You talked later on about the loosening up of the regulations on advertising. I believe the law is quite specific with reference to no-load funds. It would seem to me that a very natural development would be one that I suggested yesterday allow advertising by no-loads similar to that used by savings banks to sell their life insurance. They are allowed to spend only fund resources, in this case I guess it would be the management company's resources. The no-load investment companies resources could be used for promotional material of that sort, if you loosened up the legislation as it pertains to no-load funds' advertising. I would like to have your observation on this, and if you care to on the earlier remarks which I made which were an interpretation of what you said.

Mr. WALLICH. I quite agree with your interpretation, Congressman Keith. We buy mutual funds because we don't want to take the risk of buying a single stock, and we don't have the time and the money to study it. Buying mutual funds in principle is a good idea for many investors.

The fellow with the secretary I envisioned to be the mutual fund manager. He should have a secretary and not a research staff of people drawing sometimes tens and perhaps hundreds of thousands of dollars.

Mr. KEITH. I see. Do you think there already is a little of that in these management companies?

Mr. WALLICH. I think that these people by and large work very hard to no avail. These are able and intelligent people. They work very hard. There is no featherbedding in the sense of loafing on the job. But since a thousand other able and intelligent people have already brought their best judgment to bear on the price of a stock, one can pretty well assume that a stock is selling for what the best human judgment thinks it is worth. To have the same job done over again by another group of able and hardworking people is just a waste of time.

If they don't agree with the price that has been produced by the others, they are as likely to be wrong as right in their different appraisal. That is why I think one can buy a stock without analysis, provided one looks at the risk. The price is likely to be right. The risk may not be suitable for the particular buyer.

Now as to easing the limitations on no-load fund advertising, I think no-load funds are the logical answer to my various strictures. There is still the fact that they charge an advisory fee. I think they should be no-load, no-advisory fee beyond operating expenses. The secretary needs to be paid. There is a mailing problem, a safekeeping problem, and so forth. That I believe is something of the order of 0.1 percent of the value of the portfolio on average, and that is really all the expenses that is justified.

If there is to be advertising, again a somewhat higher either advisory fee or a positive load charge would be needed. I think advertising is entirely appropriate for a no-load fund.

One can do one step better. One can go into the market and find one's self a fund that is closed-end as the term is, and is usually selling at a discount. That discount incidentally says what the market place when it is uninfluenced by salesmanship really thinks of the value of professional management. When you leave it to the market to determine what