

ANNUAL REPORT
OF THE
FEDERAL
TRADE COMMISSION
FOR THE
FISCAL YEAR ENDED JUNE 30
1949

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1949

FEDERAL TRADE COMMISSION ¹

LOWELL B. MASON, *Acting Chairman*
GARLAND S. FERGUSON
EWIN L. DAVIS
WILLIAM A. AYRES
ROBERT E. FREER
D. C. DANIEL, *Secretary*

FEDERAL TRADE COMMISSIONERS--1915-49

Name	State from which appointed	Period of service
Joseph E. Davies	Wisconsin	Mar. 16, 1915-Mar. 18, 1918.
Edward N. Hurley	Illinois	Mar. 16, 1915-Jan. 31 1917
William J. Harris	Georgia	Mar. 16, 1915-May 31, 1918.
Will H. Parry	Washington	Mar. 16, 1915-Apr. 21, 1917.
George Rublee	New Hampshire	Mar. 16, 1915-May 14, 1916.
William B. Colver	Minnesota	Mar. 16, 1917-Sept. 25, 1920.
John Franklin Fort	New Jersey	Mar. 16, 1917-Nov. 30, 1919.
Victor Murdock	Kansas	Sept. 4, 1917-Jan. 31, 1924.
Huston Thompson	Colorado	Jan. 17, 1919-Sept. 25, 1926.
Nelson B. Gaskill	New Jersey	Feb. 1, 1929-Feb. 24, 1925.
John Garland Pollard	Virginia	Mar. 6, 1929-Sept. 25, 1921.
John F. Nugent	Idaho	Jan. 15, 1921-Sept. 25, 1927.
Vernon W. Van Fleet	Indiana	June 26, 1922-July 31, 1926.
Charles W. Hunt	Iowa	June 16, 1924-Sept. 25, 1932.
William E. Humphrey	Washington	Feb. 25, 1925-Oct. 7, 1933.
Abram F. Myers	Iowa	Aug. 2, 1926-Jan. 15, 1929.
Edgar A. McCulloch	Arkansas	Feb. 11, 1927-Jan. 23, 1933.
Garland S. Ferguson	North Carolina	Nov. 14, 1927.
Charles H. March	Minnesota	Feb. 1, 1929-Aug. 28, 1945.
Ewin L. Davis	Tennessee	May 26, 1933.
Raymond B. Stevens	New Hampshire	June 26, 1933-Sept. 25, 1933.
James M. Landis	Massachusetts	Oct. 10, 1933-June 30, 1934.
George C. Mathews	Wisconsin	Oct. 27, 1933-June 30, 1934.
William A. Ayres	Kansas	Aug. 23, 1934.
Robert E. Freer	Ohio	Aug. 27, 1935-Dec. 31, 1948.
Lowell B. Mason	Illinois	Oct. 15, 1945.

EXECUTIVE OFFICES OF THE COMMISSION

Pennsylvania Avenue at Sixth Street, Washington 25, D. C.

BRANCH OFFICES

Room 501, 45 Broadway, New
York 6.

1118 New Post Office Building,
433 West Van Buren Street,
Chicago 7.

1031 Federal Office Building, 600 South Street, New Orleans 12.

133 Federal Office Building, Civic
Center, San Francisco 2.

447 Federal Office Building,
Seattle 4.

¹ As constituted during fiscal year 1949. For subsequent changes in membership, see footnote 2, p. 5

LETTER OF SUBMITTAL

To the Congress of the United States:

I have the honor to Submit herewith the Thirty-fifth Annual Report of the Federal Trade Commission, for the fiscal year ended June 30, 1949. The Federal Trade Commission is having printed a limited number of copies of the report.

By direction of the Commission:

LOWELL B. MASON,
Acting Chairman.

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INTRODUCTION

PURPOSE AND HISTORICAL BACKGROUND

The Federal Trade Commission herewith

rective basis. Its actions against persons or corporations engaging in unfair practices were to be preventive in nature, not punitive.

The general prohibition in the Federal Trade Commission Act against “unfair methods of competition” has been applied by the Commission and the courts to a host of practices inimical to the public interest, ranging from false advertising to collusive price-fixing. The legislative standard laid down in the act was purposely broad to allow flexibility in dealing with a fluid and expanding economy. Its exact meaning and application must be arrived at by what has been described as “the gradual process of judicial inclusion and exclusion.” In this process, the Commission has acted in the public interest to outlaw practices which the Supreme Court of the United States has defined as “opposed to good morals because characterized by deception, bad faith, fraud, or oppression, or as against public policy because of their dangerous tendency unduly to hinder competition or create monopoly.”

Amendment of the act came 23 years after its passage when on March 21, 1938, the Wheeler-Lea Act was approved, making unlawful not only “unfair methods of competition” but also “unfair or deceptive acts or practices in commerce.” The principal effect of the amendment was to afford a greater measure of protection to the consuming public. It made it unnecessary for the Commission to prove injury to an actual or potential competitor in order to prohibit an unfair practice. Injury to the public was now sufficient to warrant Commission action.

Under other provisions of the Wheeler-Lea Act, the Commission’s jurisdiction over false advertising of food, drugs, cosmetics, and curative devices was strengthened and broadened. The amendment also made more effective the orders issued by the Commission.

The Commission is also empowered, under its basic statute, to make general economic investigations, to submit the resulting reports to the Congress, to the President, and to the public, and to make recommendations for remedial legislation where needed. Voluntary changes in the conduct of business in many industries have followed the publication of Commission reports spotlighting uneconomic or otherwise harmful trade practices.

Other statutes administered by the Commission, in addition to the Federal Trade Commission Act and the Clayton Act, are the Webb-Pomerene Export Trade Act, the Wool Products Labeling Act, and certain sections of the Lanham Trade-Mark Act.

DUTIES OF THE COMMISSION

In the administration of the five Statutes committed to its jurisdiction, the principal responsibilities of the Commission are:

- (1) To promote free and fair competition ~~competition~~

for attention or preparing and dispatching

The Division of Antimonopoly Trials tries Clayton Antitrust Act and other restraint-of-trade cases. The Division of Deceptive Practices Trials tries other formal cases, including those *involving* false and misleading advertising, improper labeling of wool products, and other unfair and deceptive practices. The Division of Export Trade administers the provisions of the Export Trade Act. It conducts investigational hearings under this statute and submits to the Commission the resulting reports, together with recommendations, concerning the operations of export associations.

Bureau of Legal Investigation.--Investigations of practices violative of the laws administered by the Commission are conducted by its Bureau of Legal and Legal Affairs.

substantial evidence," and that the recommended findings shall be supported by the greater weight of the evidence.

Bureau of Trade Practice Conferences and Wool Act Administration.--Trade practice conference proceedings are conducted by the Commission through the Bureau of Trade Practice Conferences and Wool Act Administration, which also administers the Wool Products Labeling Act. These activities are under the supervision of a Director, an Associate Director, and three Assistant Directors who are in charge of the following: Division of Rule Making, Division of Rule Administration, and Division of Wool Act Administration and Inspection.

Bureau of Industrial Economics.--The Bureau of Industrial Economics acts as a general economic staff in obtaining and analyzing the economic information used by the Commission in developing its antimonopoly programs. It renders economic and accounting services to the legal staff in the investigation and trial of antimonopoly cases and in the enforcement of the Commission's orders in such cases. The bureau performs those statutory functions of the Commission which relate to general economic surveys and investigations (as distinguished from legal investigations arising out of charges of violation of the law) of the practices and policies of corporations in interstate commerce. It prepares economic and financial reports. The work of the bureau is in charge of a Director who is also Chief Economist. The Assistant Chief Economist, the Chief Accountant, and the Chief Statistician supervise the three operating divisions.

The Division of Economics conducts general economic surveys and investigations for the purpose of ascertaining the competitive practices, the nature and significance of monopolistic arrangements, and the degree of concentration in a given industry, and for the purpose of reporting on general economic conditions within the field of the Commission's jurisdiction. It assembles and analyzes economic information needed in the development of an antimonopoly program. In addition it provides economic assistance at all stages in the preparation and conduct of legal cases, including the evaluation, from an economic viewpoint, of pricing policies and distribution practices in relation to the legal issues of collusive price-fixing and monopoly controls. Economic information in connection with trade practice conference proceedings is likewise furnished by this division.

Accounting services in connection with the investigation and trial of cases, as well as in connection with general economic investigations, are performed by the Division of Accounting. It prepares cost and price studies, and its staff members act as witnesses in cases arising under the Clayton Antitrust Act and the Federal Trade Commission

Cases in the Supreme Court of the United States and in courts of appeals in which

Office. Grounds upon which such action may be taken include circumstances constituting fraudulent procurement, illegal use of the mark after registration, and circumstances where the mark has

initiative of the Commission. Many of these inquiries have supplied valuable information bearing on competitive conditions and trends in interstate trade and industrial development and have shown the need for, and wisdom of, legislative or other corrective action.

Investigations conducted by the Commission have led, directly or indirectly, to the enactment of important laws, including the Export Trade Act, the Packers and Stockyards Act, the Securities Act of 1933, the Stock Exchange Act of 1934, the revised Federal Power Commission Act of 1934, the Public Utilities Holding Company Act of 1935, the Natural Gas Act of 1938, and the Robinson-Patman Anti-discrimination Act of 1936, which amended section 2 of the Clayton Act.

PUBLICATIONS OF THE COMMISSION

The Federal Trade Commission Act, section 6 (f), provides that the Commission shall have power “to make public from time to time such portions of the information obtained by it hereunder, except trade secrets and names of customers, as it shall deem expedient in the public interest; and to make annual and special reports to the Congress and to submit therewith recommendations for additional legislation; and to provide for the publication of its reports and decisions in such form and manner as may be best adapted for public information and use.”

The publications of the Commission reflect the character and scope of its work and vary in content and treatment vary providevary a Tc (100ublic informati 0.0218D 0.02

lawful practices; (3) the reports, conclusions, and recommendations of the Commission in Export Trade Act cases; and (4) the decisions of the courts in Commission cases. They constitute a permanent and authoritative record of the remedial measures taken by the Commission to stop violations of the laws it administers. The decisions establish for industry, business, and the individual the guideposts of fair competitive dealing. They also tell, case by case, the story of the multiplicity of unlawful practices which have been found to be detrimental to the public interest and of the accomplishments of the Commission in the prevention of such practices.

Decisions of the Federal courts reviewing Commission cases also are published from time to time in separate volumes and may be purchased from the Superintendent of Documents, Government Printing Office.

Trade practice rules, the Wool Products Labeling Act and the regu-regulations

Quarterly Industrial Financial Report Series for all United States Manufacturing Corporations, second, third, and fourth quarters of 1948. Copies are available from the Federal Trade Commission and the Securities and Exchange Commission without charge while the supply lasts.

Rates of Return (after Taxes) in Selected Industries for the years 1940 and 1947, August 16, 1948. Copies are available without charge from the Federal Trade Commission while the supply lasts.

Rules, Policy, Organization ~~and~~ Copies are

PART I. GENERAL INVESTIGATIONS

During the fiscal year 1949 the Commission completed the following reports presenting the results of general investigations:

The Concentration of Productive Facilities.

The Fertilizer Industry. ¹

In addition the Commission, in a joint project with the Securities and Exchange Commission, issued quarterly financial reports based on the operating statements of approximately 8,500 manufacturing corporations.

The Commission also presented data about concentration in manufacturing industries before a subcommittee of the House Judiciary Committee which is considering legislation to amend the antimonopoly laws.

During the fiscal year the Commission continued to emphasize the integration of economic analysis with the legal work of the Commission. Exploratory economic investigations in one major field of industry were completed as a basis for development of a program of antimonopoly cases. The Commission has adopted part of this program and has initiated field investigations to determine the facts. Other phases are still under consideration, and similar exploratory investigation is under way as to other segments of the economy. The Commission's economic personnel devoted more than half their time during the fiscal year to economic analyses designed to develop antimonopoly cases or to assist in their investigation and trial.

CONCENTRATION OF PRODUCTIVE FACILITIES

The report on the *Concentration of Productive Facilities* analyzes the degree of concentration in the ownership of net capital assets for 113 companies in 26 manufacturing industries. The corporations selected were those having assets in excess of \$100,000,000 in 1947. The degree of concentration is measured in terms of the ownership of net capital assets--land, plant and equipment--and, where data is available, in terms of the proportion of the output of each principal product accounted for by the four leading producers. An analysis of each industry identifies the leading corporations, usually eight in

¹ See footnote 4, p.11.

number, and their percentage ownership of the aggregate net capital assets of the industry. Each corporation is classified by industries according to its principal product, and no attempt is made to separate the assets employed in other industries; however, it is not believed that this treatment results in any significant overstatement of the degree of concentration for those industries included in the report.

The report is based upon published figures. It does not include a number of the less concentrated industries in which the principal firms do not publish financial statements. A few highly concentrated industries are also excluded where the diversification in operations would not give a meaningful figure or where the failure of certain leading producers to publish financial reports would result in act(4) 0 (DIT) 2845 (would)ed

fall in the extreme concentration group, in which 60 percent control is reached by three or fewer companies :

	<i>Percent of control by 3 companies</i>
Aluminum	100.0
Tin cans and other tinware	95.3
Linoleum	92.1
Copper smelting and refining	88.5
Cigarettes	77.6
Distilled liquors	72.4
Plumbing equipment and supplies	71.3
Rubber tires and tubes	70.3
Office and store machines and devices	69.5
Motor vehicles	68.7
Biscuits, crackers, and pretzels	67.7
Agricultural machinery	66.6
Meat products	64.0

Six industries are in the high (though not extreme) concentration group, in which 60 percent control is attained by five or six companies. The report lists the following :

	<i>Percent of control by 6 companies</i>
Glass and glassware	69.9
Carpets and rugs	66.3
Dairy products	66.3
Primary steel	63.4
Industrial chemicals	62.7
Aircraft and parts	60.4

Five industries are classified in the “moderate” concentration group, in which approximately 60 percent control is held by from 11 to 15 corporations :

only for the four leading producers. The higher level of concentration results from the tendency of manufacturers to specialize in the production of a list of products which is not inclusive of the entire range of products produced by the industry.

THE FERTILIZER INDUSTRY ²

The Commission's report on the fertilizer industry is concerned primarily with restrictions and wastes which interfere with the supply of plant-food materials in the quantities needed and at prices low enough to facilitate maintenance of soil fertility. The Nation's resources of nitrogen, phosphate, and potash are discussed in some detail, and the corporate and business relations of producers of these materials to each other, as well as to fertilizer mixers, are reviewed.

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conflicting interests in foreign trade, not only among Europeans but also between the European and Chilean producers. Then international agreements followed among

pebble rock producers), as the principal suppliers of Europe, was the principal agreement, to which the other five were subsidiary. One of the subsidiary agreements gave the hard rock association a participation in Europe. The other subsidiary agreements similarly tied other national producing groups into the structure of cooperating interests.

Under these agreements prices in foreign markets were fixed and maintained. Although it was not wasU

in Europe and other foreign markets remained unchallenged, while that of Amen can producers in the United States, Canada, Mexico, and Cuba was undisturbed by European competition. The association obtained strong control over independent export merchants, who virtually became the association's sub-agents for export to territory reserved to the association. The association agreed to sell in the European market exclusively through the cartel's London subsidiary, United Potash Co., Ltd. Steps were taken by the association to prevent domestic users from exporting on their own account or selling to independent merchants, the means being restrictive language in sales contracts which required customers to agree not to resell in carload lots or for export. Within a year or so, cartel operations were suspended by the outbreak of World War II. Since then there has been no European cartel with which Potash Export Association's agreement might be resumed.

In the meantime, the Department of Justice obtained a consent decree in 1940, in compliance with which certain corrective measures were initiated in the domestic market.

INDUSTRIAL FINANCIAL REPORTS SERIES

Quarterly reports showing estimates of the aggregate financial data for all American manufacturing corporations have been made by the Federal Trade Commission in cooperation with the Securities and Exchange Commission for the calendar years 1947, 1948, and 1949. The purpose of these reports is to provide accurate current information as to the financial characteristics and profit or loss position of the Nation's manufacturing industries without disclosing the individual figures of any particular corporation. The reports also show composite financial statements from which can be developed the relationship between investment, sales, costs, and profits.

These quarterly reports provide a current barometer of conditions in the economy and its various industrial segments and have become of increasing value to Government and business. They can be used to determine (1) the general financial situation of manufacturing corporations, (2) the trend in manufacturing operations, and (3) variations which have taken place within specific industries or within the different asset size groups.

During the fiscal year the significance of the quarterly reports has been amply demonstrated. These are the only figures, public or private, which include reliable financial statistics covering the smaller manufacturing corporations. It has become evident that the profits of corporations of different sizes often diverge sharply in trend. The significance of the divergence has been great enough during the 1949

The quarterly financial reports also provide data for estimates of the degree of concentration of economic power.

Before World War II, the Commission undertook to obtain and tabulate the annual financial reports of certain industrial manufacturing groups of corporations for use in its own work. This work was discontinued during the war after OPA established its own financial reporting program. After the war the Division of Statistical Standards of the Bureau of the Budget organized an interdepartmental committee to develop a financial statistics project. The plan developed under the leadership of this committee called for the use of cross section sampling methods through which reports would be required from only about 10 percent of all manufacturing corporations. The Federal Trade Commission collects the reports from unregistered corporations, under the authority of section 6 of its organic act, and the Securities and Exchange Commission supplies data on corporations with securities registered on a stock exchange. The initial work was confined to manufacturing corporations, but the plan approved by the interagency group provided for expansion as rapidly as possible to include mining, wholesale trade, and retail trade corporations so as to provide estimates for a broader coverage of business corporations.

The quarterly financial reports work is coordinated so as to meet the needs of other agencies so far as possible. The Council of Economic Advisers uses the reports regularly and certain ratios developed therefrom are included in the President's Economic Report to the Congress. The reports are also used extensively by the Department of Commerce, the Federal Reserve Board, the Treasury Department, the Bureau of Labor Statistics, and other agencies.

