

the management of these great closed-end funds is worth, they say on average it is minus 10 percent, minus 20 percent, something of that order. There are some slight qualifications because unrealized capital gains enter into the situation in these funds, but that is a minor fact.

Well, in sum I very much agree. Whatever can be done to strengthen the position of no-load funds is a step in the right direction.

Mr. KEITH. Would you agree that the brokers are sort of spoiled, and maybe even get a little bit lazy because instead of doing a lot of homework and coming up with issues that are better than the average, inviting the attention of their clients to these issues, that they take advantage of a client who is also a little bit lazy, perhaps doesn't want to do much thinking or research and he is perfectly willing to buy a good mutual fund, and get a good appreciation, rather than buying a particular stock and getting perhaps a better buy for himself and his family?

Mr. WALLICH. Well, sir, when——

Mr. KEITH. And is this healthy?

Mr. WALLICH. When I was in the brokerage business, we worked very hard I thought. My broker friends I still think are hard working people. There's a problem, however, of preference of buyers in favor of mutual funds because if a broker sells a client a listed stock, he makes one percent commission. If he sells him a mutual fund, he gets some cut in a much larger commission, 8.5 percent. He does not get it all. There may be a salesman's share involved. Something may go to the principal underwriter. But the bias is in the direction that you say.

Mr. KEITH. Well, for the very small buyer, the man who runs the gas station, who teaches school or has a limited amount of money with which he can get into the market, even on the installment plan, it would seem to me that front-end loads and the mutual plan salesman serve a useful purpose.

But when a man can afford to buy mutual funds in the amounts of \$5,000 to \$10,000, he is usually brighter than average, more investment conscious than average, and if he doesn't like the way his mutual funds are working, reading in the press about throwing darts at the paper and things of that sort, he can move into individual issues under the present scheme of things very easily. Maybe he is lazy and content with the average appreciation that is coming his way.

Mr. WALLICH. Yes; I think he would be no better off on average going into individual issues than going into funds, except that he would save the advisory fee. If he buys himself a rounded portfolio his chances are that he will do the same as the average for equal risk stocks, and that is just how his fund is likely to do.

I very much agree that a man can acquire this habit of dealing with his stocks. The problem is to break the ice, get him acquainted with the stock exchange, get him to a broker. Once he has bought securities and knows that he can do it on the telephone, he can shop for himself much more cheaply than he can in mutual funds. Moreover he can get diversification even at present by buying closed-end funds and buying them at a good discount.

Mr. KEITH. This may not be your field, but would you say that economies can be achieved by funds becoming internally managed,