from *Harvard Business History Review*, Autumn 2009, Volume 83, Issue 3, pps.631/3

The Rise of Mutual Funds: An Insider's View. By Matthew P. Fink. New York: Oxford University Press, 2008. 308 pp. Bibliography, notes, index. Cloth, $34.95. ISBN: 978-0-195-33645-o.

Reviewed by Edwin J. Perkins

In writing about mutual funds, Mathew P. Fink tackles a subject that has not been adequately addressed by financial historians. Despite its limited scope, I learned a great deal from reading *The Rise of Mutual Funds*. While he broadly categorizes his book as a history, the author's focus on the activities of the trade association representing the industry and the evolution of federal government regulation of the sector is actually narrow. Written in prose that is not excessively technical, the text is accessible to business historians, irrespective of their specialties.

The book is also an exception to the standing rule that participants are typically unable to write objective histories of their own bailiwicks. Fink is the quintessential insider, having spent over three decades as a lobbyist in Washington for the mutual-fund industry. His years as an eyewitness gave him a privileged vantage point, since he was present at the formulation of many pertinent rules and regulations. He has chosen an unusual format: the book is simultaneously a narrative history of the mutual funds, a partial autobiography, and a critique of the regulatory process. The result of this eclectic approach is surprisingly satisfactory, as Fink manages to present information that will be useful to academic researchers, lawmakers, and government regulators. Mutual funds have mushroomed over the last seventy—five years. Initially, the sector grew slowly and was almost derailed by the Great Depression. However, it survived, regained its footing, and literally exploded in the 1990s. By 2005, over one-third of U.S. households had in-vestments in mutual funds of one type or another, making them, according to Fink, the largest form of investment. These financial instruments fall into two common categories: closed-end funds and open-ended funds. Closed-end types date back to the nineteenth century. Like stocks and bonds, these early funds traded on the securities exchanges. The more recent innovation, open-ended mutual funds, made their debut in the mid—1920s. These funds continually issued new shares, and, most critically, customers could, upon request, redeem their outstanding shares at the current net asset valuation. As a result, the shares of open-ended funds never rose to premium prices or fell to discount prices.

Initially, mutual-fund companies invested almost exclusively in common stocks. From the end of World War II through the 1960s, the market prices of equities rose at a steady pace, and the performance of mutual funds mirrored that upward trend. In the 1970s, however, the equity markets stalled, and mutual funds found themselves treading water. In the 1980s, the emergence of money—market mutual funds, which permitted small savers to pool their assets and earn the same high interest rates as wealthy households, gave a tremendous boost to the entire sector. In the ensuing decades, mutual-fund companies offered a wide range of funds with differing investment objectives. A second huge boost came with the enactment of legislation allowing individuals to invest in a wide range of retirement programs, including401(k)s and individual retirement accounts (IRAS). Mutual funds were normally the first choice of investors seeking to bolster their retirement portfolios.

As a member of a lobbying firm, and eventually as president of the National Association of Investment Companies, Fink actively participated in the formulation of federal legislation involving mutual funds over most of the last thirty years. In detailing the highlights of many congressional battles linked to financial regulation, he carefully outlines the positions of the groups favoring or opposing various legislative initiatives. When offering his own views on an outcome, he switches to the first-person pronoun, thereby enabling the reader to distinguish historical narrative from personal opinion. In comparison with similar "tell—all" books by Washington insiders, Fink is less forthcoming about the identities of members of Congress who blocked various financial-reform movements.

Missing from this study are accounts of the activities of the mutual companies that offered their shares to the general public. We learn almost nothing about the internal operations or business strategies of important issuers, such as American Century and Vanguard, or about the thousands of competitive firms that operate within this expanding financial sphere. I am aware of only one book that is devoted exclusively to the leading firms in this field, namely, *Fidelity's World*, by Diana Henriques, published in 1995.

Finally, Fink must be commended for his focused, wide-ranging bibliography. While he may have begun this project as an amateur historian, he deserves recognition for his accomplishment in training himself as a scholar and for his serious effort to familiarize himself with the existing secondary literature. Through his efforts, he has produced an informative text on the expansion of the mutual-fund sector, particularly its regulatory environment.

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