Finally, in order to provide a comparison between the prewar and postwar periods, the Commission issued a special profits report : *Rates of Return (after Taxes) in Selected Industries for the Years 1940 and 1947*. Based on reports from more than 500 identical manufacturing corporations, the study showed 1940 and 1947 profit figures for each of 25 industries. In each of the industries, the corporations included accounted for more than half of the industry's assets. A similar study, covering 26 industries, has been made for the year 1948. The resulting report, showing comparative figures for 1940, 1947, and 1948, was completed but had not been printed as the fiscal year closed.

PART II. GENERAL LEGAL WORK

DESCRIPTION OF PROCEDURE

A

After developing all the facts, the examining attorney files a report summarizing the evidence, reviewing the applicable

The Commission's rules of practice provide that a respondent desiring to contest the proceeding shall file answer admitting, denying, or explaining each allegation within 20 days from service of the complaint.

Upon request made within 15 days from service of the complaint, any respondent is afforded an opportunity to submit, for Commission consideration, offers of settlement or proposals of adjustment where time, the nature of the proceeding, and the public interest permit.

Where evidence is to be taken either in a contested case or in one where the respondent has failed to file answer, the matter is set down for hearing before a trial examiner. Such hearings, with due regard to the convenience and necessity of all parties, may be held anywhere in the United States, the Commission's complaint being supported by one or more of its trial attorneys and the respondent having the privilege of appearing in his own behalf or by attorney.

After the submission of evidence in support of the complaint and on behalf of the respondent, the trial examiner prepares and files recommended decision which includes a statement of (1) findings and conclusions, as well as the reasons or basis therefor, upon all the material issues of fact or law presented on the record; and (2) an appropriate order. Exceptions to the trial examiner's recommended decision may be taken by either counsel.

Briefs may be filed within a stated time after the trial examiner recommended decision is made and, in the discretion of the Commission, upon the written application of the attorney for the respondent or the attorney supporting the complaint, oral argument may be had before the Commission. Thereafter, the Commission reaches a decision either sustaining the charges of the complaint or dismissing the complaint, sometimes without prejudice to its right to reopen the proceeding or to take such other action as circumstances may warrant.

If the complaint is sustained by the evidence, the Commission make its findings as to the facts and states its conclusion that the law has been violated, and thereupon an order is issued requiring the respondent to cease and desist from such violation. If the complaint is dismissed, an appropriate order is entered.

Up to and including the issuance of an order to cease and desist there is no difference in procedure, whether the case is under the Federal Trade Commission Act, the Clayton Act, or the Wool Product Labeling Act, but the Clayton Act provides a procedure for enforcement of cease-and-desist orders different from that specified by the other two acts.

Under the Federal Trade Commission Act and the Wool Products Labeling Act, an order to cease and desist becomes final 60 days after date of service upon the respondent, unless within that period the respondent petitions an appropriate United States court of appeals to review the order. In case of review, the order of the Commission becomes final after

that such a proceeding would be to the interest of the public. These temporary injunctions remain in effect until an order to cease and desist has been issued and has become final, or until the Commission's complaint is dismissed by the Commission or set aside by the court on review.

Further, the dissemination of a false advertisement of a food, drug, device, or cosmetic, where the use of the commodity advertised may be injurious to health or where the act of disseminating is with intent to defraud or mislead, constitutes a misdemeanor; and conviction subjects the offender to a fine of not more than \$5,000, or imprisonment of not more than 6 months, or both. Succeeding convictions may result in a fine of not more than \$10,000, or imprisonment of not more than 1 year, or both.

LEGAL INVESTIGATIONS

INQUIRIES PRIOR TO FORMAL COMPLAINT OR STIPULATION

Investigation of applications for complaint preliminary to formal action for the elimination of practices violative of the laws administered by the Commission is the function of the Bureau of Legal Investigation. It performs all such legal investigating work and conducts a continuing survey of radio and periodical advertisements to detect false and misleading representations.

Cases thus developed, unless closed without action, progress upon direction of the Commission to the status of either formal complaint or stipulation to cease and desist.

Applications for complaint are carefully screened in the office of the Director to determine if the facts furnished warrant docketing for investigation. If, as is frequently the case, applications for complaint do not contain sufficient information to warrant immediate docketing, further facts may be developed through correspondence with the complainant or with the proposed respondent.

On the basis of information thus obtained, there are docketed for full investigation only those matters indicating a violation of the laws administered by the Commission.

Of 1,177 applications for complaint received during the fiscal year, 507 were scheduled for investigation, 188 were referred to the Commission or other div0iTj 2.64 0 Tc0 d

FIELD INVESTIGATIONS

A summary of the cases handl

cooking utensils, fountain pens, insecticides, and tires. The cases involved the entire range of known unfair and deceptive trade practices, including fictitious price marking, design pirating, disparagement, lottery methods of sale, misrepresentation as to performance, quality, origin, and composition of merchandise, misrepresentation as to nature of the business, deceptive packaging, falsely representing connection with Government, passing off used merchandise as new, and misuse of trade secrets.

Four of the cases involved insurance companies. The Commission's jurisdiction over this type of business became effective June 30, 1948, following the termination of the moratorium period provided in Public Law 15, Seventy-ninth Congress.

Restraint-of-Trade.--Investigations of trade practices which, if carried to fruition, would result in monopoly or have a tendency toward that end continued to constitute an important part of the work of the division. Investigations in this category during the year covered price-fixing, conspiracy to boycott, coercion, collusive bidding, control and limitation of supplies, interference with source of supply, intimidation, full-line forcing and tying contracts, various forms of basing-point, delivered-price, and zoning systems designed to eliminate price competition, misuse of patents and licensing agreements for monopolistic purposes, resale price maintenance, and selling below cost with the intent and effect of injuring competitors. The charge of price-fixing continued to be the most frequently recurring charge. Some of the more important products involved were automotive parts and accessories, foods, insulin, electrical supplies, household appliances, iron and steel, petroleum products, dairy products, cement, agricultural implements, radios and television, hardware, and building materials. Four of the cases received during the year involved insurance companies.

Clayton Act, section 2, as amended by the Robinson-Patman Act.--The Robinson-Patman Act, approved June 19, 1936, amended section 2 of the Clayton Act and restated in more inclusive form the basic prohibitions against price discriminations which injuriously affect competition. It also prohibits certain types of other discriminations without regard to their competitive effects in specific cases.

In view of its limited funds and personnel, the Commission endeavored to confine investigations to matters of substantial importance. Accordingly, efforts were made in the preliminary stages to determine whether the defenses available under the act were present in individual cases, as well as to determine whether the practices constituted prima facie violations of the statute.

Cases investigated during the fiscal year involved cans, glass containers, prepared foods, chemicals, automotive accessories, biological products, tractor parts, dairy supplies, office supplies, sugar, surgical supplies, soap, petroleum products, electrical appliances, cooking utensils, building materials, radio tubes, wearing apparel, and drugs.

Price discrimination, in

of which might be injurious to health. Investigations covered practically the entire range of prepared food products, dietary supplements, vitamin and mineral preparations, drugs, home remedies, cosmetics, hearing aids, eye glasses, sun lamps, arch and foot supports, orthopedic shoes, trusses, elastic garments and supports, short wave diathermy machines, arthritic remedies, hormone preparations, and colonic treatment devices.

Wool Products Labeling Act.--Violations of the Wool Act generally are coupled with other unfair methods of competition or unfair and deceptive practices, such as false advertising and misrepresentation. Investigation and proceedings under both the Wool Act and the Federal Trade Commission Act are required in these cases. Investigations involving violation of the Wool Act are also conducted by the Commission's Bureau of Trade Practice Conferences and Wool Act Administration. Investigations during the year included men's and women's coats and suits, sweaters, blankets, and woolen material used in the manufacture of clothing.

Export Trade Act.--Duties of the Bureau of Legal Investigation under this act may include investigation of the organization and operation of certain export trade associations organized and functioning under the Act, and in particular to ascertain whether they (a) are artificially or intentionally enhancing or depressing domestic prices; (b) are in restraint of the export trade of a domestic competitor; (c) are substantially lessening competition or otherwise restraining trade within the United States; or (d) are engaging in unfair methods of competition in foreign trade. Consideration was given during the year to two cases involving producers of alkali and alkali products, and a complete investigation was conducted of a third case involving fir lumber.

SURVEY OF RADIO AND PERIODICAL ADVERTISING

Through its Division of Radio and Periodical Advertising, the Commission conducts investigations of selected cases involving false and misleading advertising violative of the Federal Trade Commission Act, as well as other types of cases not requiring field contacts, including many industry-wide and project investigations. These investigations fo

mail-order catalogs and foreign-language newspapers, and early in 1948 it was extended to commercial television broadcasts.

Advertisements selected in these surveys are carefully screened and processed, and may be used as a basis for the docketing of applications for complaint; for showing compliance, or proving noncompliance, with stipulations and orders to cease and desist; in drafting complaints and in the trial of cases; in connection with both individual and industry-wide investigations and studies; for making special surveys of entire industries, or segments of industries, where it is not practicable to contact the individual members of the industry either directly or by mail; to determine whether a trade practice conference may be warranted or desirable, or whether trade practice rules are being observed; or in connection with scientific studies, preparation of medical opinions, or liaison with other Government agencies.

As a special project, all advertisements of alcoholic beverages are assembled for special study and appraisal, with a view to proceeding in all instances where the statute appears to be violated. By special arrangement, all radio advertisements of alcoholic beverages are set aside for examination by representatives of the Alcohol Tax Unit in connection with its administration of the Federal Alcohol Administration Act.

As another special project, all radio and periodical advertisements of cigarettes are assembled, processed, and given special study looking to the docketing of applications for complaint where warranted.

Newspaper and magazine advertising.--It has been found advisable in examining advertisements in current publications to call for some newspapers and magazines on a continuous basis because of the persistently questionable character of the advertisements published. However, as to publications generally, of which there are more than 20,000, it is physically impossible to survey continuously all advertisements of a doubtful nature. Furthermore, it has been found unnecessary to examine all the issues of publications of recognized high ethical standard whose publishers censor advertising copy before acceptance.

Copies of current magazines and newspapers generally are procured on a staggered monthly basis, at an average rate of three times yearly for each publication, the frequency of the calls for each publication depending upon its circulation and the character of its advertisements.

Through such systematic calls during the fiscal year, the Commission procured 1,890 editions of representative newspapers of established general circulation and 1,249 editions of magazines and farm and trade journals of interstate distribution. These periodicals included 250 issues of farm journals, 180 issues of trade journals and

specialty publications, and 28 issues of domestic foreign-language publications.

In these newspapers, magazines, and farm and trade journals, 285,924 advertisements were examined, of which 13,536 were noted as containing representations that appeared to warrant investigation.

Mail-order advertising.--The Commission procured mail-order catalogs and

individual station telecasters, and producers of television advertising film. Of the 3,252 commercial television continuities examined, 121 were marked and set aside as containing possibly false and misleading representations.

In addition to establishing contacts with new individual television stations, the Commission has continued to perfect adequate coverage of other developments in telecast advertising. Arrangements were made for coverage of the initial functioning of four television networks during the fiscal year, and contacts made with producers newly engaged in making television advertising film.

Cooperation of radio and publishing industries--The Commission has continued to receive the cooperation of the four Nation-wide standard broadcast network chains, the regional networks, commercial transcription producers, and the expanding television broadcast facilities; some 2,300 individual broadcast stations; 499 newspaper publishers; and 389 publishers of magazines, farm journals, and trade publications. These publishers and broadcasters generally have indicated a desire to aid in the elimination of false and misleading advertising.

Number of cases handled--At the close of the year 458 cases were pending, as compared with 572 at the close of the previous fiscal year. During the fiscal year, 389 investigations were completed, and 275 new investigations were initiated, 122 of which originated through the division's continuing survey of advertising; 69, through letters of complaint; and 84, by reference from the Commission. Settlement by stipulation was recommended in 43 cases; issuance of complaint, in 8 cases.

Correspondence handled by the division during the year totaled 3,144 incoming pieces of mail and 10,152 outgoing pieces.

Procedure in advertising cases--If it appears to the Commission that a published advertisement may be false or misleading, the advertiser is contacted by letter and request is made for a sample of the product advertised, if this is practicable, and the quantitative formula if the product is a compound. Representative specimens of all advertising copy containing all claims made for the product during a 6-month period also are requested.

Upon receipt of these data, scientific opinions are obtained based upon the sample and formula. Then a list of the claims that appear to be false or misleading is sent to the advertiser and he is invited to submit informally by letter, in person, or by counsel factual and scientific data in support of the questioned representations.

If, after a consideration of all available evidence, including that furnished by the advertiser, the questioned claims appear not to be

false or misleading, the division reports the matter to the Commission with the recommendation that the case be closed. If it appears from the weight of the evidence in the investigational files that the advertising is false and misleading, the matter is referred

II. Complaints Under Wool Products Labeling Act

Five complaints alleged that wool products were misbranded in violation of the Wool Products Labeling Act and the rules and regulations promulgated thereunder, in that they were not so labeled as to disclose the kinds and percentages of the different fibers of which the fabrics were made, including the respective percentages of wool, reprocessed wool, or reused wool, together with the identity of the manufacturer or other seller of the products (5588, 5629, 5659, 5664, and 5669). One complaint (5669) further charged unlawful removal from wool products of required content and identifying information.

The complaints charged that these misbranding practices also were unfair and deceptive in violation of the Federal Trade Commission Act.

III. Complaints Under Clayton Antitrust Act.

A. VIOLATION OF SECTION 2 (a) OF CLAYTON ACT, AS AMENDED BY ROBINSON-PATMAN ACT

Thirty-one complaints alleged violation of section 2 (a), which prohibits discriminations in price which may injure, destroy or prevent competition or tend to create monopolies. Twenty-four involved con fectionery products (5596 through 5619). Companies cited in the other seven complaints are : General Motors Corp., Electric Auto-Lite Co., Lever Brothers Co., The Proctor and Gamble Co., Colgate-Palmolive-Peet Co., Florida Citrus Cannery Cooperative, and F. & V. Manufacturing Co., Inc. The products involved in these proceedings are : spark plugs and automobile accessories (5620 and 5624); soap products (5585 through 5587); fruit juices (5640), and jewelry products (5579).

B. VIOLATION OF SECTION 2 (c) OF CLAYTON ACT, AS AMENDED BY

ROBINSON-PATMAN ACT

Twenty-nine complaints alleged violation of section 2 (c) , which prohibits, in connection with the interstate sale or purchase of merchandise, the granting by

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in the manufacture and sale of

yarn and the weaving of cloth. The Commission found that the respondents manufactured and sold such a large proportion of these products that they were in a position to dominate and control their prices (5543).

Crown Manufacturers Association of America, Washington, D. C., and others.--In this case a trade association, its officers, and 12 corporate members were ordered to stop conspiring to fix prices and restrain trade in the sale of bottle caps. Concerted use of a freight-equalization system, resulting in price identity, was among the practices prohibited by the order. The respondents produce and sell over 80 percent of all crown bottle caps sold in the United States (4602).

American Shuttle Manufacturers' Association, Allentown, Pa., and others.--This trade association and 11 manufacturing firms were ordered to cease and desist from conspiring to fix prices and otherwise suppress competition in the sale of shuttles used in the weaving of cloth. Approximately 50 percent of the shuttles produced and sold in the United States are sold by the respondents in this proceeding (5593).

Association of Coupon

must tilt his head and otherwise assume an unnatural and uncomfortable position in order to use such lenses to advantage. Other representations proscribed are to the effect that round top reading segments of bifocal lenses cause distress, discomfort, or eyestrain, or that the lines of demarcation between the tops of the reading segments and the distance segments in round top bifocals are more conspicuous than the corresponding lines in Univis flat top bifocal lenses (5351).

William R Warner & Co., Inc., New York.--This company was ordered to discontinue advertising that its medicinal preparation "Agarol" contains agar-agar or any derivative of agar-agar in sufficient quantity to produce an independent laxative action. In addition, the order prohibited use of the term "Agarol" as a brand or trade name for the preparation (4770).

C. UNFAIR PRACTICES OTHER9e5770)..029TD 0.0291 Tc (fmR9e5770 PRESENTATIV

C. VIOLATION OF SECTION 3 OF CLAYTON ACT

National Pressure Cooker Co., Eau Claire, Wis., and others.--The Commission ordered the respondents to cease and desist from selling or contracting to sell pressure cookers, pressure canners, and related parts and accessories on the condition, agreement, or understanding that shall not use or deal in competitive products. The order further prohibits the corporation from inducing or attempting to induce such exclusive-dealing contracts by offering favorable shipment allocations or by refusing to deliver its products to dealers or distributors who are not willing to enter into such contracts (5531).

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CASES IN FEDERAL COURTS

by

COMMISSION ACTIONS IN THE UNITED STATES SUPREME COURT, COURTS-SI 0.0058 1c 0.0

Eight new petitions to review Commission orders to cease and desist were filed. Judgment for the Government were obtained in three suits for civil penalties, involving violation of Commission orders to cease and desist. Two such cases were pending in the courts at the end of the fiscal year. In two cases, a district court dismissed the Government's complaints asking mandatory injunctions to compel two corporations to file special reports with the Commission, and judgments of forfeiture for failure to file. The district court decisions were affirmed on appeal. 3

PETITIONS TO REVIEW CEASE-AND-DESIST ORDERS

Cases in the Supreme Court of the United States and courts of appeals involving Commission cease-and-desist orders are summarized below. (Except where otherwise indicated, cases involved violation of the Federal Trade Commission Act. Courts of appeals are designated as "First Circuit (Boston)," etc.)

CASES DECIDED BY THE COURTS

Allied Paper Mills, Kalamazoo, Mich., and others.--The Supreme Court denied a petition for writ of certiorari to review a decision of the Seventh Circuit (Chicago) affirming, except as to one company, the Commission's Order prohibiting a combination in restraint of trade in the sale of book-print and coated paper. 152 F.2d 101 (7th Cir. 1946), cert. denied, 335 U.S. 854 (1948). 17.28.020 TD 0. Tc () Tj 2.16 0 TD 0.0313

Canute Co., Milwaukee--The Seventh Circuit (Chicago) remanded this case to the Commission for rescission of its order prohibiting false and misleading advertising of Canute Water, a hair dye.

Clayton Mark and and

Standard Oil Co. (an Indiana corporation), Chicago.--The Seventh Circuit (Chicago) after slight modification, affirmed the Commission's order against price discrimination in the sale of gasoline in violation of the Clayton Antitrust Act.

