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By Sean Collins

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Eric A. Posner and E. Glen Weyl ("A Radical Proposal for Improving Capitalism," Other Voices, June 16) propose to limit "large institutional investors to owning shares in just one firm within any industry." This proposal isn't only radical but also would harm millions of investors by upending their 401(k) plans and IRAs.

This sweeping proposal is based on their assumption that institutional investors—which includes firms that manage assets (not "own" them, as Posner and Weyl mistakenly contend) on behalf of investors in mutual funds and exchange-traded funds—somehow suppress competition and thus raise consumer prices, specifically the prices of airline tickets.

This assumption is hotly debated, with a growing body of evidence to the contrary. Indeed, a recent study by a trio of economists at the University of Virginia and the Federal Reserve Bank of Atlanta finds no evidence that institutional investors affect prices of airline tickets. In a June 1 speech, Commissioner Noah Phillips noted the Federal Trade Commission had considered the issue but found insufficient evidence of anticompetitive effects.

In short, although billed as a way to "improve" capitalism, the only thing certain about this radical proposal is that it would harm the more than 100 million individuals who rely on mutual funds and exchange-traded funds to save for retirement and other critical financial goals.

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