

There are also many crack mutual fund people who deserve every extra dollar they make in the business, within reasonable limits, of course. Or maybe with no limits so long as they continue to rack up the excellent performance results that the better funds have shown in the last couple of decades. I have absolutely no objection to any person being paid a good price for his efforts and job done. Clamping down, however, on the allowable management fees puts a damper on intelligence, initiative and incentive (and I speak as a liberal Democrat and former Democratic committeeman). It's just not a good thing to do, and it's incomprehensible since it's the sort of thing that rewards mediocrity.

If the SEC believes that some mutual funds give a dollar's value for a dollar earned, it ought to single out such funds rather than punish all for the sake of a few. It should use a rifle and not a shotgun.

Fourth, I am opposed to a reduction in the sales load charge from the present 9 percent down to 5 percent. This is another penny-wise and pound-foolish proposal. Again, it makes no allowance for the quirks and unpredictable behavior (and inertia, among other things) of people. (Literally speaking therefore, it is an inhuman proposal.)

And, pray tell, what good really would this proposal do? And why five percent? Why not four or seven, or eleven, for that matter?

If you cut sales commissions, I'd say that by and large the very best salesman in the field would leave for greener pastures. They would mostly be the fulltime salesmen in the business now, rather than the moonlighters and parttimers. Any good salesman can and probably will go to another field where he can make more money. And that would mean a loss for the public as well as a loss in sales for the mutual fund industry.

Now, of course there are salesmen and there are salesmen. Nobody but nobody can tell you in advance for sure which salesmen will leave the mutual fund field if sales commissions are so drastically reduced. I have met and known several mutual fund salesmen, including some surprisingly bright and knowledgeable ones, as well as one who was a stumblebum.

By and large, however, the character, morality, and intelligence of mutual fund salesmen taken as a whole are probably no different from the character traits, morality, and intelligence of many other people, including all the lawyers of the SEC, all congressmen, all businessmen and all nonprofit social workers, too.

Suppose that the American people decided en masse to cut the salaries of Mr. Cohen and the people in the SEC, and all Congressmen, such as yourself, by a flat 45 percent or so, or by the same sharp reduction that Mr. Cohen recommends for mutual fund salesmen.

Which employees of the SEC and which congressmen are most likely to quit and get other, better-paying jobs? You very likely would lose some of our very best SEC people and our very best congressmen. Why should such people work for so much less money? They are usually the ones who would earn, if not command, more money in other jobs.

That may not be a perfect analogy, but it can give you an idea of which caliber salesmen are most likely to leave the field if you cut the sales charges.

As a result, the mutual fund savings of literally millions of people, such as myself, would probably suffer. My kids could conceivably end up with less money for college in the future and I don't welcome that prospect. What hurts the mutual fund industry in this case can hurt its customers; i.e., the public.

That is not to say, by the way, that I oppose all supervision and watchdog activities of the government, through the SEC. Of course not. However, there are times, alas, when we need protection from our friends rather than our enemies.

To sum up, I strongly oppose two of the SEC mutual fund proposals made before Congress, and I feel that the third one to abolish contractual plans be modified rather than abolish this mutual fund purchase plan.

And I hope that this letter can be made a part of the records of your hearings.

Sincerely yours,

ARTHUR M. WATKINS.