Tag Manufacturers Institute, New York, N. Y., and others.--The First Circuit (Boston) set aside the Commission's order ' holding the evidence to be insufficient to sustain the charge of conspiracy to fix prices and otherwise restrain competition in the sale of tag products.

United States Steel Corp., New York, N. Y., and others.--Petitions had been filed in both the Third Circuit (Philadelphia) and the Fifth Circuit (New Orleans) for review of the Commission's order forbidding use of the "Pittsburgh-plus" basing-point system of determining prices for rolled-steel products, in violation of the Clayton Act and the Federal Trade Commission Act. The Third Circuit affirmed the order, and thereafter the Fifth Circuit, pursuant to joint stipulation of the parties, dismissed the petition pending before it.

CASES PENDING IN THE COURTS

Alberty Food Products, Hollywood, Calif., and others.--District of Columbia Circuit, misrepresentation of the therapeutic properties of food and drug products.

Americana Corp., Chicago.--Second Circuit (New York) deceptive practices in the sale of encyclopedias.

Artra Cosmetics, Inc., Bloomfield, N. J.--Third Circuit (Philadelphia) ' false and misleading advertising of a depilatory preparation.

Crown Manufacturers Association of America, Washington, D. C., and others.--Fourth Circuit (Richmond), combination and conspiracy tending to restrain competition in the sale of crown bottle caps.

Jack Galter, Chicago, and others (Elgin Razor Corp.)--Seventh Circuit (Chicago), false and misleading advertising in the sale of razors, clocks, and other merchandise.

Gold-Tone Studios, Inc., Rochester, N.Y., and others.--Second Circuit (New York), misrepresentation in the sale of photographs.

Minneapolis-Honeywell Regulator Co., Minneapolis.--Seventh Circuit (Chicago), sales practices tending to restrain trade and to create a monopoly in the sale of automatic temperature controls, in violation of the Federal Trade Commission Act and sections 2 (a) and 3 of the Clayton Antitrust Act.

Dr. F. A. Newcomb, Lawrence, Kans.--Tenth Circuit (Denver), false and misleading advertising in -the sale of a medical device.

Standard Oil Co. (an Indiana corporation), Chicago.--Supreme Court, certiorari granted to review decision of the Seventh Circuit

(Chicago), modifying and affirming as modified the Commission's order against price discrimination in the sale of gasoline, in violation of the Clayton Act.

OTHER COURT CASES INVOLVING THE COMMISSION

General Foods Corp., New York, N. Y.--The Seventh Circuit (Chicago), on motion of the Commission, dismissed for lack of jurisdiction a petition to review an order requiring a special report.

U.S. v. Morton Salt, Co.; U.S. v. International Salt Co.--Complaints were dismissed in the District Court (Chicago), and prayers for injunctions and forfeitures for failure to file special reports ordered by the Commission were denied.- Judgments were affirmed by a divided court on review in the Seventh Circuit (Chicago).⁴

U.S. v. Al B. Wolf and others.--Judgment for \$2,000 was entered in United States District Court (Chicago) in a suit for civil penalties for violation of a Commission order to cease and desist.

U. S. v. Worthmore Sales Promotion Service, Inc.--Judgment for \$10,000 was entered in United States District Court (Chicago) in a suit for civil penalties for violation of a Commission order to cease and desist.

U. S. v. Canadian Ace Brewing Co.--Judgment for \$4,900 was entered in United States District Court (Chicago) in a suit for civil penalties for violation of a Commission order to cease and desist.

⁴ The supreme court of the United states granted certiorari in these cases October 24, 1949.

TABLES SUMMARIZING LEGAL WORK OF THE COMMISSION AND COURT PROCEEDINGS, 1948--49

TABLE I.--*Case work, fiscal years 1948 and 1949*

	Applications for complaint 1		Complaints 2	
	1948	1949	1948	1949
Pending beginning of year	1,140	1,378	392	320
Docketed	884	1,177	70	96
Settlements by stipulation vacated	15	3		
Settlements under Trade Practice conference rules vacated	6			
Dismissed cases reopened		3		
Orders to cease and desist vacated			1	1
Total for disposition	2,045	2,561	463	417
To complaint	66	90		
Consolidated with other proceedings	8	6		
Settled by stipulation	99	126	9	5
Settled by acceptance of Trade Practice Conference rules			2	3
Dismissed or closed	494	785	59	33
Orders to cease and desist			73	47
Complaints rescinded				1
Total dispositions	667	1,007	143	89
Pending end of year	1,378	1,554	320	328

1 These are cases docketed for investigation.

2 These are cases in which the Commission issues a formal complaint charging violation of one or more of the statutes it administers.

TABLE II.--*Court proceedings, fiscal years 1948 and 1949*

	Petitions for review of orders to cease and desist				Mandamus, injunctions, etc.	
	Courts of appeals		Supreme Court of the United States		1948	1949
	1948	1949	1948	1949		
Pending beginning of year	11	9	1			3
Cases appealed	7	6	1	3		
Suits instituted					3	
Total for disposition	18	15	2	3	3	3
Decisions for Federal Trade Commission	6	5	2	1		1
Decisions for others		1				2
Petitions withdrawn	3					
Remanded to Federal Trade Commission		1				
Certiorari denied				1		
Total dispositions	9	7	2	2		3
Pending end of year	9	8	0	1	3	0

CORRECTIVE ACTION THROUGH INFORMAL CONFERENCES 49

the bureau recommends to the Commission the institution of investigations on an industry-wide basis. The objective is to provide uniform and concurrent voluntary corrective action applicable to all members of a given industry so that all may be placed on an equal competitive basis.

Another function of the Bureau of Stipulations is to obtain reports showing in detail the manner and form of compliance with stipulations.

During the fiscal year, upon the recommendation of the bureau, the Commission disposed of 212 cases as follows :

Accepted executed stipulations including 5 amendment stipulations	139
Closed without prejudice	41
Referred for further investigation	11
Directed issuance of complaints	16
Placed on suspense	5

PART IV. TRADE PRACTICE CONFERENCES

ESTABLISHMENT AND ADMINISTRATION OF TRADE PRACTICE RULES FOR INDUSTRIES

The trade practice conference is a procedure for accomplishing law observance on an industry-wide basis through the cooperative establishment of rules designed to prevent unfair trade practices.¹ Under the conference plan, rules are established after industry conferences and public hearings open to all interested or affected parties, including consumer representatives. Rules promulgated under

proceedings. When a conference is authorized, industry representatives are invited to meet together to discuss proposed rules.

At all stages of the proceedings, members of the staff are available to aid industry representatives in working out constructive solutions of problems encountered in conforming trade practices to the law.

Before promulgation of rules, public hearings are held to give all interested or affected parties, including members of the general public, opportunity to present their views, suggestions, or objections.

GROUP I AND GROUP II RULES EXPLAINED

The public as well as honest business is entitled to the benefits which flow from fair competition. Trade practice rules may include not only provisions for the elimination of practices which are illegal per se or conducive to unfair competitive conditions in the industry, but also provisions for fostering and promoting fair competition in the public interest. The Commission classifies promulgated rules as group I and group II rules, respectively.

Group I rules.--Rules in this category embrace trade practices considered illegal under laws administered by the Commission, as construed in the decisions of the Commission and the courts, and include unfair methods of competition and unfair or deceptive acts or practices. The Commission is empowered to take appropriate action in the public interest to prevent the use of these unlawful practices in commerce by any person, partnership, corporation, or other organization subject to its jurisdiction.

Group II rules.--These rules are wholly voluntary as distinguished from the mandatory requirements expressed in group I rules. They embrace industry

optical, bedding, peat, clinical thermometer, candy manufacturing, tie fabrics, and feather and down. Public hearings were held on proposed rules for the following industries

CONFERENCE AND RULE MAKING ACTIVITIES DURING YEAR 53

ucts, including misbranding and deception as to origin ; prohibited discrimination in terms of purchase and sale ; and inducing breach of contract.

Rules for the cotton converting industry.--Industry members are converters, including integrated producers, of broad goods composed entirely of cotton or mixtures in which cotton is the predominant fiber. The industry's products embrace such items as fabrics for clothiers' lining ; corset, brassiere, and allied fabrics; curtain and drapery fabrics ; shirting fabrics ; wash-goods fabrics ; interlining fabrics ; and bleached goods. The rules constitute a revision and extension of those promulgated July 21, 1936, and subsequently amended and republished on August 18, 1939, and provide additional coverage as requested by industry members.

Rules for the yeast industry.--The business of this industry is the manufacturing and marketing of yeast or yeast products used as a leavening agent in commercial or home baking. Included are rules inhibiting the giving of excessive samples or gifts and the making of loans or other inducements to purchase industry products, where the effect may be to substantially lessen competition, create a monopoly, or bring about an illegal discrimination.

Rules for the oil-heating industry of the New Engcu0 Tc () Tj 1.56 0 TD 00 TD -g indust

PENDING CONFERENCE PROCEEDINGS

In addition to those proceedings which resulted in the promulgation of rules during the year, other proceedings were advanced and were in various stages of completion at the close of the fiscal period. Some of these pending proceedings are summarized below:

Cosmetic and toilet preparations industry.--Both the industry conference and the public hearing on proposed rules have been held. The proceedings were initiated on the Commission's own motion after a project investigation of the industry. The proposed rules have as one of their principal purposes clarification of the phrase "on proportionally equal terms" as used in section 2 of the Clayton Act, as amended, with particular reference to the furnishing or paying by industry members of salespersons or so-called "demonstrators." The objective is to provide a workable plan for the proportionalization of demonstrator services so as to afford industry members practical guidance for complying with the statute. The proposed rules also seek to clarify requirements applicable to foreign origin representations concerning industry products, as well as to deal specifically with various other industry practices.

Mail-order insurance industry.--Public Law 15 (79th Cong., 1st sess.) as amended, provides that after June 30, 1948, the Sherman Act, the Clayton Act, and the Federal Trade Commission Act "shall be applicable to the business of insurance to the extent that such business is not regulated
N4.,

Shrinkage and dimensional control of treated wool and wool products.--The subject of shrinkage and dimensional control of treated wool products involves, among other things, the development of acceptable test methods for determining the potential shrinkage existing in the various types of treated woven and knitted wool products being offered for sale commercially and in process of development. The degree or extent of treatment necessary for each of the many types of industry products and the methods and manner of washing, laundering, or dry cleaning them are also involved. A trade practice conference was held on the subject during the year and a draft of proposed rules is being prepared for submission at a public hearing for the consideration and comment of interested and affected trade groups as well as consumer representatives.

Fountain pen and mechanical pencil industry.--The proposed rules for this industry, on which public hearing was held during the year, include specific requirements for the use of such terms as "iridium tipped" and "osmiridium tipped" to describe the nibs or tips of fountain pen points, and also for use of such terms as "gold," "rolled-gold plate," "gold filled," and "gold electroplated" as descriptive of any part of such pens or mechanical pencils. Misuse of such terms has necessitated numerous corrective proceedings by the Commission against members of this industry. It is a primary purpose of the proposed rules to clarify the legal requirements respecting these subjects and to provide a basis for industry-wide correction of these and other unfair trade practices.

“latex,” “foamed rubber,” “Rx,” “orthopedic,” “custom-built,” “germ-proof,” and “waterproof”; deception as to used material and parts, and deceptive pricing. An industry-wide trade practice conference was held during the year and substantial progress made in the preparation of proposed rules for further consideration.

Floor wax products industry.--The proposed rules for this industry, which were the subject of a public h

tives of the Rule Administration Division, 67 industry association executives were called on, and 137 industry members were contacted during the year.

In addition, approximately 1,700 members of various industries were invited through correspondence to give the Commission the benefit of any comments, suggestions, or information which they might care to submit respecting rule observance, new or changed industry conditions, or any other matters relating to the rules or their administration.

During the year, cooperative compliance activities have been materially enlarged. By continuous and direct contact with members of industries under rules, it has been possible to bring promptly to their attention matters of alleged violations and thus to facilitate immediate correction. Likewise, by keeping the members constantly alert to the requirements of rule provisions,

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industry products. It was revealed that products made of split leather or other cuts of inferior leather were being advertised, labeled, marked, tagged, and stamped with various terms having the capacity and effect of misleading purchasers into the belief that such products were made of top grain leather. An extensive check was made of advertising and marking practices, conferences were held with industry members, and the cooperation of industry representatives was sought in effecting more widespread observance of the rules. Appropriate action to correct such unfair rules. was from 11-10-73)TEj (192

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gold content of industry products was also the subject of special attention. In the course of the administration of these rules, national advertising agencies as well as manufacturers of industry products were contacted, an extensive survey of jewelry advertising was made, and close liaison maintained with officials of the jewelers' vigilance committee with the view of obtaining the highest possible degree of voluntary observance.

TYPES OF PRACTICES COVERED IN TRADE PRACTICE RULES

During the fiscal year promulgated rules for over 150 industries, comprising more than 2,000 separate provisions, were under administration. These rules embrace a wide variety of subjects, of which the following are illustrative :

Misrepresentation in various forms, including false or misleading advertising; misbranding; defamation of competitors or disparagement of their products; commercial bribery; inducing breach of competitor's contracts; false invoicing; imitation of competitor's trade-marks or trade names; substituting inferior products for those ordered; lottery schemes; use of consignment distribution to close competitor's trade outlets; giving "push money" or gratuities under circumstances involving commercial bribery, deception, or restraint of trade; full-line forcing as a monopolistic weapon; combination or conspiracy to fix prices, suppress competition, or restrain trade; and discrimination in price, services, or facilities.

Other subjects covered are slack-filled, short-weight, or deceptive containers; deceptive photographs or engravings; false or misleading guarantees, warranties, testimonials, or terms of sale; misrepresentation as to possible earnings or opportunities afforded on completion of correspondence school courses, or as to Government connection with, or indorsement of, any school or training or services offered; falsely representing offers as "special" or "limited"; misrepresenting regular lines of merchandise as "closeouts"; misrepresenting products as conforming to recognized industry standards; use of fictitious animal designations in describing fur products; representing retail prices as wholesale; representing domestic products as imported or vice versa; deceptive titles or names in selling books; false representations respecting tube capacity, range, and receptivity of radio receiving sets; and misrepresentation as to quantity, measure, or size of various products.

i n a Rules also cover deceptive descriptions as : "perfect," "real," "genuine," or v

or “fadeproof” as

The value of such labeling is widely recognized as a necessary and effective preventive of confusion or deception of the public and of unfair competitive conditions.

Specific informative labeling provisions are contained in the rules for the rayon, silk, and linen industries. Informative labeling for all types of hosiery is the subject of trade practice rules for the hosiery industry. Similar provisions applicable to shrinkage of woven cotton merchandise have been promulgated. Provisions of a like nature are found in the trade practice rules for the infants' and children's knitted outerwear industry; uniform industry; ribbon industry; handkerchief industry; and rayon, nylon, and silk converting industry. Rules relating to fur garments and fur products generally also contain informative labeling provisions.

Provisions on the subject of informative labeling are also included in the trade practice rules for the following industries : Artificial limb, masonry waterproofing, household fabric dye, watch case, wood-cased lead pencil, razor and razor blade, luggage and related products, curled hair, mirror manufacturing, sun glass, putty manufacturing, wholesale jewelry, paint and varnish brush manufacturing, toilet brush manufacturing, rubber tire, office machine marketing, and hand knitting yarn.

procedure authorized by the Wool Act has proved adequate. The supporting peremptory remedies specifically provided by the Wool Act are available when needed, however, and in cases of deliberate or willful violation, misdemeanor proceedings may be applied.

Administrative compliance work included field inspection and industry counseling which, in most instances, resulted in voluntary and cooperative correction of labeling practices by concerns throughout the country. Compliance work during the year was carried on with 9,781 manufacturers, distributors, and other dealers in wool products. Field inspections in 39 States covered more than 26,000,000 articles. During the preceding fiscal year, field inspections totaled 8,966 concerns and covered more than 23,000,000 articles.

Cases of improper labeling were handled for the most part through cooperative, voluntary action without resort to compulsory proceedings. Relatively few cases have arisen in which it has been necessary to invoke mandatory processes.³ Administrative compliance work has proved an effective and economical method of protecting the public interest in this field.

³ For complaints alleging violations of the Wool Products Labeling Act see p.38; for Commission orders directed against such violations see p. 42.

opened new markets for American goods in foreign countries, and when the depression followed, cooperation in export under the law aided many American exporters to continue in business in the face of very unfavorable trade conditions.

Later, the war in China closed many oriental markets to American exporters, forcing the associations to develop other markets to take the place of that trade. And when war broke out again in Europe in 1939, the countries involved in that conflict were eliminated one by one as markets for American goods, so that trade was shifted again, this time toward Latin America and Africa. In some instances goods en route to European ports were diverted to other countries. These shifts were readily made by a cooperative organization with agents abroad and knowledge of foreign conditions.

Normal export trade did not exist, of course, during World War II. Since the war the problems which have been presented to American exporters have increased in difficulty and complexity. As a result of unsettled world trade conditions, cooperative effort under the Export Trade Act has assumed even greater importance than before.

OPERATIONS IN 1948

Total exports by the associations were less in 1948 than in the previous year, the decline being especially marked during the second half of the year. Some groups have found it difficult to get back into foreign markets closed during the war period. Despite the gradual trend from a sellers' to a buyers' " market, the normal flow of business has been hindered by lack of dollar exchange, and associations have had many orders which could not be executed because of the inability of purchasers to establish credit.

Competition from foreign manufacturers has greatly increased as other countries have taken steps to build up their productive capacity and to export as much as possible in order to establish their position in world markets. In some countries an increase in the production of native crops has led to a decrease in demand for American foodstuffs. While during the war prices in some foreign countries were higher than controlled prices in the United States, foreign competitors in many cases are now underselling American goods. Among other things, production costs in foreign countries are held to a minimum by Government loans or subsidies, tax exemption, and other measures to encourage trade.

