

Annual

Report

of the **FEDERAL**

**TRADE**

**COMMISSION**

## Federal Trade Commission

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## Letter of Transmittal

FEDERAL TRADE COMMISSION,  
Washington, D. C.

To the Congress of the United States:

It is a pleasure to transmit herewith the Forty-third Annual Report of the Federal Trade Commission, covering its accomplishments during the fiscal year ended June 30, 1957.

By direction of the Commission.

JOHN W. GWYNNE,  
Chairman.

THE PRESIDENT OF THE SENATE.  
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

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## THE YEAR'S HIGHLIGHTS

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This report of the Federal Trade Commission's work during fiscal 1957 presents an encouraging picture of the Commission's purpose and effectiveness.

Postwar peaks in new actions against both deceptive and monopolistic practices were achieved during the year. At the same time, the Commission mobilized its efforts to combat illegal concentrations of power in business. A particular effort was made to identify and proceed against illegal mergers whose effect was to reduce or eliminate competition.

It was a year in which a million dollar increase in appropriations was being translated into effective manpower. The 15 percent increase in funds recommended by the President and granted by the 84th and continued by the 85th Congress made possible a staff increase from 641 to 744. Most of the newcomers were integrated into the field investigative staff, making possible the transfer of many veteran attorneys to anti-merger work. The capacity of the new men—given on-job training during fiscal 1957—will be brought to bear on case work with full effect during fiscal 1958.

Finally, the Commission's year was notable for more intensive scrutiny in particular areas of false advertising. This concentration, achieved with no lessening of effort in other fields, produced a record number of cases against fur and wool dealers who mislabeled and falsely advertised their products, against manufacturers who advertised sure-cure concoctions for arthritis and rheumatism, and against a miscellany of advertisers who would deceive the public by heretofore elusive exaggerations over television and radio.

In numbers of actions taken, the Commission's record for fiscal 1957 continued the rising trend of recent years. Complaints issued totaled 242, compared with 192 in fiscal 1956. Total orders to cease and desist were 179 as compared to 172 the year before. There were a total of 31 antimonopoly orders as compared with 37 antimonopoly orders during the preceding year, a fact attributable in large part to time consumed in prosecuting necessarily complex and stoutly defended anti-merger cases. In the deceptive practice field, the orders to cease and desist totaled 148, whereas in the preceding year there were 132.

Indeed, the nine anti-merger complaints brought during

mission "was justified in its determination to include some restraint; in its order against the individual corporations in order to prevent a continuance of the unfair practices found to exist."

While the business community was most attentive to the Commission's antimonopoly work during the year, much of it went unnoticed by the general public. The reason is obvious; antimonopoly news makes heavy reading. Generally legalistic and technical, it concerns business actions at least one step removed from the ultimate consumer. Not so deceptive practices. In proceeding against false advertising and "gyp" schemes which defraud the credulous, the Commission performs a more readily appreciated service.

A total of 187 complaints and 148 orders to cease and desist were issued against firms for various deceptive practices, mostly false advertising. This was a sharp increase over the 150 complaints and 132 orders in fiscal 1956.

It must be recognized, however, that mere numbers of cases are not an accurate measure of the FTC's effectiveness. Numbers do not distinguish between routine and complex cases, nor do they reveal whether the investigative work involved little or much difficulty. What is important is that the public and honest business be protected regardless of whether or not the particular case is difficult to prosecute. Numbers of cases, taken alone, don't tell the story.

For example, in the monitoring of radio and television advertising, the significant development during the year was the testing of a system of checking on false and misleading advertising. Whereas in years past only a sampling of written scripts was analyzed (and even these were requested well in advance of their broadcast), the new program called for listening to and viewing "commercials"—including the "adlibbing" of radio and television announcers. Each of the FTC's field offices was made responsible for monitoring a certain number of hours of radio and television broadcasts each month. At the same time, the public was informed that it, too, could help by inviting the FTC's attention to dubious claims. By the year's end, six formal complaints had been issued against firms in the drug and cosmetics field, and many other investigations were well under way.

