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On Money Market Funds, False Promises and Faulty Premises from The Wall Street Journal

The Wall Street Journal continues its efforts to tar money market funds with the stigma of "bailout" and to impose a solution that will destroy a product that plays a key role in financing the economy ("Liberating Money Funds," Review & Outlook, November 19).

There's little evidence to support the Journal's claims that its favored proposal for money market funds—forcing them to float their per-share price—would enhance financial stability. As the financial crisis demonstrated, floating-value funds are not immune to runs. Instead, this "solution" would deprive investors and the economy of an efficient, diversified, well-regulated, and transparent tool for cash management, and a crucial channel for financing businesses, state and local governments, and nonprofit institutions. Little wonder that hundreds of organizations from these sectors have registered their opposition to forcing money market funds to float.

These investors are not confused. They know that money market funds carry risks. They also know that those risks are limited by a robust regulatory structure, one that was strengthened by the Securities and Exchange Commission after the financial crisis.

As for that "taxpayer bailout"—here are facts. Amid a global banking crisis that had already taken down more than a dozen major institutions, at a time when the U.S. government's response was faltering and confused, one money market fund failed. The Treasury Department imposed upon the fund industry a temporary guarantee program, while the Federal Reserve acted within its historical mandate to pump liquidity into the commercial paper markets. The "cost" of this "bailout" was a $1.2 billion windfall for taxpayers from fees paid by the fund industry, with no offsetting claims.

Money market funds are a story of business and regulatory success. Destroying them for the sake of a false promise of stability would be a tragic mistake.