute 2025

The Fiscal Future

N. Gregory Mankiw, Harvard University and NBER
July 10, 2025

2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"

FELDSTEIN LECTURE

PRESENTER: [N. GREGORY MANKIW](#)

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025
**Uncovering Causal Mechanisms:
Mediation Analysis and
Surrogate Indices**



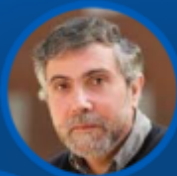
Raj Chetty, Harvard University and NBER
Kosuke Imai, Harvard University
July 24, 2025

**2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms:
Mediation Analysis and Surrogate Indices"**

METHODS LECTURES

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediationImai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs..."



International Trade and Macroeconomics, Summer Institute 2025

Panel on The Future of the Global Economy

Oleg Itskhoki, Harvard University and NBER
Paul Krugman, City University of New York and NBER
Linda Tesar, University of Michigan and NBER
July 8, 2025

2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

National Bureau of Economic Research

[Contact Us](#)

1050 Massachusetts Avenue
Cambridge, MA 02138
[617-868-3900](tel:617-868-3900)
info@nber.org
webaccessibility@nber.org

[HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW

