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Gag Treasury, You Gag the Market, Too

Like any issuer of securities, the department is itself part of the market.

There is a fundamental logical flaw in the core argument in Stanley F. Druckenmiller's critique of the U.S. Treasury Department's attempts to lower yields by retiring illiquid issuance ("Let the Bond Market Speak," op-ed, Aug. 25).

Mr. Druckenmiller argues that such transactions interfere with prices, distorting valuable messages that could be inferred from the market. But Treasury, like any issuer of securities, is itself part of the market. Every decision it makes about the pace and composition of new issuance, and every decision about whether to retire or not retire existing issues, is a legitimate choice made under enlightened self-interest. What bond issuer doesn't seek, with every choice, to lower its borrowing costs and manage its risk as it sees fit? Such choices don't distort the market—they are integral to the market and unavoidable. Indeed, they are part of the price-formation process that creates the signals Mr. Druckenmiller wishes for.

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