Several associations are now inactive, but report that the services rendered to members in the past justify continuation in the hope that export conditions will improve. Several associations went out of

business during the past fiscal year. One new association was organized during the

ASSOCIATIONS OPERATING UNDER THE ACT 69

Electrical Manufacturers Export Association,
70 Pine Street,
New York.
Export Screw Association of the
United States,

Rubber Export Association, The,
1185 East Market Street,
Akron, Ohio.
Steam Locomotive Export Association
Inc.,

INQUIRIES AND RECOMMENDATIONS

Three inquiries covering operations of export associations were in progress during the year. One was completed and recommendations issued for readjustment of the business of the association. The other two, still pending July 1, 1949, were ~~concerning~~

Austria.--Legislation governing rationing and allocation of scarce commodities became effective in March 1948. A price control law passed in April 1948 gave the government broad powers in price legislation. A wage-price agreement in September 1948 resulted in wage increases and discontinuance of price support subsidies on some foodstuffs.

Bolivia.--A newly organized economic council created by supreme decree on December 18, 1948, will study plans for instituting a more equitable distribution of wealth, as well as proposals concerning monetary policies, taxation, budget, and general fiscal matters.

Brazil.--A bill now before the Assembly calls for compulsory profit sharing. Under it, the owner of a business would be entitled to 8 percent return on the investment after taxes, and 30 percent of the total net profits would be distributed among the employees.

Canada.--A special committee on prices appointed in February 1948 reported to Parliament in June 1948; thereafter a royal commission on prices was appointed to continue the inquiry. Report of the Combines Investigating Commission on the bread-baking industry in western Canada was issued in November 1948, and in March 1949 the minister of justice announced that the alleged combine would be prosecuted. In a decision on February 28, 1949, the Ontario court of appeal dismissed on technical grounds the appeal of the Crown against acquittal of 18 companies which had been charged with unlawfully conspiring to prevent and lessen competition in dental supplies.

Colombia.--A decree in June 1948 provided in detail for foreign exchange control; licensing by the office of control of exchanges, imports, and exports; fixing of prices for domestic agricultural products and raw materials; fixing of quotas of obligatory consumption for domestic raw materials; and regulation of importation of new capital for investment in industries of benefit to the national economy. A new Economic Law was passed in December 1948.

Costa Rica.--A series of decrees published in October 1948 introduced new exchange controls. The national production council buys rice, corn, and beans at fixed support prices and resells at fixed retail prices. The goods may be stored in government warehouses until disposed of. Electric light and power facilities were nationalized in 1948.

Czechoslovakia.--A dual price system was adopted by the finance minister under the first budget of the five-year plan in January 1949. Workers, civil servants, small farmers, and other persons named in the regulations may buy rationed goods at fixed prices. All others must buy in the free market at higher prices. Nationalization, begun

in 1945, was continued by six new measures in April 1948, these being incorporated into the new constitution in June 1948. About 95 percent of industry is now nationalized. Under a law effective April 28, 1948, all foreign trade and international forwarding is conducted by government monopolies or nationalized trading companies organized and directed by the minister of foreign trade.

Dominican Republic.--Under a law effective April 20, 1948, a secretariat for national economy was created to develop and control various fields of industry as well as foreign and domestic commerce. This office is the official licensing agency for exports and imports and will control the issuance of bank drafts. It will also assist the national economic council, an advisory body.

Ecuador.--In December 1948 the President announced plans for the creation of a national institute for the development of production to direct and integrate the activities of the development banks, and of a development corporation to stimulate agricultural, industrial, and mineral production.

France.--Faced with demands for higher wages to meet the rise in rents and an increased production tax effective January 1, the government announced in January 1949 that prices would not be permitted to rise above the level of December 31, 1948, and that the burden of the tax increase must be absorbed in industrial and commercial profit margins and by a reduction in costs of production. At the same time a reconstruction and equipment loan was announced to finance projects in 1949.

Great Britain.--The Monopolies and Restrictive Practices (Inquiry and Control) Act of July 30, 1948, created a commission to make investigations and reports. The board of trade was to appoint the members and direct its operations. The results of such an inquiry may be submitted by the board

trade for the purpose of assisting an industry to increase its efficiency and productivity and to improve the service rendered to the community. Development councils were set up in 1948 and early in 1949 in the furniture, hosiery and knitwear, clothing, jewelry, and silver-ware industries.

Under the Gas Act of 1948, the gas industry was nationalized May 1, 1949. In October 1948 the government presented a bill for nationalization of the steel industry. Under a Town and Country Planning Act effective July 1, 1948, a central land board now has control over all material changes in the use of land.

Report of a governmental committee on resale price maintenance in 1949 recommended that no action be taken to deprive an individual producer of the power to prescribe and enforce resale prices for goods bearing his brand, but that steps be taken to render illegal the application of sanctions which would extend beyond the remedies open to an individual producer for any breach of resale price maintenance conditions.

Five important acts of the British Parliament effective July 5, 1948, dealt with national insurance, industrial injuries, a national health service, the care of children, and a plan of national assistance for those in acute need. A legal aid and advice bill presented to Parliament in November 1948 would provide for legal assistance to be made available, wholly or partly free, to persons with net incomes of less than \$1,700 a year or net capital of less than \$2,100.

Hungary.--An act effective July 28, 1948, created a new form of enterprise, including companies fully owned by the state, having unlimited liability, and companies in which the state owns 50 percent or more, with limited liability. About 90 percent of industrial production is said to be under government ownership or control. Practically all foreign trade is handled by the government through state agencies.

eign investment board has been established to rule upon proposals and agreements for the conduct of foreign business and investments.

Peru.--New price controls for prime necessities were ordered by a decree law December 3, 1948, with severe punishment for speculation and hoarding. An advisory commission on economic matters created in June 1948 will study and coordinate public and private economic development plans and advise national corporations and financial agencies handling loans for projects. In order to increase the cultivation of land and production of foodstuffs, the government is operating pools of federally owned farming machinery and tools, which are made available to farmers at reasonable prices.

Poland.--Federations of private industry with compulsory membership were ordered for a number of important industries in June 1948. Government foreign trade monopolies have also been established for products of importance, with authority to plan and administer purchase and sale in domestic and foreign commerce, and to fix prices with approval of the Minister of Industry and Commerce. A system of

Appropriations, allotments, expenditures, liabilities, and balances for the fiscal year ended June 30, 1949

	Amount available	Amount expended	Liabilities	Expenditures and liabilities	Balance
Federal Trade Commission, 1949 salaries, Commissioners and all other authorized expenses	\$3,574,510.00	\$3,441,105.36	\$118,998.03	\$3, 560,103.39	\$14,406.61
Printing and binding, Federal Trade Commission, 1949	46,525.00	16,899.33	19,501.83	36,401.16	10,123.84
Total fiscal year 1949	3,621,035.00	3,458,004.69	138,499.86	3,596,504.55	24,530.45
Unexpended balances:					
Federal Trade Commission, 1948 Printing and binding, Federal Trade Commission, 1948	56,538.95	35,144.64	4,482.15	39,626.79	16,912.16
Federal Trade Commission, 1947 Printing and binding, Federal Trade Commission, 1947	37,656.00	12,944.62	23,668.81	36,613.43	1,042.57
Transfer from Office of Price Administration, 1947	71,045.74	1,603.14		1,603.14	69,442.60
	26,754.97	10,657.32		10,657.32	16,097.65
Total	3,841,890.42	3,518,354.41	166,650.82	3,685,005.23	156,885.19

Expenditures by functions--fiscal year 1949

Total expend-	Antimonopoly Eco-	Unfair, deceptive, or fraudulent practices Trade Wool Lan-
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APPROPRIATIONS AND EXPENDITURES, 1915--49

Appropriations available to the Commission since its organization and expenditures for the same period, together with the unexpended balances, are :

Year	Nature of appropriations	Appropriations	Expenditures and liabilities	Balance
1915	Lump sum	\$184,016.23	\$90,442.05	\$93,574.18
	Printing and binding	12,386.76	9,504.10	2,882.60
1916	Lump sum	430,964.08	379,927.41	51,636.67
	Printing and binding	15,000.00	14,997.55	2.45
1917	Lump sum	542,025.92	448,890.66	93,135.26
	Printing and binding	25,000.00	23,610.54	1,389.48
1918	Lump sum	1,578,865.92	1,412,280.19	166,585.73
	Printing and binding	30,000.00	11,114.06	18,885.94
1919	Lump sum	1,693,622.18	1,491,637.39	201,984.97
	Printing and binding	14,934.21	14,934.21	0
1920	Lump sum	1,206,587.42	1,007,593.30	198,994.12
	Printing and binding	28,348.97	28,348.97	0
1921	Lump sum	938,609.94	842,991.24	95,618.70
	Printing and binding	37,182.56	37,182.56	0
1922	Lump sum	952,505.45	878,120.24	74,385.21
	Printing and binding	22,801.73	22,801.73	0
1923	Lump sum	952,020.11	948,293.07	3,727.04
	Printing and binding	22,460.21	22,400.21	0
1924	Lump sum	990,000.00	900,020.93	29,979.07
	Printing and binding	20,000.00	19,419.25	580.75
192	TD 0 Tw (379,927.41) Tj 54 0 TD 0.0133 Tc 0.0467 Tw (51,633,0133 Tc 0.0467 Tw (64) Tj 63 0 TD (842,n 0.4e,2j 135 0 TD 0.0133 Tc 0.0467			
64	0	36,118.01		

(Lump sum) Tj 144 0 TD 0.012 Tc 0 Tw (952,505.45) Tj 63 0 TD 7,770.09
 35 0 TD 33 Tc 0.0467 Tw (10,880.05) Tj -252 -8.28 TD -0.0796 Tc 0.1396 Tw (Printing and binding) Tj 135 0 TD 0.0133 Tc 0.0467 Tw (35,363.58) Tj 63 0 TD (35,363.58)
 135,414.83) Tj 63 0 TD (1,131,521.47) Tj 72 0 TD 0 Tw (10711.0 Tj 709,0.4e,35,414.83nd bindin3o131,521.47) Tj 72 01.1396 T70Ug) Tj 1,378,973.14) 27 0,0.015 Tc 02.1 .30
 5 46 Tj - T5 25 Tj 63 2499.0133 Tc 0.0467 Tw e74 0 Tc 0.m293D 0.0133 Tc 0.0467 Tw (15,884.85) Tj -252 -8.28 TD -0.0796 Tc 0.1396 Tw (Prin2,266i795- T5 25 T5TD 0.0152,1

	Printing and binding	50,000.00	33,902.35	16,097.65
1948	Lump sum	2,915,596.92	2,898,884.76	16,912.16
	Printing and binding	55,000.00	53,957.43	1,042.57
1949	Lump sum	3,574,510.00	3,560,103.39	14,406.61
	Printing and binding	46,525.00	36,401.16	10,123.84

APPENDIXES

1923, approved March --49-, 1023, 42 Stat. 1488.

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³ Auditing of accounts was made a duty of the General Accounting Office by the Act of June 10, 1921, 42 Stat. 24.

corporation to cease and desist from using such method of competition or such act or practice. Until the expiration of the time allowed for filing a peti-

4 By subsection (f), Section 1107 of the "Civil Aeronautics Act of 1938," approved June 23, 1938, Public No.706, 75th Congress, Ch. 601, 3d Sess., S. 3845, 52 Stat. 1028, Section 5 (a) of the Federal Trade Commission Act was amended by inserting before the words] persons" (and following the words "to regulate commerce") , the following : "air carriers and foreign air carriers subject to the Civil Aeronautics Act of 1918."

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tion for review, if no such petition has been duly filed within such time, or, if a petition for review has been filed within such time then until the transcript of the record in the proceeding has been filed in a circuit court of appeals of the United States, as hereinafter provided, the Commission may at any time, upon such notice and in such manner as it shall deem proper, modify or set aside, in whole or in part, any report or any order made or issued by it under this section. After the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, the Commission may at any time, after notice and opportunity for bearing, ^{been} ~~reopened~~ ^{and} alter, modify, or set aside, in whole or in part, any report or order made or issued for

that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such

evidence, shall be conclusive, and its recommendation, if any, for the modification or setting aside of its original order, with the return of such additional evidence. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari, as provided in section 240 of the Judicial Code.

(d) The jurisdiction of the circuit court of appeals of the United States to affirm, enforce, modify, or set aside orders of the Commission shall be exclusive.

(e) Such proceedings in the circuit court of appeals shall be given precedence over other cases pending therein, and shall be in every way expedited. No order of the Commission or judgment of court to enforce the same shall in any wise relieve or absolve any person, partnership, or corporation from any liability under the Antitrust Acts.

(f) Complaints, orders, and other processes of the Commission under this section may be served by anyone duly authorized by the Commission, either (a) by delivering a copy thereof to the person to be served, or to a member of the partnership to be served, or the president, secretary, or other executive officer or a director of the corporation to be served; or (b) by leaving a copy thereof at the residence or the principal office or place of business of such person, partnership, or corporation; or (c) by registering; and mailing a copy thereof addressed to such person, partnership, or corporation at his or its residence or principal office or place of business. The verified return by the person so serving said complaint, order, or other process setting forth the manner of said service shall be proof of the same, and the return post office receipt for said complaint, order, or other process registered and mailed as aforesaid shall be proof of the service of the same.

(g) An order of the Commission to cease and desist shall become final--

(1) Upon the expiration of the time allowed for filing a petition for review, if no filing the fiesaid

expiration
time provided in section 254 of the Act shall be the time for filing a petition for review of the order of the Commission to cease and desist.
expiration of

appeals shall become final on the expiration

appropriated for the Commission are not to be spent upon any investigation thereafter called for by congressional concurrent resolution “until funds are appropriated subsequently to the enactment of such resolution to finance the cost of such investigation.”

investigate and report the facts relating to any alleged violations of the antitrust Acts by any corporation.

(e) Upon the application of the Attorney General to investigate and make recommendations for the readjustment of the business of any corporation alleged to be violating the antitrust Acts in order that the corporation may thereafter maintain (e)

Any of the district courts of the United States within the jurisdiction of which such inquiry is carried on may, in case of contumacy or refusal to obey a subpoena issued to any corporation or other person, issue an order requiring such corporation or other person to appear before the commission, or to produce documentary evidence if so ordered, or to give evidence touching the matter in question ; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

Upon the application of the Attorney General of the United States, at the request of the commission, the district courts of the United States shall have jurisdiction to issue writs of mandamus commanding any person or corporation to comply with the provisions of this Act or any order of the commission made in pursuance thereof.

The commission may order testimony to be taken by deposition in any proceeding or investigation pending under this Act at any stage of such proceeding or investigation. Such depositions may be taken before any person designated by the commission and having power to administer oaths and to swear.

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the Commission by any of its attorneys designated by it for such purpose may bring suit in a district court of the United States or In the United States court of any Territory, to enjoin the dissemination or the causing of the dissemination of such advertisement. Upon proper showing a temporary injunction or restraining order shall be granted without bond. Any such suit shall be brought in the district in which such person, partnership, or corporation resides or transacts business.

(b) Whenever it appears to the satisfac 2.04 0 Tr9t72 Tw (l(c wml) Tj 0 Tc () Tj TD 0.023 Tc

section 4 of this Act, shall take effect on the expiration of sixty days after the date of the enactment of this Act.

SEC. 15. For the purposes of section 12, 13, and 14--

(a) The term "false advertisement" means an advertisement, other than labeling, which is misleading in a material respect ; and In determining whether any advertisement Is misleading, there shall be taken into account (among other things) not only representations made or suggested by statement, word, design, device, sound, or any combination thereof, but also the extent to which the advertisement fails to reveal facts material in the light of such representations or material with respect to consequences which may result from the use of the commodity to which the advertisement relates under the conditions prescribed in said advertisement or, under such conditions as are customary or usual. No advertisement of a drug shall be deemed to be false If it is disseminated only to members of the medical profession, contains no false representations of a material fact, and includes, or is accompanied in each instance by truthful disclosure of, the formula showing quantitatively each ingredient of such drug.

(b) The term "food" means (1) articles used for food or drink for man or other animals, (2) chewing gum, and (3) articles used for components of any such article.

(c) The term "drug" 'means (1) articles recognized In the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, or any supplement to any of them ; and (2) articles Intended for use In the diagnosis, cure, mitigation, treatment, or prevention of disease In man or other animals ; and (3) articles (other than food) intended to affect the structure or any function of the body of man or other animals ; and (4) articles intended for use as a component of any article specified in clause (1), (2) , or (3); but does not Include devices or their components, parts, or accessories.

(d) The term "device" (except when used In subsection (a) of this section) means instruments, apparatus, and contrivances, including their parts and accessories, intended (1) for use In the diagnosis, cure, mitigation, treatment, or prevention of disease in man or other animals ; or (2) to affect the structure or any function of the body of man or other animals.

(e) The term "cosmetic" means (1) articles to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body or any part thereof intended for cleansing, beautifying, promoting attractiveness, or altering the appearance, and (2) articles intended for use as a component of any such articles ; except that such term shall not include soap.

Sec. 16. Whenever the Federal Trade Commission has reason to believe that any person, partnership, or corporation is liable to a penalty under section 14 or under subsection (1) of section 5, It shall certify the facts to the Attorney General, whose duty it shall be to cause appropriate proceedings to be brought for the enforcement of the provisions of such section or subsection.

SEC. 17. If any provision of this Act, or the application thereof to any person, partnership, corporation, or circumstance, Is held invalid, the remainder of the Act and the application of such provision to any other person, partnership, corporation, or circumstance shall not be affected thereby.

SEC. 18. This Act may be cited as the "Federal Trade Commission Act."

Original act approved September 26, 1914.
Amended act approved March 21, 1938.

OTHER ACTS ADMINISTERED BY THE COMMISSION

In addition to the Federal Trade Commission Act, the Commission also administers section 2 of the Clayton Act (15 U.S. C., sec. 13), as amended by the

Robinson-Patman Anti-discrimination Act, and sections 3, 7, and 8 of the Clayton Act (15 U.S. C., secs. 14, 18, and 19); the Export Trade Act (15 U.S. C., secs. 61-65); the Wool Products Labeling Act (15 U. S. C., sec. 68); and certain sections of the Trade-Mark Act of 1946 (15 U.S. C., secs. 1051-1072, 1091-1096, and 1111-1127).

TYPES OF UNFAIR METHODS AND PRACTICES

TYPICAL METHODS AND PRACTICES CONDEMNED IN ORDERS TO CEASE

AND DESIST

The following list illustrates unfair methods of competition and unfair or deceptive acts and practices condemned by the Commission from time to time in its orders to cease and desist. The list is not limited to orders issued during the fiscal year. Because of space limitation it does not include specific practices outlawed by the Clayton Act and committed to the Commission's jurisdiction, namely, various forms of price discrimination, exclusive and tying-dealing arrangements, competitive stock acquisition, and certain kinds of competitive interlocking directorates.

