

Judge FRIENDLY. Yes.

Mr. WATKINS. By the Public Utility Commission, whether it is intrastate or interstate. May I ask another question? I don't want to take up too much time. I promised the chairman I wouldn't, and I am in no position to argue with you. Would you answer this, Judge.

The SEC proposes that the courts shall determine reasonableness of mutual fund management fees. Now do you know of any other industry other than those which operate under a Government franchise or a public utility or a monopoly in which courts are directed to determine the reasonableness of fees charged in the industry for the service rendered?

Judge FRIENDLY. Normally, you give that job to the administrative commissions.

Mr. WATKINS. That is what I thought.

Judge FRIENDLY. Subject to review by the courts. Take the insurance companies as an analogy. There certainly is a great deal of competition in all phases of the insurance business. But all their premiums are regulated by State commissions, subject to judicial review. As I said, that would be a perfectly possible thing for Congress to do here, to give this to the SEC, subject to judicial review. I have a feeling the industry would dislike that even more than it dislikes this, but that is a solution.

What I have tried to suggest is that there is no real reason why the task couldn't be given to the courts in the first instance. It seems to me it is probably less painful to the industry than doing it the other way, although I would see no objection to giving the job to the SEC.

Mr. WATKINS. Do you feel as though the States have properly regulated, or do you think they have done a poor job of it? Don't you think it is an infringement again on States rights? I know in the State of Pennsylvania that we have protected the public in every way, but we haven't gone to the point of setting rates. Don't you think this is going to be an infringement of States rights?

Judge FRIENDLY. I wouldn't know whether they have done a poor job or not. I just haven't familiarized myself with it. I doubt if there would be any great outcry from the States if Congress were to broaden the Investment Company Act or any of the other Federal securities laws. My impression in talking to State judges is that this is a job they are very glad to let us handle.

Mr. WATKINS. I think you will get a lot of jobs if this goes through. I have had 12 years experience in the State of Pennsylvania and am very much interested in insurance, in our securities commission. I feel as though we are moving in this way that this is an infringement. Do you think it is or do you not?

Judge FRIENDLY. Well, it is obviously within the power of the Federal Government, because it is limited to companies that are operating in interstate commerce and using the mails, and so forth. It is always a question of judgment for Congress whether it wants to use the power.

Mr. Moss. Will the gentleman yield?

Mr. WATKINS. Yes, in a minute.

Don't you think, Your Honor, that if this bill were passed, that we might just as well close up the State, if they are going to name rates?