The kinds of deceptive practices are as varied as the ingenuity of hucksters can devise. The "fast-dollar operators" continued to try to sell false hope to the sick and disabled, to the credulous who seek a shortcut to "unbelievable" earnings, and to those citizens who believe reputable merchants charge too much. Such are the eager



Michigan to stop advertising that their product will cure arthritis and rheumatism. Another order stopped a Brooklyn home improvement company from advertising storm windows for \$8.88 when its real purpose was to get customers for higher priced merchandise. A seller of vending machines in Cleveland, Ohio, was made to stop obtaining customers by advertising in "help wanted" columns of newspapers, and another in Los Angeles was ordered to stop misrepresenting as "amazing" the profits to be made by purchasers of its ball point pen vending machines. Across the country, in New York, a seller ~~au39ng~~ was ~~mis1.33ir size new Beautyline 7600014 0.50 (font) Bj. 25. TD - Dnd TD (Bright) 2.643. 120-rTD 00E2 (T3I)~~

Of even greater significance in the field of voluntary enforcement was the issuance of 10 new or revised trade practice rules for entire industries, bringing the total of such rules to 161. Probably the most important of the newly issued rules was for the \$3 billion jewelry industry. For the first time in history the industry can be guided by rules of fair practice that apply to all functional segments of the industry and to all jewelry items and products. That the industry asked for and received such clear guidance undoubtedly will obviate the need for bringing corrective actions against individual firms which might have erred because of ignorance of the law.

A further fulfillment of the Commission's function to study special economic problems and to make reports thereon to the Congress was shown by the progress made on its economic study of the antibiotics industry. Too little is known about the economics of this industry which has developed so rapidly since the last war that economic analysts have been unable to keep pace with it. Consequently, when the public became concerned with the cost of antibiotics, there were no comprehensive data from disinterested sources that would reveal whether the prices are too high. The FTC's economists have obtained a very substantial body of information. This, with certain additional facts being sought, will be developed into a report to Congress.

In broad outline these were the Commission's purposes and accomplishments during fiscal

**SCOPE OF AUTHORITY**  
**Basic Functions of the FTC**

The

hearing, the Commission finds that the practices in question violate the act, it is empowered to issue a cease and desist order against the offending party or parties. Such an order may be appealed from the Commission to a United States court of appeals, which is authorized to review the proceeding and to affirm, enforce, modify, or set aside the Commission's order. Thereafter, the case may be taken to the "Supreme Court of the United States upon writ of certiorari.

Originally, the cease and desist orders issued under the Federal Trade Commission Act were enforceable only by the appellate court through contempt proceedings, after its action had transformed the order into a decree of the court. The 1938 Wheeler-Lea amendments provided for a civil penalty action in the United States district court for violation of such final cease-and-desist orders. Under this provision the orders become final either through affirmance by the Court of Appeals or at the end of 60 days in the event no appeal is taken. If the order is violated after becoming final, a civil penalty suit may be instituted by the United States. Such an action is brought by the Attorney General at the request of the Commission, and the district court is authorized to impose civil penalties up to \$5,000 for each or b

powers conferred by section 6. This section empowers the Commission to gather and compile information concerning, and to investigate from time to time, "the organization, business, conduct, practices, and management of any corporation engaged in commerce, except banks and common carriers subject to the Act to regulate commerce, and its relation to other corporations and to individuals, associations, and partnerships." The Commission also is empowered to require such corporations to furnish information and to file annual and special reports. When directed by the President or Congress, the Commission is authorized to investigate and report facts relating to any alleged violations of the antitrust acts by corporations; to investigate for the Attorney General, or on the Commission's own initiative, the manner in which antitrust decrees against corporations are being carried out; and further, upon application of the Attorney General, to recommend readjustments of the business of corporations alleged to be in violation of the antitrust acts in order to bring the conduct of such business into accord with the requirements of law.

The Commission is further empowered to investigate from time to time trade conditions in and with foreign countries where associations, combinations, or practices of manufacturers, merchants, or traders, or other conditions, may affect the foreign trade of the United States and to make reports thereon to Congress with recommendations. Under those section 6 powers of investigation and reporting, the Commission serves the executive and legislative branches of the Government, particularly in antitrust problems and in aid of legislation.

Section 7 confers authority upon the Commission to act as a master in chancery upon reference from the court to a special master in chancery.

Section 2 of the Clayton Act, amended by the Robinson-Patman Act—Discriminatory Pricing.<sup>5</sup>—Subject to specified justification and defenses, this section provides that it shall be illegal to discriminate in price between different purchasers of commodities of like grade and quality, where such discrimination results in competition being substantially lessened. 15 U.S.C. § 14 (2012); 15 U.S.C. § 14 (2009); 15 U.S.C. § 14 (1939); 15 U.S.C. § 14 (1914).

wares, merchandise, machinery, supplies or other commodities, for use, consumption or resale within the jurisdiction of the United States on the condition, agreement or understanding that the lessee or purchaser shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodities of competitors of the lessor or seller, where the effect thereof "may be to substantially lessen competition or tend to create a monopoly in any line of commerce."

