

be any significant change in fund flows even if unions did obtain a voice in investment management decisions.¹²

Nonprofit Organizations

The smaller, but still vigorously growing, noninsured pension funds of nonprofit organizations represent less than 3 percent of all private noninsured funds. As shown in the following study by Simpson completed as part of the National Bureau's pension research project,¹³ the asset composition of these funds is similar to the typical multi-employer portfolio.

Again, possible changes in investment policies will not have an important influence on aggregate capital market flows. Somewhat greater emphasis on common stocks and mortgage lending is indicated by the trends of recent years, but these asset shifts are in the same direction as those evident in single-employer funds.

FUTURE CAPITAL MARKET FLOWS

Recent Trends

A comparison of net flows through the capital markets during two recent years, 1960 and 1965, will serve to illustrate the importance, as suppliers of funds, of insured and trustee pension programs covering individuals in private employment. For three major capital market sectors, the combined total of net acquisitions of financial assets by these two investor groups is expressed as a fraction of the net change in selected categories of assets. In the case of life insurance companies, the arbitrary assumption is made that assets acquired to fund pension plan reserves are distributed in the same proportions as all asset acquisitions.

The important trends to be observed from table V-7 are the shifts away from corporate bonds to corporate stocks and mortgages. Within the mortgage category, moreover, there has been a shift to multi-family and commercial property lending as contrasted with the prior concentration of lending in the one- to four-family market. Direct investment in real estate has also been growing in importance, although not of sufficient size to be separately classified in the table.

As both life insurance companies and pension fund portfolio managers have concentrated their corporate bond investments in directly placed issues, they have relinquished leadership in the market for publicly offered bonds to State and local government retirement systems. This shift has now been largely completed to the extent that offerings and yields make directly placed issues competitively attractive.

The net purchases of corporate stocks (largely common) have run in excess of net new issues by business firms, excluding investment companies (see note 2, table V-7). This fact has given rise to widespread discussion of the growth in institutionalization of stock ownership, particularly when the growth of mutual funds is also taken into account.¹⁴ The net flows in the market for equity securities show a per-

¹² See the writer's "Management Interests in the Investment of Pension Funds," *Proceedings of the Eighteenth Annual Winter Meeting of the Industrial Relations Research Association*, December 1965, pp. 312-316.

¹³ Bartell and Simpson, "Pension Funds," pt. II.

¹⁴ See, for example, Daniel Seligman and T. A. Wise, "New Forces in the Stock Market," *Fortune*, February 1964, pp. 92-95, 194-206.