

Mr. MURPHY. Professor, it doesn't seem that there has been any indication on the part of the industry to compromise the difference in those figures, 5 to 9.3

Mr. JENNINGS. I gather that from newspapers. They have got section 22(d) and a very big spread here, and I don't think one would expect, as Professor Samuelson indicated, it is not to be anticipated that they would like to give that up. But I think it would be healthy from two points of view. I would like to see more direct investment myself. I would like to see the broker-dealer have a little more option to put people into direct investment instead of mutual funds. I think it would be healthy for the economy.

Mr. MURPHY. Do you think the funds have arrived at the point where they will be bought rather than sold by the investor, and therefore the salesman is not as necessary as he might have been in the earlier development stage of the fund?

Mr. JENNINGS. I really can't answer that. I hesitate to get into these economic questions, because I am just a layman like everyone else, just trying to observe the situation and make some judgments, but I don't have any expertise in that field.

Mr. MURPHY. Thank you very much, Professor.
I have no other questions, Mr. Chairman.

Mr. MOSS. Mr. Watkins.

Mr. WATKINS. Thank you, Mr. Chairman. Professor Jennings, are you in favor of contract sales of funds?

Mr. JENNINGS. Do you mean by that where the person forfeits something if he doesn't make his installments?

Mr. WATKINS. I mean contract sales where a person pays as he goes along, the little fellow who purchases insurance, purchases policies, and he—

Mr. JENNINGS. I think the question is what he loses if he doesn't continue his payments. That is the question.

Mr. WATKINS. Are you opposed to contract sale, yes or no?

Mr. JENNINGS. I am opposed to the front-end load as it is now operated under the investment—as now permitted under the Investment Company Act, which permits 50 percent to go to the salesman, and the statistics show there is a very great forfeiture, and it develops a hard sell and I think it is a very unhealthy thing, and I think we proved in California and in a few other States that it is completely unnecessary.

Mr. WATKINS. You said it is unhealthy and unnecessary. What experience have you had in that? Do you know of losses that investors have had or what? Where do you get this information from, or is this just a personal view?

Mr. JENNINGS. I will give you one example.

Mr. WATKINS. I would like that.

Mr. JENNINGS. Talking to my barber who told me about his brother who had signed up on a \$15,000 contract, and he had forfeited out and lost a substantial amount, and I said, "Well, that couldn't possibly have happened. They don't have a front-end load in California." He said, "That is right, but this was in Oregon." And I think that there is quite a bit of statistical evidence that has been presented and studies made as to the impact of the front-end load.