1. The use of false or misleading advertising concerning, and the misbranding of, commodities, respecting the materials or ingredients of which they are composed, their quality, purity, origin, source, attributes, or properties, or nature of manufacture, and selling them under such name and circumstances as to deceive the public. An important part of these include misrepresentation of the therapeutic and corrective properties of medicinal preparations and devices, and cosmetics, and the false representation, expressly or by failure to disclose their potential harmfulness, that such preparations may be safely used.

2. Describing various symptoms and falsely representing that they indicate the presence of diseases and abnormal conditions which the product advertised will cure or alleviate.

3. Representing products to have been made in the United States when the mechanism or movements, in whole or in important part, are of foreign origin.

4. Bribing buyers or other employees of customers and prospective customers, without employers' knowledge or consent, to obtain or hold patronage.

5. Procuring the business or trade secrets of competitors by espionage, or by bribing their employees, or by similar means.

6. Inducing employees of competitors to violate their contracts and enticing them away in such numbers or under such circumstances as to hamper or embarrass the competitors in the conduct of their business.

7. Making false and disparaging statements respecting competitors' products and business, in some cases under the guise of ostensibly disinterested and specially informed sources or through purported scientific, but in fact misleading, demonstrations or tests.

8. Widespread threats to the trade of suits for patent infringement arising from the

sale by competitors of alleged infringing products, not in good faith, but for the purpose of intimidating the trade and hindering or stifling competition, and claiming, without justification, exclusive rights in public names of unpatented products.

9. Conspiring to maintain uniform selling prices, terms and conditions of sale through the use of a patent-licensing system.

10. Trade boycotts or combinations of traders to prevent certain wholesale or retail dealers or certain classes of such dealers from procuring goods at the same

equipment, or other privileges or advantages.

(b) The use of the “free goods” or service device to create the impression that something is actually being thrown in without charge, when it is fully covered by the amount exacted in the transaction as a whole, or by services to be rendered by the recipient.

(c) Use of misleading trade names calculated to create the impression that a dealer is a producer or importer selling directly to the consumer, with resultant savings.

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associations, or constitutes an institute, or, in effect, that it is altruistic in purpose, giving work to the unemployed.

(h) Falsely claiming that business is bonded, or misrepresenting its age or history, or the demand established for its products, or the selection afforded, or the quality or comparative value of its goods, or the personnel or

staff or personages presently or theretofore associated with such business or the products thereof.

(I) Claiming falsely or misleadingly patent, trade-mark, or other special and exclusive rights.

(j) Granting seals of approval by a magazine to products advertised therein and misrepresenting thereby that such products have been adequately tested, and misrepresenting by other means the quality, performance, and characteristics of such products.

22. Obtaining business through undertakings not carried out and not intended to be carried out, and through deceptive, dishonest, and oppressive devices calculated to entrap and coerce the customer or prospective customer, such practices including--

(a) Misrepresenting that seller fills orders promptly, ships kind of merchandise described, and assigns exclusive territorial rights within definite trade areas to purchasers or prospective purchasers.

(b) Obtaining orders on the basis of samples displayed for customer's selection and failing or refusing to respect such selection thereafter in filling of orders, or promising results impossible of fulfillment, or falsely making promises or holding out guaranties, or the right of return, or results, or refunds, replacements, or reimbursements or special or additional advantages to the prospective purchasers such as extra credit, or furnishing of supplies or advisory assistance ; or falsely assuring the purchaser or prospective purchaser that certain special or exclusively personal favors or advantages are being granted him.

(c) Concealing from prospective purchaser unusual features involved in purchaser's commitment, the result of which will be to require of purchaser further expenditure in order to obtain benefit of commitment and expenditure already made, such as failure to reveal peculiar or nonstandard shape of portrait or photographic enlargement, so as to make securing of frame therefor from sources other than seller difficult and impracticable, if not impossible.

(d) Obtaining by deceit prospective customer's signature to a contract and promissory note represented as simply an order on approval.

(e) Making use of improper and coercive practices as means of exacting additional commitments from purchasers, through such practices as unlawfully withholding from purchaser property of latter lent to seller incident to carrying out of original commitment, such as practice of declining to return original photograph from which enlargement has been made until purchaser has also entered into commitment for frame therefor

(f) Falsely representing earnings or profits of agents, dealers, or purchasers, or the terms or conditions involved, such as false statement that participation by merchant in seller's sales promotion scheme is without cost to merchant, and that territory assigned an agent, representative, or distributor is new or exclusive.

(g) Obtaining agents or representatives to distribute the seller's products through falsely promising to refund the money paid by them should the product prove unsatisfactory, or promising that the agent would be granted right to exclusive or

new territory, would be given assistance by seller, or would be given special credit or furnished supplies, or overstating the amount of his earnings or the opportunities which the employment offers.

(h) Advertising a price for a product as illustrated or described and not including in such price all charges for equipment or accessories illustrated or

described or necessary for use of the product or customarily included as standard equipment, and failing to include all charges not specified as extra.

23. Giving products misleading names so as to give them a value to the purchasing public which they would not otherwise possess, such as names implying falsely that--

(a) The products were made for the Government or in accordance with its specifications and of corresponding quality, or that the advertiser is connected with the Government in some way, or in some way the products have been passed upon, inspected, underwritten, or endorsed by it; or

(b) They are composed in whole or in part of ingredients or materials which in fact are present only to a negligible extent or not at all, or that they have qualities or properties which they do not have; or

(c) They were made in or came from some locality famous for the quality of such products, or are of national reputation; or

(d) They were made by some well and favorably known process; or

(e) They have been inspected, passed, or approved after meeting the tests of some official organization charged with the duty of making such tests expertly and disinterestedly, or giving such approval; or

(f) They were made under conditions or circumstances considered of importance by a substantial part of the general purchasing public; or

(g) They were made in a country, or city, or locality considered of importance in connection with the public taste, preference, or prejudice; or

(h) They have the usual characteristics or value of a product properly so designated, as through use of a common, generic name, such as "paint," to designate a product lacking the necessary ingredients of paint;

(I) They are of greater value, durability, and desirability than is the fact, as labeling rabbit fur as "Beaver"; or

(j) They are designed, sponsored, produced, or approved by the medical profession, health and welfare associations, hospitals, celebrities, educational institutions and authorities, such as the use of letters "M. D."

Approved by the Commission on October 1, 1949. (Approved) Tj 41.04 Oh

qualities, results accomplished, safety, value, and earnings or profits to be had therefrom.

(b) Falsely claiming unique status or advantages, or special merit there-for, on the basis of misleading and ill-founded demonstrations or scientific tests, or pretended widespread tests, or of pretended widespread and critical professional acceptance and use.

(c) Misrepresenting the history or circumstances involved in the making and offer of the products or the source or origin thereof (foreign or domes-

RULES OF PRACTICE¹

RULE I. THE COMMISSION

Offices.--The principal office of the Commission is at Washington, D. C.

All communications to the Commission must be addressed to Federal Trade Commission, Washington 25, D. C., unless otherwise specifically directed.

Branch Offices are maintained at New York, Chicago, San Francisco, Seattle, and New Orleans.

Their addresses are : Federal Trade Commission, Room 501, 45 Broadway, New York , N. Y.; Federal Trade Commission, 1118 New Post Office Building, 433 West Van Buren Street, Chicago 7, Ill.; Federal Trade Commission, Federal Office Building, Room 133, Civic Center, San Francisco 2, Calif.; Federal Trade Commission, 447 Federal Office Building, Seattle 4, Wash.; Federal Trade Commission, Room 652, Federal Office Building, 600 South Street, New Orleans 12, La.

Hours.--Offices are open on each business day from 8: 30 a. m. to 5 p. m.

Sessions.--The Commission may meet and exercise all its powers at any place, and may, by

¹ The rules of practice are published as last amended by the Commission on April 26 and 27 and May 2, 1949, and promulgated through the Federal Register for May 11, 1949, and then effective.

before the Commission, one or more of its members, or a duly designated representative for the purpose of hearing the testimony of witnesses and receiving documents and other data relating to subjects within the investigational jurisdiction of the Commission. Unless otherwise ordered by the Commission, such hearings shall be public. Hearings shall be stenographically reported and a transcript thereof shall be made which shall be a part of the record of the investigation.

Every person required to attend and testify or submit data

When service is not accomplished by registered mail complaints, orders, or other processes of the Commission, and briefs in support of the complaint may be served by anyone duly authorized by the Commission, or by any examiner of the Commission,

(a) By delivering a copy of the document to the person to be served, or to a member of the partnership to be served, or to the president, secretary, or other executive officer or a director of the corporation to be served; or

case respondent shall so state.

Ten (10) copies of answers shall be furnished. The original of all answers shall be signed in ink, by the respondent or by his attorney at law. Corporations or associations shall file answers through a bona fide officer or by an attorney at law. Answers shall show the office and post-office address of the signer.

Failure of the respondent to file answer within the time above provided and failure to appear at the time and place fixed for hearing shall be deemed to

authorize the Commission, without further notice to respondent, to proceed in regular course on the charges set forth in the complaint.

If respondent desires to waive hearing on the allegations of fact set forth in the complaint and not to contest the facts, the answer may consist of a statement that respondent admits all the material allegations of fact charged in the complaint to be true. Such answer will constitute a waiver of any hearing as to the facts alleged in the complaint and the Commission may proceed to make its findings as to the facts and conclusions based upon such answer and enter its order disposing of the matter without any intervening procedure. The respondent may, however, reserve in such answer the right to other intervening procedure, including a hearing upon proposed conclusions of fact or law, in which event he may, in accordance with Rule XXIV, file his brief directed solely to the questions reserved.

Requests for leave to withdraw an answer and file a substitute or amended answer made prior to the appointment of a trial examiner shall be addressed to the Commission, and if made subsequent to such appointment shall be addressed to and ruled upon by the trial examiner subject to the provisions of Rule XX.

Waiver of record disposed conclusions

be allowed except as provided in Rules XVI and XX.

When a motion to dismiss for alleged failure of proof is granted as to the entire complaint, or is granted in part only and an interlocutory appeal under Rule XX is granted by the Commission, a recommended decision thereon shall immediately follow and the appropriate provisions of Rules XXI, XXII, and XXIII shall apply. No appeal may be taken from denial in whole or in part by the trial examiner of a motion to dismiss for alleged failure of proof but exceptions thereto may be presented at the time of final consideration by the Commission of the proceeding upon its merits

All motions prior

a corporation, the originals of said documents

RULE XIII. ADMISSION AS TO FACTS AND DOCUMENTS

At any time after answer has been filed counsel or parties In any controversy may serve upon the opposing side a written request for the admission of the genuineness and authenticity of any relevant documents described in and exhibited with the request or the admission of the truth of any relevant matters of fact set forth in such documents.

Copies of the documents shall be delivered with the request unless copies have already been furnished. Each of the matters on which an admission is so requested shall be deemed admitted unless, within a period designated within the request, not less than ten days after service thereof or within such further time as the Commission or the trial examiner may allow on motion and notice, the party so served serves upon the party making the request, a sworn statement either denying specifically the matters of

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(10) To take any other action authorized by Commission rule consistent with the Administrative Procedure Act.

Trial examiners shall perform no duties inconsistent with their duties and responsibilities as such. Save to the extent required for the disposition of ~~ASA 64002D 0302E; F~~

Trial Trial

shall be made in or upon the official record or copies thereof in the custody of the Commission. Lists of changes agreed to in writing by opposing counsel may be incorporated into the record, if and when approved by the trial examiner, at the close of evidence in support of the complaint, or at the final hearing before the trial examiner, or at any time thereafter before he

files his report, and at no other times. If any changes are ordered by the trial examiner without such written agreement between opposing counsel they shall be subject to objection and exception.

RULE XVI. SUBPOENAS

Subpoenas requiring the attendance of witnesses or the production of documentary evidence from any place in the United States, at any designated place of hearing, may be issued by the presiding trial examiner or a member of the Commission. Application therefor may be made either to the presiding trial examiner or to the Commission.

Application for subpoenas for the production of documentary evidence shall be made in writing to the presiding trial examiner or to the Commission. The application must have reasonable scope and specify as exactly as possible the documents desired, and show their general relevancy. The application shall be verified by oath or affirmation.

An appeal may be taken to the Commission by the parties from the presiding trial examiner's denial of a motion to quash or refusal to issue a subpoena for the production of documentary evidence.

RULE XVII. WITNESSES AND FEES

Witnesses at formal hearings shall be examined orally. Witnesses summoned in support of the complaint shall be paid the same fees and mileage as are paid witnesses in the courts of the United States.

Witnesses whose depositions are taken, and the persons taking such depositions, shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

Witness fees and mileage, and fees for depositions, shall be paid by the party at whose instance witnesses appear.

RULE XVIII. EVIDENCE

In general.--Counsel supporting the complaint shall have the general burden of proof and the proponent of any factual proposition shall be required to sustain the burden of proof with reference thereto. The trial examiner, subject to appeal to the Commission as provided in Rule XX, shall admit relevant, material and competent evidence, but shall exclude irrelevant, immaterial and unduly repetitious evidence.

Documentary.--Where relevant and material matter offered in evidence is embraced in a document containing other matter not material or relevant and not intended to be put in evidence, such immaterial or irrelevant parts shall be excluded, and shall be segregated insofar as practicable.

Official notices of facts.--Where any recommended decision of the trial examiner or any decision of the Commission, or part thereof, rests upon the taking of official notice of a material fact not appearing in the evidence in the record, any party shall, upon timely motion, be afforded an opportunity to show the contrary.

Objections.--Objections to evidence shall be in short form, stating the grounds relied upon, and the transcript shall not include argument or debate thereon except as ordered by the presiding officer. Rulings on such objections shall appear in the record.

At the close of the reception of evidence before the trial examiner in all formal proceedings, or within a reasonable time thereafter to be fixed by the trial examiner, parties may file for consideration by the trial examiner their proposed findings and conclusions, together with their reasons therefor. Such proposals shall be in writing and shall contain exact references to the record and

XXIII. EXCEPTIONS

shall become part of the record.

A copy of such exceptions shall forthwith be furnished the trial examiner and a copy served upon each of the parties and counsel who were served with a copy of the trial examiner's recommended decision.

If exceptions are to be argued, they shall be argued at the time of final argument upon the merits, except as otherwise provided in Rule XX.

RULE XXIV. BRIEFS AND ORAL ARGUMENTS BEFORE THE COMMISSION

A. QUESTIONS FOR PRESENTATION

Questions which may be presented for consideration and decision by the *Commission* on final hearing include the following :

(1) Whether the findings and conclusions recommended by the trial examiner are relevant and material to the issues and are supported by reliable, probative, and substantial evidence and by the greater weight of the evidence;

(2) Whether additional findings and conclusions, not recommended by the trial examiner, should be made either with or without sending the case back to the trial examiner for the reception of further evidence;

(3) Whether the trial examiner was justified in having taken official notice of any fact and whether the Commission should take official notice of any other fact;

(4) Whether due process was observed and whether there was any prejudicial irregularity in procedure or prejudicial error in the rulings of the trial examiner;

(5) Whether the facts show a violation of law amenable to redress by the Commission and what conclusions of law are justified and requisite in the premises; and

(6) Whether an order to cease and desist, an order of dismissal, or other order, should be entered and issued, and the substance and form thereof.

B. BRIEFS

Filing.--Any party to a proceeding may file a brief in support of his contentions within the time limits fixed by these rules.

Briefs not filed on or before the time fixed in the rules will be received only by special permission of the Commission.

Time.--Opening brief shall be filed by the attorney supporting the complaint within twenty (20) days after service upon him of a copy of the recommended decision of the trial examiner.

Brief on behalf of respondent shall be filed within twenty (20) days after service upon respondent or respondent's attorney of copy of brief in support of the complaint.

Where respondent shall have filed an answer admitting all material allegations of fact, the time so limited shall begin to run at the time of filing such answer.

In the event permission is granted for filing reply brief in support of the complaint, it shall be filed within ten (10) days after filing of brief on behalf of respondent. No further brief on behalf of respondent shall be filed.

Number.--Twenty (20) copies of each brief shall be filed. *Contents.*--Briefs, except

the reply brief in support of the complaint, shall contain, in the following order :

(a) A concise abstract or statement of the case.

(b) A brief of the argument, exhibiting a clear statement of the points of fact or law to be discussed, with references to the pages of the record and the authorities relied upon in support of each point.

The exceptions, if any, to the recommended decision of the trial examiner may also be included in the brief.

Index--Briefs comprising more than ten (10) pages shall contain on their top flyleaves a subject index with page references. The subject index shall be supplemented by an alphabetical list of all cases referred to, with references to pages where references are cited.

Form--*Briefs* shall be printed, multigraphed, or otherwise neatly processed on -good unglazed white paper in type not smaller than ten (10) point double leaded, citations and quotations single leaded; footnotes not less than eight (8) point single leaded. Type page shall not be more than twenty-nine (29) picas wide by approximately forty-eight (48) picas deep and trimmed page shall be seven (7) Inches by ten (10) inches, with an inside margin of not less than one (1) inch.

Length--Unless leave be granted, briefs shall not exceed seventy-five (75) printed pages.

Signing--At least one copy of each brief shall be signed in ink, by the respondent or his duly authorized attorney, as prescribed in Rule XII.

C. ORAL ARGUMENTS

Oral arguments before the Commission shall be had as ordered, on written application of the Chief Trial Counsel of the Commission, or of the respondent, or of attorney for respondent, filed within fifteen (15) days after filing of brief on behalf of respondent.

Oral arguments before the Commission shall be reported stenographically unless~otherwise ordered by the Commission.

