

## VIDEO

November 3, 2017

# Focus on Funds: ICI's Research Is a Powerhouse in Economic Policy Debates

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In the November 3, 2017, edition of *Focus on Funds*, ICI Chief Economist Brian Reid, looking forward to retirement at year's end, discusses how the Institute's research and analysis plays a critical role in major economic policy debates.

#### Transcript

**Stephanie Ortvals-Tibbs, media relations director, ICI:** One of the most influential researchers in the fund industry is preparing to wind up his career. ICI Chief Economist Brian Reid will retire in a few months, and as he begins to look back on a career of more than two decades at ICI, he shared with me some key takeaways on how the industry has grown, changed, and yet remained the same.

**Brian Reid, chief economist, ICI:** During my time here, we have seen mutual funds and ETFs [exchange-traded funds] grow from about \$3.5 trillion to now nearly \$21 trillion. That's an exceptional period of growth. And that means that more and more households are using them to save for their retirement and other goals, and we have written a lot about that over the years.

**Ortvals-Tibbs:** Brian, when you also think about it, there are some themes that have run through the work of the Research Department while you've been here.

**Reid:** I think one of the themes has been, we are working on always trying to dispel a convenient correlation. And what do I mean by that? Well, convenient correlations are when two economic trends move together. So we were seeing that in the late 1990s, for instance. There was a lot of money coming into stock funds at the time, and the stock market was rising. And so we had a lot of policymakers and commentators arguing that the money coming into stock mutual funds was driving the market up.

What they were ignoring was that households were taking out as much money from their direct holdings of stocks as they were putting into stock mutual funds, and net-net, there was very little net investment in the stock market.

**Ortbals-Tibbs:** It's an interesting point you raise about what people were talking about in the late 1990s, because it sounds pretty familiar to some of what we've heard lately.

**Reid:** Oh right, we hear the same thing about the money going into index mutual funds and ETFs—that they're driving the market higher as well. When people make that correlation again, they forget about what's coming out of traditional actively managed mutual funds. We're seeing as much money coming out of actively managed stock funds as that we're seeing going into index stock funds and ETFs. Households on balance actually are taking a little bit of money out of the stock market right now, so it can't be that those index funds are causing the market to go higher.

**Ortbals-Tibbs:** In general, Brian, that's also the kind of data point, the kind of analysis, that ICI's Research Department tries to bring into the discussion.

**Reid:** That's right. It's one of the things that I'm most proud about the ICI Research Department, is that we always bring facts to the table when public policy questions are really needing to have some information to help inform it.

An example of this is whether or not the US retirement system is serving Americans. And we have been bringing facts to the table over and over again, about not only the success of the 401(k) market, but also how that plays with Social Security together, providing economic security to retirees in the United States.

**Ortbals-Tibbs:** So Brian, looking forward, do you think that the same recurring motifs you've seen in your career will continue to recur?

**Reid:** One of the impressions that I've had looking back over the last few months is that I feel a little bit like I'm in *Groundhog Day*. And that is, many of the arguments that I have seen in the past are coming up again. They may work out in a slightly different form, or a slightly different set of data, but I think that over and over, we are there pushing back and providing insight into many of the arguments and debates that are going on in the public policy area. I think some of these will continue to play out because they are so much in the public eye.

**Ortbals-Tibbs:** So when these questions come up, ICI's research division will be ready again with data and analysis.

**Reid:** That's right. We're well versed in the data, but as you point out, also in our ability to analyze the data. And I think the combination of those two provides a huge value-add to the public policy process. And I'm very proud of the fact that we have been able to contribute to that over the 21 years that I've been here.

## Additional Resources

- [Industry research from ICI](#)
- [ICI Viewpoints blog](#) on policy research
- [Exchange-Traded Funds Resource Center](#)
- [Profile of Mutual Fund Shareholders, 2017](#)
- [Release: ICI's Sean Collins Promoted to Chief Economist in 2018](#)

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