Third, the supply of equity securities is constantly being enlarged in the marketplace from sales by wealthy individuals or their executors to meet Federal and State taxes on the transfer of property by gift or bequest. To the extent that the proceeds of these sales are used to meet such tax payments, instead of being reinvested in other common stocks, they measure a demand for equity capital in the marketplace in the same way as new stock issues. In a typical year, it appears that sales for these purposes are about as large as gross new issues.

In short, the net acquisitions of common stocks for private employee pension programs appear very large only when some major components of the aggregate supply are ignored. In perspective, it is evident that these investors are still only one important factor in the market and that their operations can have only a limited influence on the behavior of share prices.

Transaction studies made by the New York Stock Exchange over the last 15 years show that, prior to 1965, institutions and intermediaries typically accounted for less than 25 percent of the volume on that exchange. Studies in March 1965 and October 1966, however, showed 31.4 percent and 32.5 percent, respectively. In the year 1965, when purchases and sales on the New York Stock Exchange (twice reported sales volume) came to $146.4 billion, the total of trusteed pension funds' purchases and sales (obviously not all on the New York Stock Exchange) came to $8.1 billion. Possibly these funds accounted for 5 percent of the total. This would compare with about 4 percent in 1960 and less than 2 percent in 1955.

Pension funds can hardly be credited with a major role in the short-run behavior of share prices despite the rapid growth in their participation in the market. They did, however, perform a stabilizing function in the 1962 market break [15] and sustained their net purchases in good volume during the 1966 market decline.

Most recently, concern has been expressed over the rise in turnover rates for pension trusts and life insurance companies, presumably under the strong competitive pressure for performance. As such turnover rates are frequently computed (the average of purchases and sales divided by average holdings), a rapidly growing portfolio tends to show a relatively high figure. Nevertheless, trusteed private pension funds for the decade, through 1965, typically showed a turnover rate of between 11 and 12 percent, well below the range of 12 to 16 percent for all stocks on the New York Stock Exchange, and a 17- to 21-percent range for open-end investment companies.

As the emphasis on performance mounted in 1966, however, turnover rates exploded to 33 percent for open-end investment companies, the group on which the impact of this emphasis was strongest. In contrast, a rise of about 2 percentage points in the turnover rate for trusteed pension funds and life insurance companies was no more than the rise in the New York Stock Exchange turnover rate.

While developments to date have had only a modest impact on the structure of the market for common stocks, it must be recognized that further increases in the rate of turnover in institutional portfolios

[15] See New York Stock Exchange, *The Stock Market Under Stress*, New York, March 1963, and Securities and Exchange Commission, *Report of Special Study of Securities Markets*, pt. 4, ch. XIII, Washington, 1963.