RULE XXV. COMMISSION'S ADJUDICATION

Upon submittal of a case to the Commission for final decision on the merits of the case, the Commission will consider the whole case as presented. FILED IN CLERK'S OFFICE OF THE COMMISSION ON JUNE 14, 1960. 10:23 AM '60. 0028984(B)

In every case where an order to cease and desist is issued by the Commission for the purpose of preventing violations of law and in every Instance where the Commission approves and accepts a stipulation in which a party agrees to cease and desist from the unlawful methods, acts, or practices Involved, the respondents named in such orders and the parties so stipulating shall file with the

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Commission, within sixty days of the the

establishment, by the Commission, of trade practice rules in the interest of industry and the purchasing public. This procedure affords opportunity for voluntary participation by industry groups or other interested parties in the formulation of rules to provide for elimination or prevention of unfair methods of competition, unfair or deceptive acts or practices, and other illegal trade

correspondence, exhibits, and information of whatever nature, other than the documentary matters above described, coming into the possession or within the knowledge of the Commission or any of Its officers or employees in the

discharge of their official duties, are confidential, and none of such material or information may be disclosed, divulged, or produced for inspection or copying except under the following circumstances :

Upon good cause shown, the Commission may by order direct that certain records, files, papers, or information be disclosed to a particular applicant.

(a) Application by a member of the public for such disclosure shall be In writing, under oath, setting forth (1) the interest of the applicant in the subject matter; (2) a description of the specific information, files, documents, or other material inspection of which is requested; (3) whether copies are desired; and (4) the purpose for which the information or material, or copies, will be used if the application is granted. Upon receipt of such an application the Commission will take action thereon, having due regard to statutory restrictions, its rules of practice, and the public interest.

(b) In the event that confidential material is desired for inspection, copying, or use by some agency of the Federal or a State Government, a request therefor may be made by the administrative head of such agency. Such request shall be in writing, and shall describe the information or material desired, its relevancy to the work and function of such agency and, if the production of documents or records or the taking of copies thereof is asked, the use which, is Intended to be made of them. The Commission will consider and act upon such requests, having due regard to statutory restrictions, its rules of practice, and the public interest.

In cases in which an officer or employee of the Commission has been lawfully served with a subpoena duces tecum, material designated herein as confidential shall be produced only when and as authorized by the Commission. Service of such subpoena shall immediately be reported to the Commission with a statement of all relevant facts. The Commission will thereupon enter such order or give such instructions as it shall deem advisable in the premises. If the officer or employee so served has not received instructions from the Commission prior to the return date of the subpoena, he shall appear in response thereto and respectfully decline to produce the documents or records subpoenaed (pointing out that he is not permitted to do so under this rule, and request a continuance pending action by or instructions from the Commission. If, notwithstanding, the court or other body orders the production of any of the material subpoenaed, the officer or employee shall immediately report the facts to the Commission.

RULE XXX. PROCEDURE FOR ESTABLISHING QUANTITY LIMITS

A. HOW INITIATED

Proceedings for the establishment of a quantity limit rule are initiated by resolution of the Commission either upon its own motion or pursuant to petition therefor.

B. PETITION FOR ESTABLISHMENT, AMENDMENT, OR REPEAL OF A QUANTITY-LIMIT RULE

Any interested party may at any time file with the Commission, in writing, a request

or petition for the establishment of a quantity-limit rule for any commodity or class of commodities, or for the revision or repeal of a previously established rule. Such petition shall state the petitioner's interest and such relevant facts, documented if possible, as may tend to show the need for the action requested.

C. INVESTIGATION

If the Commission believes that consideration should be given to the fixing or establishing of quantity limits for a particular commodity or class of commodities, it shall initiate

(1) *Formulation of proposed rule.*--When, after due consideration of the facts and information so obtained, it shall appear to the Commission that available purchasers in greater quantities are so few as to render differentials on account thereof unjustly discriminatory or promotive of monopoly in any line of commerce, it shall formulate a proposed quantity-limit rule.

(2) *Publication of proposed rule.*--The proposed quantity-limit rule shall be published in the Federal Register and otherwise, to the extent practicable, made available to interested parties, and the notice thereof shall include the following :

(a) The rule, amended rule, or repeal proposed;

(b) A statement of the purpose to be accomplished by the proposed rule, together with a reference to the authority under which the rule is proposed and the ultimate matters of fact in support thereof;

(c) A statement of the time within which any interested person may present to the Commission in writing, in accordance with paragraph (D) (3) (a) of this section, any data, views or argument concerning the proposed rule and within which time to present, if desired, a request for opportunity to be heard orally thereon.

(3) *Method of presenting views, data, and argument*--(a) *Written data*--Seven copies of such written views, data, and argument shall be submitted to the Commission, and shall conform to the requirements

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petition, the Commission will take such action with respect thereto as it deems appropriate and duly inform petitioner thereof.

When, pursuant to a petition therefor, or upon its own motion, the Commission proposes to issue a substantive rule or amend or repeal such a rule, notice thereof and further rule-making procedure will be in conformity with the provisions of Section 4 of the Administrative Procedure Act.

This rule is not applicable to matters provided for under Rules XXVIII and XXX.

STATEMENT OF POLICY¹

STATUS OF APPLICANT OR COMPLAINANT

The so-called “applicant” or complaining party has never been regarded as a party in the strict sense. The Commission acts only in the public interest. It has always been and now is the rule not to publish or divulge the name of an applicant or complaining party, and such party has no legal status before the Commission except where allowed to intervene as provided by the statute.

POLICY AS TO PRIVATE CONTROVERSIES

It is the policy of the Commission not to institute proceedings against alleged unfair methods of competition or unfair or deceptive acts or practices where the alleged violation of law is a private controversy redressable in the courts, except where said practices tend to affect the public. In cases where the alleged injury is one to a competitor only and is redressable in the courts by an action by the aggrieved competitor and the interest of the public is not involved, the proceeding will not be entertained.

SETTLEMENT OF CASES BY TRADE PRACTICE CONFERENCE AND STIPULATION AGREEMENTS

Upon the promulgation of trade practice conference rules for an industry, an examination will be made of all charges of law violations by members of that industry then pending before the Commission which have not reached the formal stage through the issuance of complaint. In those instances in which the pending charges are adequately covered by the trade practice conference rules, and which are not excluded by the exceptions hereinafter stated, the Commission will consider the advisability of closing the matters without prejudice to reopening whenever that action appears to be warranted. In such instances consideration will be given to whether or not a proposed respondent has subscribed to the trade practice conference rules for his industry, to whether or not there is adequate reason to believe that he is in fact complying with such rules and will continue to do so, and to whether or not the public interest or the applicable statute requires any further proceedings.

Upon the promulgation of trade practice conference rules for an industry, formal complaints which have not then been adjudicated and in which the charges are adequately covered by such rules, and which are not excluded by the exceptions hereinafter stated, may be brought directly before the Commission on motion to suspend without prejudice to the Commission’s right to resume

1 The statement of policy which follows with the exception of “Cooperation With Other Agencies” is published as amended and added to on August 19, 1947, and promulgated through the Federal Register for August 29, 1947.

For exception referred to see footnote on p.117.

the proceeding. In considering such motions the Commission will be guided by factors similar to those outlined above with respect to informal matters.

Whenever the Commission shall have reason to believe that any person has been or is using unfair methods of competition or unfair or deceptive acts or practices in commerce, and that the interest of the public will be served by so doing, it may, in instances which are not excluded by the exceptions hereinafter stated, withhold service of complaint and extend to the person opportunity to execute a stipulation satisfactory to the Commission, in which the person, after admitting the material facts, promises and agrees to cease and desist from and not to resume such unfair methods of competition or unfair or deceptive acts or practices. All such stipulations shall be matters of public record, and shall be admissible as evidence of prior use of the unfair methods of competition or unfair or deceptive acts or practices involved in any subsequent proceeding against such person before the Commission.

It is the policy of the Commission to utilize the trade practice conference and stipulation procedures to encourage widespread observance of the law by enlisting the cooperation of members of industries and informing them more fully of the requirements of the law, so that wherever consistently possible the Commission 591810 115 Page 0

is necessary, after the promulgation of trade practice conference rules, to determine

the effectiveness of its corrective processes. To this end the Commission has formulated a statement of policy concerning the scope and effect of its trade practice conference procedure insofar as it may affect the settlement of pending matters before it, and it has reappraised its policy with respect to the settlement of cases by stipulation agreements.

For many years the Commission has sought to encourage voluntary compliance with the laws which it administers. It has utilized individual stipulation agreements and conferences with whole industries and has otherwise cooperated with businessmen to inform and guide them with respect to the scope and meaning of the laws within its jurisdiction. A cooperative procedure similar to trade practice conferences was first used by the Commission in about 1919; the Trade Practice Conference Division was established in 1926; and the present active list of trade practice conference rules covers about 160 industries.

It has long been the Commission's practice in certain instances where proper circumstances are present to dispose of pending matters upon acceptance by the affected parties of trade practice rules for their industry covering the charges in such matters. This practice was specifically limited in 1936 when the Commission determined that whenever an app cs

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effective action. It should invite only those who desire in good faith to correct unlawful practices on a cooperative and voluntary basis. The object of the Commission is to correct--not to punish. But there must be a reasonable assurance that any cooperative procedure will be effective and provide full freedom to institute such further proceedings as are or may become necessary in the public interest.

STATEMENT OF POLICY

INVESTIGATIONS BY THE COMMISSION, 1915-49

Since its establishment in 1915, the Federal Trade Commission has conducted numerous general inquiries which are alphabetically listed and briefly described in the following pages.¹ They were made at the request of the President, the Congress, the Attorney General, Government agencies, or on motion of the Commission pursuant to the Federal Trade Commission Act.

Reports on these inquiries in many instances have been published as Senate or House documents or as Commission publications. Printed documents, unless indicated as being out of print,² may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D. C. Processed publications are available without charge from the Federal Trade Commission while the supply lasts.

Agencies initiating or requesting investigations are indicated in parentheses in the headings below.

Accounting Systems (F. T. C.).--Pointing the way to a general improvement in accounting practices, the Commission, published *Fundamentals of a Cost System for Manufacturers* (H. Doc. 1356, 64th, 31 p., 0. p., 7/1/16) and *A System or Accounts for Retail Merchants* (19 p., 0. p., 7/15/16).

Accounting Systems.--See Distribution Cost Accounting.

Advertising as a Factor in Distribution.--See Distribution Methods and Costs.

Agricultural Implements.--See Farm Implements and Distribution Methods and Costs.

Agricultural Implements and Machinery (Congress).³--Prices of farm products reached record lows in 1932 but prices of many farm implements, machines, and repair parts maintained high levels resulting in widespread complaints in the next few years. The Commission investigated the situation (Public Res. 130, 74th, 6/24/36) and, following submission of its report, *Agricultural Implement and Machinery Industry* (H. Doc. 702, 75th, 1,176 p., 6/6/38), the industry made substantial price reductions. The report criticized certain competitive practices on the part of the dominant companies which the companies later promised to remedy. It showed, among other things, that a few major companies had maintained a concentration of control which resulted in large part from their acquisition of the capital stock or assets of competitors prior to enactment of the Clayton Antitrust Act in 1914 and thereafter from their purchase of assets of competitors rather than capital stock.⁴ (See also under Farm Implements and Independent Harvester Co.)

¹ The wartime cost-finding inquiries, 1917-1918 (p. 135), include approximately 870 separate investigations.

² Documents out of print (designated "o. p.") are available in depository libraries.

³ Inquiries desired by either House of Congress are now undertaken by the Commission as a result of concurrent resolutions of both Houses. For further explanation, see footnote on p.84.

⁴ F. T. C. recommendations that section 7 of the Clayton Act be amended to declare unlawful the acquisition of corporate assets under the same conditions that acquisition of corporate stock has been unlawful since 1914, are discussed in *Chain Stores--Final Report*

Agricultural Income (Congress).--Investigating a decline in agricultural income and increases or decreases in the income of corporations manufacturing and distributing wheat, cotton, tobacco, livestock, milk, and potato products (Public Res. 61, 74th, 8/27/35), and table and juice grapes, fresh fruits and vegetable (Public Res. 112, 74th, 6/20/36), the Commission made recommendations concerning, among other things, the marketing of commodities covered by the inquiry : corporate consolidations and mergers; 5 unbalanced agricultural-industrial relations; cooperative associations; production financing; transportation; and terminal markets. Its recommendations for improvement of the Perishable Agricultural Commodities Act were adopted by Congress in amending that act (Public, 328, 75th) In 1937. [*Report of the F. T. C. on Agricultural Income Inquiry, Part I, Principal Farm Products*, 1,134 p., 3/2/37 (summary, conclusions, and recommendations, S. Doc. 54, 75th, 40 p.); *Part II, Fruits, Vegetables, and Grapes*, 906 p. 6/10/37; *Part III, Supplementary Report*, 154 p., 11/8/37; and interim reports of 12/26/35 (H. Doc. 380, 74th, 6 p.), and 2/1/37 (S. Doc. 17, 75th, 16 p.).]

Agricultural Prices.--See Price Deflation.

Aluminum Foundries (W. P. B.), Wartime, 1942-43.--Details were obtained for the War Production Board, at its request, from aluminum foundries throughout the U.S. covering their operations for May 1942 and their compliance with W. P. B. Supplementary Orders m-1-d, M-1-c, and M--1--f.

Antifreeze Solutions, Manufacturers of (W. P. B.), Wartime, 1943-44.--War Production Board Order L-258 of 1/20/43 prohibited production of salt and petroleum-base antifreeze solutions. While production of these products had ceased, great quantities were reported to be still in the hands of producers and distributors. To enable W. P. B. to determine what further action should be taken to protect essential automotive equipment from these solutions, it requested the Commission to locate

on the Chain Store Investigation (S. Doc. 4, 74th, 12/14/34), p. 96; *Summary Report on Conditions With Respect to the Sale and Distribution of Milk and Dairy Products* (H. Doc. 94, 75th, 1/4/37), p.38; *Report of the F. T. C. on Agricultural Income Inquiry, Part I* (3/2/37), p. 20; *Agricultural Implement and Machinery Industry* (H. Doc. 702, 75th, 6/6/39), p.1038; *The Present Trend of Corporate Mergers* (3/7/47); *The Merger Movement A Summary Report* (1948); and F. T. C. Annual Reports : 1938, pp.19 and 29; 1939, p.14; 1940, p.12; 1941, p. 19; 1942, p.9; 1943, p.9; 1944, p. 7; 1945, p.8; 1946, p.12; 1947, p.12; and 1948, p.11.

⁵ See footnote 4, p.118.

Resulting cost and price reports are believed to have substantially benefited the consumer. Among the published reports were : *Anthracite Coal Prices*, preliminary (S. Doc. 1-9, 65th, 4 p., 0. p., 5/4/17); *Preliminary Report by the F. T. C. on the Production and Distribution of Bituminous Coal* (H. Doc. 152, 65th, 8 p., 0. p., 5/19/17); *Anthracite and Bituminous Coal Situation*, summary (H. Doc. 193, 65th, 29 p., 0. p., 6/19/17); and *Anthracite and Bituminous Coal*

⁶Basing-point systems are also discussed In the published reports listed herein under “Price Bases,” “Steel Code,” and “Steel Sheet Piling.” ⁷ See footnote 4, p.118.

(S. Doc. 50, 65th, 420 p., 0. p., 6/19/17) --pursuant to S. Res. 217, 64th 6/22/16; H. Res. 352, 64th, 8/18/16, and S. Res. 51, 65th, 5/1/17; *Washington, D. C., Retail Coal Situation* (5 p., release, processed, 0. p., 8/11/17)-pursuant to F. T. C. motion; *Investment and Profit in Soft-Coal Mining* (two parts, 5/31/22 and 7/6/22, 218 p., 0. p., 5. Doc. 207, 65th)--pursuant to F. T. C. motion; and *Report of the F. T. C. on Premium Prices of Anthracite* (97 p., 0. P., 7/6/25)-pursuant to F. T. C. motion.

Coal, Cost of Production (F. T. C.), Wartime, 1917-18.--President Wilson fixed coal prices by Executive order under the Lever Act (1917) on the basis of information furnished by the Commission. For use of the U.S. Fuel Administration in continuing price control, the Commission compiled monthly cost production reports, collecting cost records for 1917-18 for about 99 percent of the anthracite and 95 percent of the bituminous coal production (*Cost Reports of the F. T. C.--Coal*, 6/30/19, summarized for principal coal-producing States or regions : (1) Pennsylvania, bituminous, 103 p., 0. p.; (2) Pennsylvania, anthracite, 145 p., 0. p.; (3) Illinois, bituminous, 127 p.; (4) Alabama, Tennessee, and Kentucky, bituminous, 210 p.; (5) Ohio, Indiana, and Michigan, bituminous, 288 p., o. p.; (6) Maryland, West Virginia, and Virginia, bituminous, 286 p., o. p.; and (7) trans-Mississippi States, bituminous, 459 p., o. p.).

Coal, Current Monthly Reports (F. T. C.).--The Commission (December 1919) initiated a system of current monthly returns from the soft coal industry similar to those compiled during the World War, 1917-18 (*Coal--Monthly Reports on Cost of Production*, 4/20/20 to 1-0/30/20, Nos. 1 to 6, and two quarterly reports with revised costs, 8/25/20 and 12/6/20, processed, o. p.). An injunction to prevent the calling for

Contractors, Prime, Forward Buying Practices of (W. P. B.), Wartime, 1942-43.--The matter of procurement, use, and inventory stocks of critical materials involved in the operation of major plants devoting their efforts to war production was inquired into for the information of the War Production Board. Items such as accounting, inventory, control, purchase, practices, etc., formed a part of the inquiry.

Cooperation in American Export Trade.--See Foreign Trade.

Cooperation in Foreign Countries- (F. T. C.)--Inquiries made by the Commission regarding the cooperative movement in 15 European countries resulted in a report, *Cooperation in Foreign Countries* (S. Doc. 171, 68th, 202 p., o. p., 11/29/24), recommending further development of cooperation in the U.S.

Cooperative Marketing (Senate).--This inquiry (S. Res. 34, 69th, 3/17/25) covered the development of the cooperative movement in the U.S. and illegal interferences with the formation and operation of cooperatives; and a comparative study of costs, prices, and marketing methods (*Cooperative Marketing*, S. Doc. 95, 70th, 721 p., o. p., 4/30/28).

Copper.--See Wartime Cost Finding, 1917-18.

Copper Base Alloy Ingot Makers (W. P. B.), Wartime, 1942-43.--This investigation- was designed to ascertain the operations, shipments, and inventories of copper, copper alloys, copper scrap, and copper base alloy ingot makers and was conducted for the purpose of determining the extent to which they were complying with governing W. P. B. Preference and Conservation Orders M--9--a and b, and M-9-c.

