

off. Do you agree with that, that a 5-percent fee would put them out of business? Do you know of any firms that would? Not the big fellow now—I am talking about the small fellows. They have a right in this country to earn a living. I am sure you feel the same as I do.

Mr. JENNINGS. May I answer?

Mr. WATKINS. Please.

Mr. JENNINGS. I am opposed generally to resale price maintenance. I believe in the competitive system, and I think that in the competitive world the consumer will be better off and the business will prosper. Now what you have here is a noncompetitive situation by Government action.

Mr. WATKINS. We have a line of disagreement on that, but go on.

Mr. JENNINGS. Well, I think I have answered the question.

Mr. WATKINS. You didn't answer. I asked you what would happen with a 5-percent fee. Do you think that small firms can operate under it? We have had testimony that they couldn't. Now you are an expert in this. I want to know your opinion.

Mr. Moss. Just a moment. The gentleman has not represented himself as an expert and in fact specifically disclaimed expertise. He stated quite clear and unequivocally that he was appearing here primarily on the questions of law involved in the proposed legislation, and it was only as an aside that he departed from his prepared text to make a comment on the load charge, but he clearly said that it was on the legal question, so the record reflects the fact that he is not appearing here as an economic expert.

Mr. WATKINS. Mr. Chairman, am I correct, if I heard the gentleman testify and I made a note here that he thought rates of 8 percent, 9 percent, he even ran it up to 12½ percent.

Mr. Moss. The gentleman is very correct.

Mr. WATKINS. Did he make that statement?

Mr. Moss. The gentleman is correct in everything except his statement that the gentleman represented himself as an expert in that field. He did not. He gave an opinion. He did not represent it as an expert opinion.

Mr. WATKINS. I will reword it. In your opinion do you think they could operate on a 5-percent rate?

Mr. JENNINGS. Well, I don't have any information on that, and what I tried to make clear was that I hesitated, I didn't put anything in my statement on the question of sales commissions, but in reviewing the testimony, particularly of people that I regarded as experts in this field, Professor Samuelson and Professor Wallich, who made an economic analysis of the question of sales commissions, I came to the conclusion that they were very convincing. Now as to whether the figure—I think there is an obvious disparity between the commission rates on direct investment in the stock exchange of a half of 1 percent and 9 percent, and with the give-ups up to say 12 percent in the case of mutual funds. Now my own personal judgment, without any economic data, is that that looks quite out of line. The economic data ought to be developed, but I think it is very much like the chainstore situation, where the chainstore comes in and performs a very important function, but it certainly cuts costs of retailing.

Mr. WATKINS. SEC doesn't regulate chainstores.