

LETTERS TO THE EDITOR & RESPONSES

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Letter to the Editor, Wall Street Journal: Ill-Advised 'Reform' of Money Market Funds Will Harm Savers

Letter to the *Wall Street Journal* on Ill-Advised 'Reform' of Money Market Funds Will Harm Savers

(As published [in the Wall Street Journal](#) on November 28, 2012)

The *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, Nov. 19).

There is 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 aren't 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 aren't 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 some 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 historic 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.

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