Copper Industry (F. T. C.).--The Commission's report on *The Copper Industry*, transmitted to Congress (3/11/47), was in two parts: *Part I--The Copper Industry of the United States and International Copper Cartels*, and *Part II--Concentration and Control By the Three Dominant Companies*. The Commission reported that "The copper situation is particularly serious, not only because of the concentration of control of the ore reserves and of the productive capacity, but also because the domestic supply is inadequate to meet the demands of high level national production and employment of the capacity, of which the capacity of the industry is only 25 per cent of the total capacity of the world." (S. Doc. 102, 70th, 102 p., 11/29/24)

Foods (President), Wartime, 1917-18, herein.] Proceedings of the conference were published (*High Cost of Living*, 119 p., o. p.).

Cost of Living (President).--President Roosevelt, in a published letter (11/16/37), requested the Commission to investigate living costs. The Commission (11/20/37) adopted a resolution undertaking the Inquiry and a few months thereafter submitted a confidential report to the President.

Costume Jewelry, Manufacturers of (W. P. B.), Wartime, 1943-44.--Because it appeared that vast quantities of critical metals were being diverted illegally from war use to the manufacture of costume jewelry and similar items, the War Production Board requested the Commission to investigate 45 manufacturers to ascertain the facts concerning their compliance with W. P. B. Orders M-9-a, M-9-b, M-9-c, M-9-c-2, M-43, M-38, M-11, M-11-b, M-126, L-81, L-131, and L-131-a, all as amended.

Cotton Industry.--See Textiles.

Cottonseed Industry (House).--Investigating alleged price fixing (H. Res. 439, 69th, 3/2/27), the Commission reported evidence of cooperation among State associations but no indication that cottonseed crushers or refiners had fixed prices in violation of the antitrust laws (*Cottonseed Industry* H. Doc. 193, 70th, 37 p., 3/5/28).

Cottonseed Industry (Senate) --Two resolutions (S. Res. 136, 10/21/29, and S. Res. 147, 11/2/29--71st) directed the Commission to determine whether alleged unlawful combinations of cottonseed oil mill corporations sought to lower and fix prices of cottonseed and to sell cottonseed meal at a fixed price under boycott threat; and whether such corporations acquired control of cotton gins to destroy competitive markets and depress or control prices paid to seed producers (*Investigation of the Cottonseed industry*, preliminary report, 5. Doc. 91, 71st, 4 p., o. p., 2/28/30, and final report, 207 p., with 11 vols. testimony, 5. Doc. 209, 71st, 5/19/33).

Distribution Cost Accounting (F. T. C.).--To provide a guide for current legislation and determine ways for improving accounting methods, the Commission studied distribution cost accounting in connection with selling, warehousing, handling, delivery, credit and collection (*Case Studies in Distribution Cost Accounting for Manufacturing and Wholesaling*, H. Doc. 287, 77th, 215 p., o. p., 6/23/41).

Distribution.--See Millinery Distribution.

Distribution Methods and Costs (F. T. C.).--This inquiry into methods and costs of distributing important consumer commodities (F. T. C. E4. Tc (into) Tj 17c () Tj 51.56

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Profits (6/18/45, 58 p.); *Part VII, Cost of Production and Distribution of Fish in the Great Lakes Area* (6/30/45, 59 p.); *Part VIII, Cost of Production and Distribution of Fish in New England* (6/30/45, 118 p.); and *Part IX, Cost of Production and Distribution of Fish on the Pacific Coast* (7/25/46, 82 p.). The inquiries relating to fish were conducted in coopera-

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tion with the Coordinator of Fisheries, Interior Dept. During World War II special reports on the distribution of some 20 commodity groups were made for confidential use of the Office of Price Administration and other war agencies.

Du Pont Investments (F. T. C.).--The *Report of the F. T. C. on Du Pont Investments* (F. T. C. motion 7/29/27; report, 46 p., processed, 2/1/29) discussed reported acquisition by E. I. du Pont de Nemours & Co. of U.S. Steel Corp. stock, together with previously reported holdings in General Motors Corp.

Electric and Gas Utilities, and Electric Power.--See Power.

Electric Lamp Manufacturers (W. P. B.), Wartime, 1942--43.--At the direction of the War Production Board, an investigation was made of the activities of manufacturers of portable electric lamps whose operations were subject to the restrictions imposed by W. P. B Limitation and Conservation Orders L-33 and m--9--c.

Electrical Household Appliances.--See Distribution Methods and Costs.

Farm Implements (Senate), Wartime, 1917-18.--The *Report of the F. T. C. on the Causes of High Prices of Farm Implements* (inquiry under S Res. 223, 65th, 543/18; report, 713 p., o. p., 5/4/20) disclosed numerous trade combinations for advancing prices and declared the consent decree for dissolution of International Harvester Co. to be inadequate. The Commission recommended revision of the decree and the Department of Justice proceeded to that end.

Farm Implements (F. T. C.).--A 1948 report on the *Manufacture and Distribution of Farm Implements* (160 p., also 8 p. processed summary) concerns the production and distribution policies of large manufacturers of farm machinery. The report includes information respecting important developments and trends in the industry.

Feeds, Commercial (Senate).--Seeking to determine whether purported combinations in restraint of trade existed (S. Res. 140, 66th, 7/31/19), the Commission found that although some association activities were in restraint of trade, there were no substantial antitrust violations (*Report of the F. T. C. on Commercial Feeds*, 206 p., o. p., 3/29/21.

Fertilizer (Senate) --Begun by the Commissioner of Corporations (S. Res. 487, 62d, 3/1/13), this inquiry disclosed extensive use of bogus independent fertilizer companies for competitive purposes (*Fertilizer Industry*, S TD 0.0h5 Tc (activities) Tj 44i2 TD 0 T

of 24 companies producing sulphuric acid, superphosphate, and mixed fertilizer. One of the principal requirements of the inquiry was to obtain information concerning costs, prices, and profits for 103 separate formulas of popular-selling fertilizers during 1941 and 1942.

§ The Commission was created September 26, 1914, upon passage of the Federal Trade Commission Act, sec. 3 of which provided that “all pending investigations and proceedings of the Bureau of Corporations (of the Department of Commerce) shall be continued by the Commission.”

Fertilizer (F. T. C.).--The Commission's 1949 report on *The Fertilizer Industry* (100 p.) is concerned primarily with restrictions and wastes which interfere with the supply of plant food materials in the quantities needed and at prices low enough to facilitate maintenance of soil fertility. The Nation's resources of nitrogen, phosphate, and potash are discussed, and the inter-relationships of producers and mixers are reviewed. The report also summarizes available information concerning cartel control of nitrogen, phosphates, and potash. A summary of the report appears at p.18.

Fish.--See 4 0 TD -0.000s 18Tj 2.4 0 TD 0 Method

Food (President) Continued--Grain Trade.--Covering the industry from country elevator to central market, the *Report of the F. T. C. on the Grain Trade* was published in seven parts : I. *Country Grain Marketing* (9/15/20, 350 p., o. p.); II. *Terminal Grain Markets and Exchanges* (9/15/20, 333 p., o. p.); III. *Terminal Grain Marketing* (12/21/21, 332 p., o. p.); IV. *Middlemen's Profits and Margins* (9/26/23, 215 p., o. p.); V. *Future Trading Operations in Grain* (9/15/20 347 p., o. p.); VI. *Prices of Grain and Grain Futures* (9/10/24, 374 p., o. p.); and

⁹ The legal history of the consent decree and a summary of divergent economic Interests involved in the question of packers participation In unrelated lines of food products were set forth by the Commission In *Packer Consent Decree* (S. Doc. 219, 68th, 44 p., o. p., 2/20/25), prepared pursuant to S. Res. 278, 68th, 12/8/24.

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VII. *Effects of Future Trading* (6/25/26, 419 p., o. p.). The investigation as reported in vol. V, and testimony by members of the Commission's staff (*U. S. Congress House Committee on Agriculture, Future Trading*, hearings, 67th, April 25-May 2, 1921) was an important factor in enactment of the Grain Futures Act (1921). (Further reference to the grain trade is made under Grain Elevators, Grain Exporters, and Grain Wheat Prices, pp.125-126.)

Food (President) Continued--Bakeries and Flour Milling.--One F. T. C. report was published by the Food Administration (*U. S. Food Administration, Report*)

Food--Biscuits and Crackers (O. P. A.), Wartime, 1942-43.--As requested by the Office of Price Administration, the Commission investigated costs and profits in the biscuit and cracker manufacturing industry and submitted its report to that agency 3/25/43. The survey of 43 plants operated by 25 companies showed, among other things, that costs were lower and profits higher for the larger companies than for the smaller ones.

Food--Bread Baking (O. E. S.), Wartime, 1942-43.--This investigation was requested (10/23/42) by the Director of the Office of Economic Stabilization and was conducted to determine what economies could be made in the bread-baking industry so as to remove the need for a subsidy for wheat, to prevent an increase in bread prices, or to lower the price of bread to consumers. Essential information on more than 600 representative bakeries' practices, costs, prices, and profits was developed and reported to O. E. S. (12/29/42). The report also was furnished to the Secretary of Agriculture and special data gathered in the inquiry were tabulated for O. P. A.

Food--Bread Baking (O. P. A.), Wartime, 1941-42.--In the interest of the low-income consumer, for whom it was deemed necessary the price of bread should be held at a minimum, the Commission investigated costs, prices, and profits of 60 representative bread-baking companies, conveying its findings to O. P. A. (Jan. 1942) in an unpublished report.

Food--Bread and Flour (Senate) --Reports on this inquiry (S. Res. 163, 68th, 2/26/24) were: *Competitive Conditions in Flour Milling* (S. Doc. 97, 70th, 140 p., o. p., 5/3/26); *Bakery Combines and Profits* (S. Doc. 212, 69th, 95 p., 2/11/27); *Competition and Profits in Bread and Flour* (S. Doc. 98, 70th, 509 p., o. p.,

¹⁰ In connection with its wartime cost finding inquiries. 1917-18, p.140 herein, the Commission published *Report of the F. T. C. on Canned Foods 1918--Corn, Peas, String Beans, Tomatoes, and Salmon* (86 p., 11/21/21).

1/11/28); and *Conditions in the Flour Milling Business, supplementary* (S. Doc. 96, 72d, 26 p., o. p., 5/28/32).

Food--Wholesale Baking Industry (F. T. C.).--This inquiry (F. T. C. Res., 8/31/45) resulted in two reports to Congress : *Wholesale Baking Industry, Part I--Waste in the Distribution of Bread* (4/22/46, processed, 29 p.) and *Wholesale Baking Industry, Part II--Costs, Prices and Profits* (8/7/46, 137 p.). *Part I* developed facts concerning wasteful and uneconomic practices in the distribution of bread, including consignment selling which involves the taking back of unsold bread; furnishing, by gift or loan, bread racks, stands, fixtures, etc., to induce distributors to handle a given company's products. It was found that,

although War Food Order No. 1 which prohibited these practices was only partially observed, in 1945 as compared with 1942, the quantity of bread saved was sufficient to supply the population of England, Scotland, and Wales with a daily ration of one-third of a loaf for 30 days, the population of France for 36 days, or the population of Finland for nearly 1 year. The ~~U.S. War Food Administration~~ ^{U.S. War Relocation Authority} ~~has stated~~ ^{has stated} that "a careful examination of present ~~laws~~ ^{laws} made by the legislative ~~9.96 0 TD 0~~ ^{th 27 sh}

Food--Grain Exporters (Senate) .--The low prices of export wheat in 1921 gave rise to this inquiry (S. Res. 133, 67th, 12/22/21) concerning harmful speculative price manipulations on the grain exchanges and alleged conspiracies among country grain buyers to agree on maximum purchasing prices. The Commission recommended stricter supervision of exchanges and additional storage facilities for grain not controlled by grain dealers (*Report of the F. T. C. on Methods and Operations of Grain Exporters*, 2 vols., 387 p., o. p., 5/16/22 and 6/18/23).

Food--Grain, Wheat Prices (President).--An extraordinary decline of wheat prices was investigated (President Wilson's directive 10/12/20) and found to be due chiefly to abnormal market conditions (*Report of the F. T. C. on Wheat Prices for the 1920 Crop*, 91 p., o. p., 12/13/20).

Food--Important Food Products.--See Distribution Methods and Costs.

Food--Meat Packing Profit Limitation (Senate), Wartime, 1917-18.--Following an inquiry (S. Res. 177, 66th, 9/3/19) involving wartime control of this business as established by the U.S. Food Administration in 1917-18, the Commission recommended greater control and lower maximum profits (*Maximum Profit Limitation on Meat Packing Industry*, S. Doc. 110, 66th, 179 p., o. p., 9/25/19).

Food--Milk.--See Distribution Methods and Costs.

Food--Milk and Milk Products (Senate), Wartime, 1917-18.--Covering an inquiry, S. Res. 431, 65th, 3/3/19) into fairness of milk prices to producers and of canned-milk prices to consumers, the *Report of the F. T. C. on Milk and Milk Products 1914-18* (6/6/21, 234 p., o. p.) showed a marked concentration of control and questionable practices many of which later were recognized by the industry as being unfair.

Food--Milk and Dairy Products (House).--Competitive conditions in different milk-producing areas were investigated (H. Con. Res. 32, 73d, 6/15/34). Results of the inquiry were published in seven volumes : *Report of the F. T. C. on the Sale and Distribution of Milk Products, Connecticut and Philadelphia Milksheds* (H. Doc. 152, 74th, 901 p., o.-p., 4/5/35); *Report of the F. T. C. on the Sale and Distribution of Milk and Milk Products* (Connecticut and Philadelphia milksheds, interim report, H. Doc. 387, 74th, 125 p., o. p., 12/31/35); *Chicago Sales Area* (H. Doc. 451, 74th, 103 p., o. p., 4/15/36); *Boston, Baltimore, Cincinnati, St. Louis* (H.- Doc. 501, 74th, 243 p., o. p., 6/4/36); *Twin City Sales Area* (H. Doc. 506, 74th, 71 p., o. p., 6/13/36); and *New York Milk Sales Area* (H. Doc. 95, 75th, 138 p., o. p., 9/30/36). The Commission reported that many of the industry's problems could be dealt with only by the States and recommended certain legislation and procedure, both State and Federal (*Summary Report on Conditions with Respect to the Sale and*

Distribution of Milk and Dairy Products, H. Doc. 94, 75th, 39 p., o. p., 1/4/37). Legislation has been enacted in a number of States carrying into effect all or a portion of the Commission's recommendations.

Food--Peanut Prices (Senate).--An alleged price-fixing combination of peanut crushers and mills was investigated (S. Res. 139, 71st, 10/22/29). The Commission found that an industry-wide decline in prices of farmers' stock peanuts during the business depression was not due to such a combination, although pricing practices of certain mills tended to impede advancing and to accelerate declining prices (*Prices and Competition Among Peanut Mills*, S. Doc. 132, 72d, 78 p., o. p., 6/30/32).

Food--Raisin Combination (Attorney General) --Investigating allegations of a combination among California raisin growers (referred to F. T. C. 9/30/19), the Commission found the enterprise not only organized in restraint of trade but conducted in a manner threatening financial disaster to the growers. The

Commission recommended changes which the growers adopted (*California Associated Raisin Co.*, 26 p., processed, o. p., 6/8/20).

Food--Southern Livestock Prices (Senate).--Although the low prices of southern livestock in 1919 gave rise to a belief that discrimination was being practiced, a Commission investigation (S. Res. 133, 66th, 7/25/19) revealed the alleged discrimination did not appear to exist (*Southern Livestock Prices*, S. Doc. 209, 66th, 11 p., o. p., 2/2/20).

Food--Sugar (House).--An extraordinary advance in the price of sugar in 1919 (H. Res. 150, 66th, 10/1/19) was found to be due chiefly to speculation and hoarding. The Commission made recommendations for correcting these abuses (*Report of the F. T. C. on Sugar Supply and Prices*, 205 p., 11/15/20).

Food--Sugar, Beet (F. T. C.).--Initiated by the Commissioner of Corporations and completed by the F. T. C., this inquiry dealt with the cost of growing beets and the cost of beet-sugar manufacture (*Report on the Beet Sugar Industry in the U.S.*, H. Doc. 158, 65th, 164 p., o. p., 5/24/17).

Foreign Trade--Antidumping Legislation (F. T. C.).--To develop information for use of Congress in its consideration of amendments to the antidumping laws, the Commission studied recognized types of dumping and provisions for preventing the dumping of goods from foreign countries (*Antidumping Legislation and Other Import Regulations in the United States and Foreign Countries*, S. Doc. 112, 73d, 100 p., o. p., 1/11/34; supplemental report, 111 p., o. p., processed, 6/27/38).

Foreign Trade--Cooperation in American Export Trade (F. T. C.).--This inquiry related to competitive conditions affecting Americans in international trade. The Export Trade Act, also known as the Webb-Pomerene law, authorizing the association of U.S. manufacturers for export trade, was enacted as a result of Commission recommendations (*Cooperation in American Export Trade*, 2 vols., 984 p., o. p., 6/30/16; also summary, S. Doc. 426, 64th, 7 p., o. p., 5/2/16; and conclusions 1916. 14 p., o. p.).

Foreign Trade--Cotton Growing Corporation (Senate).--The report of an inquiry, (S. Res. 317, 68th, 1/27/25) concerning the development of this British company, *Empire Cotton Growing Corporation* (S. Doc. 226, 68th, 30 p., o. p., 2/28/25), showed there was then little danger of serious competition with the American grower or of a possibility that the United States would lose its position as the largest producer of raw cotton.

Fruit Growers and Shippers (W. P. B.), Wartime, 1943-44.--This investigation was requested by the War Production Board to determine whether 7 grape growers and 12 grape shippers, all located in California, were in violation of W. P. B. Order L-232 with respect to quotas affecting the use of lugs (wooden shipping containers).

Furnaces, Hot Air, Household (W. P. B.), Wartime, 1943-44.--The Commission made a Nation-wide survey for the War Production Board of the operations of one of the largest manufacturers in the United States of household hot air furnaces, to determine whether its practices in selling and servicing domestic heating plants were in violation of Orders L-79 and P-84, and other applicable regulations and orders of W. P. B.

