

was found in the analysis of purchases of stocks when classified as defensive, cyclical, cyclical-growth, and growth issues. Divergent responses to changes in the economic environment and to shifts in relative values in the marketplace make sweeping generalizations about how pension funds invest in equities of doubtful validity. The available evidence supports, rather, the existence of wide variations among the strategies and selective processes of different portfolio managers.

Little or no support is found for the view sometimes expressed that the concentration of pension fund investing in a small number of leading company shares is tending to create scarcity premiums on institutional favorites. Attempts to identify such premiums have been unproductive and there are no surprises in the results. Pension funds are only one modest factor in a market which adjusts to underlying factors of earnings, dividends, growth, and stability. While price adjustments to changing expectations may take place slowly at times, there appears to be no compartmentalization of the market for equities which can create a different valuation for a few or many pension fund favorites in the marketplace. The increase in competitive pressures on portfolio managers, combined with the greater flexibility in investment decisions which has developed over the years, has largely eliminated tendencies toward concentration in relatively few issues, if, indeed, they ever existed in sufficient strength to influence selected stock prices.

Multiemployer and Union Pension Funds

Results of the National Bureau study of the asset growth of multiemployer and union pension funds, 1959-64, are reported more fully in the following report.¹¹ The portfolio composition of these funds, as Bartell has shown, varies in several material respects from the composite picture of trustee corporate pension funds. A comparison for the year 1964, for example, shows the corporate funds holding higher proportions of assets in common stocks (41.6 percent versus 23.5 percent at book values). Mortgages and Government bonds were more favored by the multiemployer and union funds. These differences are not diminishing materially over time because of the active interest of many unions in contributing to the supply of funds for housing. Some of the newer and more rapidly growing funds have, however, given increasing emphasis to common stock investment.

The future pattern of investment policy will undoubtedly be influenced by certain union positions, notably instances of preferences for mortgages and real estate over common stocks. Despite the relatively rapid growth rate anticipated for the years immediately ahead, these differences will have relatively little influence since their proportion of the total assets of trustee pension funds will increase only from 6.3 percent to perhaps 7 or 8 percent.

If the unions should succeed in negotiating a voice in the management of single-employer funds, more pressure might be exerted on fund managers to finance housing or other "socially desirable" projects. On the basis of developments to date, this possibility seems remote and there is some basis for questioning whether there would

¹¹ See Part I of H. Robert Bartell, Jr., and Elizabeth T. Simpson, "Pension Funds of Multiemployer Industrial Groups, Unions, and Nonprofit Organizations."