

ICI VIEWPOINTS

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## A Proposal that Should Be Popped

By Paul Schott Stevens

*The following ICI Viewpoints is a letter to the editor by Paul Schott Stevens, president and CEO of the Investment Company Institute, in response to an op-ed published on December 7, 2016, in the New York Times, "[A Monopoly Donald Trump Can Pop](#)."*

Millions of Americans could lose the low costs and broad diversification of fund investing under the dangerous proposal outlined in the op-ed by Posner, Weyl, and Morton.

Their work rests on untested academic theories and flawed assumptions. Asset managers do not move in lockstep or pursue identical strategies. Within a fund complex, dozens or hundreds of funds pursue specific objectives for thousands of clients.

Funds invest in companies in many different markets. Gains in one industry would not help index funds if they come at the expense of other fund holdings. Consider the op-ed's reference to airlines: the five airline companies in the S&P 500 are only 0.64 percent of the index's market value. Why would an S&P 500 index fund manager want an airline company to engage in behavior that hurts the remaining 99.36 percent of its portfolio that pay for airline services?

Public policy cannot be driven by academic literature neither peer-reviewed, nor tested. Millions of middle-class Americans ultimately would pay the price.

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