Fuse Manufacturers (W. P. B.), Wartime, 194243.--For the War Production Board the Commission investigated and reported on the activities of representative fuse manufacturers whose operations were subject to W. P. B. Limitation Orders L-158 and L-161, as amended.

¹¹ See footnote 8, p.124.

Gasoline.--See Petroleum.

Glycerin, Users of (W. P. B.), Wartime, 1942-43.--At the request of the War Production Board, paint and resin manufacturers, tobacco companies, and other large users of glycerin were investigated to determine whether they had im-properly extended preference ratings to obtain formaldehyde, paraformaldehyde, or hexamethylenetetraamine, to which they were not otherwise entitled.

Grain.--See Food.

Grain Exchange Actions (F. T. C. and Chairman of Senate Committee on Agriculture and Forestry).--The Commission's report on *Economic Effects of Grain Exchange Actions Affecting Futures Trading During the First Six Months of 1946* (85 p., 2/4/47) presents results of a special study made at the request of the then Chairman of the Senate Committee on Agriculture and Forestry. The report reviews the factors which made it impossible, during the first half of 1946, for futures trading to be conducted in the usual manner on the Chicago, Kansas City and Minneapolis grain exchanges under existing conditions of Government price control and severe restrictions on the movement of short supplies of free grain in the cash market. The report also discusses the economic effects of emergency actions taken by the exchanges on the interests trading in futures, and suggests, among other things, that both the Commodity Exchange Act and the U.S. Warehouse Act "should be so amplified and coordinated, or even combined, as to make effective the type and scope of regulation over futures trading contemplated by the Congress in enacting the Commodity Exchange Act."

Guarantee Against Price Decline (F. T. C.).--Answers to a circular letter (12/26/19) calling for information and opinions on this subject were published in *Digest of Replies in Response* 0 TD 0 Tc () Tj 4.68 0 TD 0.y58e64 0b3TD 0.y58.64 0b3TD 0.y5r6

current reliable corporation financial data. The reports show the aggregate estimates for American manufacturing corporations as derived from reports collected by the Federal Trade Commission and the Securities and Exchange Commission. This work is based upon resumption by F. T. C. of its prewar financial reporting function and continuation by S. E. C. of its current responsibilities for collection of financial information from corporations with

securities registered on a national exchange. F. T. C. obtains comparable information from a carefully selected sample of small, medium size and large nonregistered corporations. The sample has been designed so that the two sets of data can be combined to provide estimates for 21 major industry groups as well as the aggregate for all manufacturing corporations. The *Industrial Financial Reports* formerly were known as *Industrial Corporation Reports*. A summary appears at p.121.

Insignia Manufacturers (W. P. B.), Wartime, 1944-45.--Preliminary studies made by the War Production Board disclosed the probability that certain insignia manufacturers had acquired larger quantities of foreign silver than necessary to fill legitimate orders and diverted the balance to unauthorized uses. In response to W. P. B.'s request the Commission surveyed the acquisition and use of foreign silver by such manufacturers to determine the degree of their compliance with Order M--199 and checked the receipt and use of both domestic and treasury silver, as well as the manufacture of insignia, as controlled by Orders L-131 and M-9-c.

International Electrical Equipment Cartel (F. T. C.).--In its 1948 report on this subject (107 p., also 10 p. processed summary) the Commission points out the high degree of economic concentration in the electrical equipment industry which exists in each of the important industrial nations.

International Phosphate Cartels (F. T. C.).--The F. T. C. *Report on International Phosphate Cartels* (F. T. C. Res. 9/19/44) developed facts with respect to the practices, arrangements and agreements between domestic phosphate companies and foreign competitors through international cartels, through which minimum export prices were fixed.- These prices varied from market to market, depending upon competition, ocean freight rates, and other factors. The agreements established fixed quotas in each grade, and sales were allocated among members of the Phosphate Export Association according to their quotas and the grade involved. The report (processed, 60 p.) was transmitted to Congress 5/1/46.

International Steel Cartels (F.- T. C.-) .--A report to Congress concerning numerous cartel agreements relating to steel which were adopted between World War I and World War II. Certain American companies participated in these agreements, which were both national and international in scope. The inter-national agreements allotted quotas to the different national groups, fixed prices in the export trade, and established reserved and unreserved areas. (*International Steel Cartels* (1948), 115 p., also 12 p. processed summary.)

Jewel Bearings, Consumers of (W. P. B.), Wartime, 1942-43.--For the War Production Board, users of jewel bearings were investigated to determine the extent to which they were complying with W. P. B. Conservation Order m-50, which had been Issued to conserve the supply and direct the distribution of jewel bearings and jewel-bearing material.

Leather and Shoes (F.- T. C.- and House), Wartime, 1917-18.--General complaint regarding high prices of shoes led to this inquiry, which is reported in *Hide and Leather Situation*, preliminary report (H. Doc. 857, 65th, 5 p., o. p., 1/23/18), and *Report on Leather and Shoe Industries* (180 p., o. p., 8/21/19). A further study (H. Res. 2-17, 66th, 8/19/19) resulted in the *Report of time F. T. C. on Shoe and Leather Costs*

and Prices (212 p., o. p., 6/10/21).

Lumber-Costs.--See wartime Cost Finding, 1917-18.

Lumber Trade Associations (Attorney General).--The Commission's extensive survey of lumber manufacturers' associations (referred to F. T. C., 9/4/19)

resulted in Department of Justice proceedings against certain associations for alleged antitrust law violations. Documents published were : *Report of the F. T. C. on Lumber Manufacturers' Trade Associations*, incorporating regional reports of 1/10/21, 2/18/21, 6/9/21, and 2/15/22 (150 p., o. p.); *Report of the F. T. C. on Western Red Cedar Association, Lifetime Post Association, and Western Red*

voluntarily adopted a number of the Commission's recommendations as company policies.

National Wealth and Income (Senate).--In 1922 the national wealth was estimated (inquiry pursuant to S. Res. 451, 67th, 2/28/23) at \$353,000,000,000 and the national income in 1923 at \$70,000,000,000 *National Wealth and Income* (S. Doc. 126, 69th, 381 p., o. p., 5/25/26 and *Taxation and Tax-Exempt Income* (S. Doc. 148, 68th, 144 p., o. p., 6/6/24)).

Nickel Processors (W. P. B.), Wartime, 1942-43.--The Commission was designated by the War Production Board to investigate the transactions of some 600 nickel processors for the purpose of determining the extent to which they were complying with W. P. B. Preference Order No. M-6-a, issued 9/30/41, and Conservation Order M-6-b, issued 1/20/42. The investigation was conducted concurrently with a survey of chromium processors.

Open--Price Associations (Senate).--An investigation (S. Res., 28, 69th, 3/17/25) to ascertain the number and names of so-called open-price associations, their importance in industry and the extent to which members maintained uniform prices, was reported in *Open-Price Trade Associations* (S. Doc. 226, 70th, 516 p., 2/13/29).

Packer Consent Decree.--See Food (President) Continued-Meat Packing, Paint, Varnish, and Lacquer Manufacturers (W. P. B.), Wartime, 194344.--The purpose of this survey was to determine whether the manufacturers covered were in violation of War Production Board Orders M-139, *M-150*, *M-159*, M-246, and M-327 in their acquisition and use of certain chemicals, all subject to W. P. B. allocations, used in the manufacture of paint, varnish, and lacquer. Sales of such products to determine their end uses also were investigated.

Paperboard (O. P. A.), Wartime, 1941-42.--Costs, profits, and other financial data regarding operations of 68 paperboard mills (O. P. A. request, 11/12/41) for use in connection with price stabilization work, were transmitted to O. P. A. In a confidential report (May 1942).

Paper--Book (Senate), Wartime, 1917-18.--This inquiry (S. Res. 269, 64th, 9/7/16) resulted in proceedings by the Commission against certain manufacturers to prevent price enhancement and the Commission recommended legislation to repress trade restraints [*Book Paper Industry--A Preliminary Report* (S. Doc. 45, 65th, 11 p., o. p., 6/13/17), and *Book Paper Industry-Final Report* (S. Doc. 79, 65th, 125 p., o. p., 8/21/17)].

Paper--Newsprint (Senate), Wartime, 1917-18.--High prices of newsprint (S. Res. 177, 64th, 4/24/16) were shown to have been partly a result of certain newsprint association activities in restraint of trade. Department of Justice proceedings resulted in abolishment of the association and indictment of certain manufacturers. The Commission for several years conducted monthly reporting of production and sales statistics, and helped provide some substantial relief for smaller publishers in various parts of the country. [*Newsprint Paper Industry*, preliminary (S. Doc. 3, 65th, 12 p., o. p., 3/3/17; *Report of the F. T. C. on the Newsprint Paper Industry* (S. Doc. 49, 65th) 162 p., o. p., 6/13/17); and *Newsprint Paper Investigation* (in response to S. Res. 95, 65th, 6/27/47; S. Doc. 61, 65th, 8 p., o. p., 7/10/17)].

Paper--Newsprint (Senate)--The question investigated (S. Res. 337, 70th, 2/27/29) was whether a monopoly existed among newsprint manufacturers and distributors in supplying paper to publishers of small dailies and weeklies (*Newsprint Paper Industry*, S. Doc. 214, 71st, 116 p., 6/30/30).

Paper--Newsprint (Attorney General).--The Commission investigated (inquiry referred to F. T. C. 1/24/38) the manner in which certain newsprint manufacturers complied with a consent decree entered against them (11/26/17) by the U.S. District

Court, Southern District of New York.

Peanut Prices.--See Food.

Petroleum Products.--See Distribution Methods and Costs.

Petroleum and Petroleum Products, Prices (President and Congress).--At different times the Commission has studied prices of petroleum and petroleum products and issued reports thereon as follows: *Investigation of the Price of*

Gasoline, preliminary (S. Doc. 403, 64th, 15 p., o. p., 4/10/16) and *Report on the Price of Gasoline in 1915* (H. Doc. 74, 65th, 224 p., o. p., 4/11/17--both pursuant to S. Res. 109, 63d, 6/18/13¹² and S. Res. 457, 63d, 9/28/14, which reports discussed high prices and the Standard Oil Companies' division of marketing territory among themselves, the Commission suggesting several plans for re-storing effective competition; *Advance in the Prices of Petroleum Products* (H. Doc. 801, 66th, 57 p., o. p., 6/1/20)--pursuant to H. Res. 501, 66th, 4/5/20, in which report the Commission made constructive proposals to conserve the oil supply; *Letter of Submittal and Summary of Report on Gasoline Prices in 1924* (24 p. processed, 6/4/24, and Cong. Record, 2/28/25, p. 5158)--pursuant to request of President Coolidge, 2/7/24; *Petroleum Industry--Prices, Profits and Competitions* (S. Doc. 61, 70th, 360 p., o. p., 12/12/27)--pursuant to S. Res. 31, 69th, 6/3/36;

Commission.

¹² See footnote 8, p.124.

¹³ See footnote 8, p.124. Conditions In one of the midcontinent fields were discussed by the Bureau of Corporations in *Conditions in the Healdton Oil Field* (Oklahoma) (116 p., 3/15/15).

Power-Electric (Senate).--This inquiry (S. Res. 329, 68th, 2/9/25) resulted in two reports, the first of which, *Electric Power Industry--Control of Power Companies* (S. Doc. 213, 69th, 272 p., o. p., 2/21/27) dealt with the organization, control, and ownership of commercial electric-power companies. It called attention to the dangerous degree to which pyramiding had been practiced in superimposing a series of holding companies over the underlying operating companies, and was influential in bringing about the more comprehensive inquiry described under Power--Utility Corps., below. *Supply of Electrical Equipment and Competitive Conditions* (S. Doc. 46, 70th, 282 p., o. p., 1/12/28) showed, among other things, the dominating position of General Electric Co. in the equipment field.

Power--Interstate Trans. 76 0 T09.24 -12.96 TD 0003

a zone-price formula, both before and after adoption of its N. R. A. code (*Study of Zone-Price Formula* in

¹⁴ Final reports were published in 1035; a general index in 1037. Some of the volumes are out of print. For report titles, see F. T. C. Annual Report, 1941, p.221 and for lists of companies investigated, see F. T. C. Annual Reports, 1035, p.21, and 1936, p.36.

¹⁵ Basing-point Systems are also discussed in the published reports listed under “Cement,” “Steel Code,” and “Steel Sheet Piling” herein.

Range Boiler Industry, 5 p., processed, 3/30/36, a summary based on the complete report which was submitted to Congress but not printed).

Price Deflation (President).--To an inquiry (3/21/21) of President Harding, the Commission made prompt reply (undated) presenting its views of the causes of a disproportional decline of agricultural prices compared with consumers' prices (*Letter of the F. T. C. to the President of the U.S.*, 8 p., o. p.).

Priorities (W. P. B.), Wartime, 1941-45.--Pursuant to Executive orders (January 1942), W. P. B. designated the Federal Trade Commission as an agency to conduct investigations of basic industries to determine the extent and degree to which they were complying with w. P. B. orders relative to the allocation of supply and priority of delivery of war materials. F. T. C. priorities investigations are listed herein under the headings : Aluminum, Foundries Using; Antifreeze Solutions, Manufacturers of; Capital Equipment, Chromium, Processors of; Commercial Cooking and Food and Plate Warming Equipment, Manufacturers of; Contractors, Prime, Forward Buying Practices of; Copper Base Alloy Ingot Makers; Copper, Primary Fabricators of; Costume Jewelry, Manufacturers of; Electric Lamps, Manufacturers of; Fruit Growers and Shippers; Furnaces, Hot Air, Household; Fuse Manufacturers; Glycerin, Users of; Insignia Manufacturers; Jewel Bearings, Consumers of; Metal-working Machines, Invoicing and Distribution of; Nickel, Processors of; Paint, Varnish, and Lacquer, Manufacturers of; Quinine, Manufacturers and Wholesalers of; Silverware, Manufacturers of; Silverware Manufacturers and Silver Suppliers; Steel Industry; Textile Mills, Cotton; and Tin, Consumers of. The report on each of these investigations was made directly to W. P. B.

Profiteering (Senate), Wartime, 1917-18--Current conditions of profiteering (S. Res. 255, 65th, 6/10/18) as disclosed by various Commission investigations were reported in *Profiteering* (S. Doc. 248, 65th, 20 p., o. p., 6/29/18).

Quinine, Manufacturers and Wholesalers of (W. P. B.), Wartime, 1942-43.--At the instance of the War Production Board, investigation was made to determine whether requirements of its Conservation Order No. m-131-a, relating to quinine and other drugs extracted from cinchona bark, were being complied with.

Radio (House)--A comprehensive investigation of the radio industry (H. Res. 548, 67th, 3/4/23); *Report of the F. T. C. on the Radio Industry*, 347 p., o. p., 12/1/23) contributed materially to enactment of the Radio Act of 1927 and the succeeding Federal Communications Act of 1934. The investigation was followed by Commission and Department of Justice proceedings on monopoly charges which culminated in a consent decree (11/2/32; amended, 11/2/35).

Rags, Woolen.--See Textiles.

Raisin Combination.--See Food.

Range Boilers.--See Price Bases.

Rates of Return in Selected Industries (F. T. C.).--A comparison of the pre war (World War II) and postwar rates of return on stockholders investments after taxes for more than 500 identical manufacturing corporations. The study, covering the years 1940 and 1947, includes 25 selected manufacturing industries (7 p., processed).

Resale Price Maintenance (F. T. C.).--The question whether a manufacturer of standard articles, identified by trade-mark or trade practice, should be permitted to fix by contract the price at which purchasers should resell

and Part II, 215 p., 6/22/31). The *Report of the F. T. C. on Resale Price Maintenance* (F. T. C. Res., 4/25/39) was submitted to

208, 67th, 11 p., o. p., 6/5/22 and 9/7/22).

Steel Costs and Profits.-See Wartime Cost Findings, 1917-18.

¹⁶ The salary lists do not appear in the report but are available for inspection.

¹⁷ As of the same date in the N. R. A. published its *Report of the National Recovery Administration on the Operation of the Basing-Point System in the Iron and Steel Industry* (175 p., processed). The basing-point system is also discussed in published reports listed under "Cement" and "Price Bases" herein.

Steel Costs and Profits (O.

12/31/34 to 6/20/35, 174 p., o. p. (Part VI financial tabulations processed 42 p., o. p.);
Report of the F. T. C. on the Textile Industries in 1933 and

Wartime Costs and Profits (F. T. C.)--Cost and profit information for 4,107 identical companies for the period 1941-45 is contained in a Commission report (1948) on *Wartime Costs and Profits*

contained in the report was begun by the Office of Price Administration prior to the transfer of the financial reporting function of that agency to the Federal Trade Commission in December 1946.

Wartime Inquiries, 1917-18, Continued.--Further wartime inquiries of this period are described herein under the headings : Coal, Coal Reports--Cost of Production, Cost of Living, Flax, Food, Farm Implements, Independent Harvester Co., Leather and Shoes, Paper--Book, Paper--Newsprint, Profiteering, and Textiles--Woolen Rag Trade.

Wartime Inquiries, 1941-45.--To aid in the 1941-45 war program, F. T. C. was called upon by other Government departments, particularly the war agencies, to use its investigative, legal, accounting, statistical and other services in conducting investigations. It made cost, price, and profit studies ; compiled industrial corporation financial data; investigated compliance by basic industries with W. P. B. priority orders; and studied methods and costs of distributing important commodities. The 1941-45 wartime investigations are herein listed under the headings : Advertising as a Factor in Distribution ; Cigarette Shortage ; Distribution Methods and Costs; Fertilizer and Related Products ; Food--Biscuits and Crackers ; Food--Bread Baking ; Food--Fish ; Food--Flour Milling ; Household Furniture ; Industrial Financial Reports ; Metal-Working ; Paper--Book ; Paper--Newsprint ; Profiteering ; Textiles--Woolen Rag Trade ;

Cigarette Shortage; Distribution Methods and Costs; Fertilizer and Related Products; Food--Biscuits and Crackers; Food--Bread Baking; Food--Fish; Food--Flour Milling; Household Furniture; Industrial Financial Reports; Metal-Working; Paper--Book; Paper--Newsprint; Profiteering; Textiles--Woolen Rag Trade

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