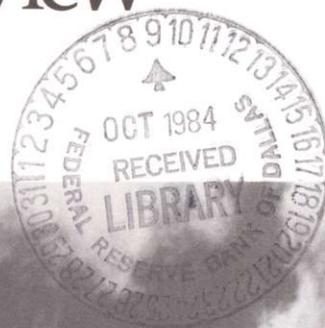


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*Money Market Mutual Funds
Are Hardly Money*

Gary H. Stern
Thomas M. Supel
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*Probable Future Competition
in Banking Antitrust Determination:
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In This Issue . . .

Checking on Mutual Funds

Accounts at the nation's money market mutual funds have mushroomed from almost nothing ten years ago to over \$180 billion today. Because these accounts can be used for checking as well as saving, this growth is important to the Federal Reserve. If the public were heavily using the checking feature of these fast-growing accounts, the Fed would want to include them in its definition of money primarily used to make transactions (M1). And because of the accounts' unusually rapid growth, measures of such a new M1 definition could easily change perceptions about monetary policy as well as policy itself.

In "Money Market Mutual Funds Are Hardly Money" (p. 3), Gary H. Stern, Thomas M. Supel, and Danny Quah study a large number of accounts at a representative fund to estimate how much such accounts are used for checking. As the title of their article implies, they find that the Fed has so far been right to not classify these accounts as M1 money: Only an insignificant fraction of the balances in their sample accounts seem to be used to make transactions.

Banking on Probable Future Competition

Suppose a large bank wanted to enter a new market by merging with an existing large bank. Would antitrust authorities have grounds to block the merger? They might, if they based their case on the doctrine of probable future competition. This doctrine holds that although competition in the new market is not immediately affected by the merger (since the number of banks and their size distribution remain unchanged), future competition very well could be. If the merger were denied, the doctrine reasons, the denied bank would probably try to enter the new market in the future by purchasing a small bank or starting up a new bank in that market; thus, blocking the merger would probably lead to greater future competition in that market. Since the sixties, antitrust regulators have used this doctrine numerous times in banking merger cases.

In "Probable Future Competition in Banking Antitrust Determination: Research Findings" (p. 9), Michael J. Stutzer examines the theoretical and empirical research which might help authorities in determining when the doctrine should be invoked. He concludes that, at present, the research is very inadequate. Because existing research provides so little guidance, he recommends that antitrust authorities exercise caution about invoking probable future competition in banking merger cases.