Mr. Cohen. This group of companies is called the Broad Street Group and this is a little memorandum prepared some time ago, not in connection with this testimony, but having read the testimony given by the others, I thought it important to bring this to the attention of the committee. As the memorandum indicates, the Broad Street Group is a complex of investment companies affiliated with and sponsored by a New York Stock Exchange member firm, J. & W. Seligman & Co. I should say that while the partners of that firm do receive salaries from the group of investment companies, and there are seven including the service company in the group, their principal remuneration is from the brokerage. But if you look at table I, without fussing with the rest, I think you can see what the management fee rates are, have been since 1960, the earliest date that we have figures for on management fee rates as a percentage of net assets, and what they are in 1966.

But we have figures going back to 1952 with respect to total expenses. The expense ratio, which includes not only the management fee but all other expenses, has been declining from 0.38 to 0.17.

We are not talking about new or strange things. We are not talking about things that some funds have not already done. Other large funds have undertaken other steps which have had the effect, even though they haven't changed their schedule of charges, but have had the effect of reducing the charges to the investor, and have brought them down to levels far lower than that which exists in a great many other comparable situations. Of course, there may be some differences between them, but I think it is a reasonable question why the range should be that wide, and why companies of comparable size should be subjected to such greatly varying charges. And obviously, it also points to the fact that perhaps the unaffiliated directors are not able, as I have suggested, to do a gerat deal about this situation.

Now these unaffiliated—well, before I get to that, I should say that it may well be, I want to be perfectly comprehensive if I can, that some of these fees are unreasonably high, and maybe others are unreasonably low. We are not suggesting that everybody's fees be brought down to the lowest level. We are not suggesting that anyone is too high or anyone is too low.

All we are suggesting is that if someone wants to put in issue, whether it is the SEC or a shareholder, the question whether the fee charged in his situation is fair, he should have an opportunity to do so without being hamstrung by doctrines which come about unintentionally because of certain provisions put into the act in 1940 by the Congress to help rather than to hurt the investor.

I think there is enough evidence before you in all the tables that have been submitted to you to indicate that these unaffiliated directors, even when they can concern themselves about the size of the fee, really do not have any alternatives. There is no real bargaining power.

But their presence in a sense provides an umbrella for the investment adviser. This is the point. Perhaps that is an inappropriate way of stating it, but that is the fact. As the judge pointed out, the doctrine of corporate waste prevents effective judicial review.

It is also somewhat anomalous that people who concede that they are fiduciaries, that the fees should be reasonable, are unwilling as a practical matter, no matter what they say, to have any independent body,