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The Wall Street Journal's Blind Spot on Money Market Funds

By Paul Schott Stevens

The *Wall Street Journal* editors' Sisyphean labors on money market fund regulation apparently have rendered them incapable of understanding the plain facts of the case. Contrary to what they suggest in a recent editorial, what's at stake is not the business model of one industry, but the survival of a cash-management and financing vehicle used throughout the economy—by businesses of every size, state and local governments, nonprofit institutions, and families. Groups representing these investors and issuers have recognized that floating the value of these funds will destroy their usefulness—and have registered their opposition, alongside mayors and dozens of members of Congress from both parties, to the Securities and Exchange Commission proposals.

The *Journal*'s blindness to these views is revealed by the editors' cavalier dismissal of Commissioner Daniel Gallagher's thoughtful concerns over the tax and accounting issues raised by floating money market fund values. Those are exactly the kinds of issues that would drive hundreds of billions of dollars out of floating money market funds and into banks or alternative cash-management funds that are less regulated and less transparent—thus increasing systemic risk. Meanwhile, forcing floating net asset values on money market funds will do nothing to improve U.S. financial stability. Hard experience shows that floating-value mutual funds are not immune to redemption pressure.

As we have said for more than four years, the fund industry favors measures that increase the resiliency of money market funds, provided that they do not destroy the value of these funds for investors or the economy or undermine investor choice. Fortunately, that message is getting through to some.

Paul Schott Stevens was President and CEO of ICI.