Anti-Merger Law.—This statute, approved December 29, 1950,<sup>6</sup> is in the form of a revision and restatement of section 7 of the original Clayton Act. It is specific legislation on the subject of suppression of competition through the merger or consolidation of corporations. Such conduct is prohibited, whether brought about by the direct or indirect acquisition of either stock or assets of the acquired corporation, where the effect of the acquisition or merger may be substantially to lessen competition or tend to create a monopoly in any line of commerce in any section of the country. Certain exceptions are provided, including cases in which the stock is purchased solely for investment and not used for voting or otherwise to bring about or attempt to bring about the substantial lessening of competition. The Commission is designated as having enforcement responsibility applicable to commercial enterprises generally but not including specific businesses which are under the regulatory authority of other agencies, such as banks and common carriers.

Interlocking of Corporate Directorates.—Section 8 of the Clayton Act prohibits a person from serving at the same time as a director of two or more corporations, any one of which has capital, surplus, or in Clayton

complete description of its organizational structure, and bring this information up to date yearly. The Commission may require submission of additional information relating to the association's business activities at any time. A continuing surveillance of association activities is maintained by the Commission's Division of Export Trade.

Whenever the Commission concludes that an association is not operating within the limits of the antitrust exemption provided by the act, it may make recommendations to the association for readjustment of its practices. Upon failure of an association to comply with such recommendations, the Commission will refer the matter to the Attorney General for appropriate action.

The act also extends the prohibitions of the Federal Trade Commission Act to unfair methods of competition used in export trade against export competitors even though the acts are done outside the territorial jurisdiction of the United States.

#### Wool Products Labeling Act and Fur Products Labeling Act <sup>8</sup>

These laws constitute specific labeling legislation for maintaining the integrity of competition and protection of the buying public against confusion and deception.

Violations are classed as unfair methods of competition and unfair or deceptive acts or practices, within the Federal Trade Commission Act. Informative labeling of wool products and fur products is required. Labels on wool products are required to reveal the respective percentages of "wool," "reprocessed wool," "reused wool" and other constituents of wearing apparel and other articles containing or purporting to contain woolen fiber in whole or in part. Labels on fur products, as well as the advertising and invoicing, are required to disclose to purchasers the true name of the animal from which the fur came. For this purpose, an official Fur Products Name Guide has been prepared by the Commission. Other significant information also is required to be disclosed in the label informing the purchaser whether the fur article is dyed, bleached, damaged, secondhand, or pieced. The country of origin of foreign furs must likewise be disclosed.

The Commission is specifically authorized to inspect and make tests of the merchandise covered, and to issue rules and regulations which have the force and effect of law. When necessary in the public interest, the Commission may resort to court proceedings for condemnation of goods seized as violative, and may apply for temporary injunctions pending completion of cease-and-desist order proceedings against alleged offenders. Suits to collect civil penalties for violation of the Commission's final orders are also available in cases under these acts. For willful violations, misdemeanor prosecutions

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<sup>8</sup> Approved, respectively, October 14, 1940. 64 Stat. 1128, and August 8, 1951, 65 Stat. 175.





Under this statute, the Federal Trade Commission and the Clayton Acts apply to the business of insurance to the extent that it is not regulated by State law.

Lanham Trade Mark Act, approved July 5, 1946 <sup>12</sup>

This authorizes the Commission to proceed before the Patent Office for cancellation of certain trade-marks improperly registered or improperly used in competition, as provided in section 14 of this act.

Defense Production Act of 1950<sup>13</sup> and Small Business Act of 1953 <sup>14</sup>

The former statute authorizes the Commission to make surveys at the request of the Attorney General to determine any factors which may tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power in the course of administration of the Defense Production Act of 1950. The Chairman of the Commission, as provided in section 708, also is consulted regarding voluntary industry agreements and programs which the President

## ADMINISTRATION

The five Federal Trade Commissioners determine the agency's broad policies and make its final judgments on casework, voluntary law enforcement efforts, and economic studies. There must, however, be a great amount of work done to assemble the facts on which these judgments are based. This basic work, including the prosecution of cases, is accomplished by the Commission's staff of 740 men and women.

The staff, about half of whom are attorneys, is under general supervision of the Chairman of the Commission. He was 55 years of age based. This is based. The Commission (these 5 years of age) is based on the Commission's staff of 740 men and women. He was 55 years of age based. This is based. The Commission (these 5 years of age) is based on the Commission's staff of 740 men and women.

## DIVISION OF BUDGET AND FINANCE

The Division of Budget and Finance is responsible for the preparation and administration of the Commission's budget and maintains the fiscal records of the Commission. This office maintains salary, savings bonds, tax, Social Security, retirement, and annual and sick leave records for all employees of the Commission, including the field offices. This Division performs the audit, prior to payment, of all vouchers covering payment for travel expense, communications, and supplies and equipment. The Fiscal Section maintains the various ledgers and records necessary to reflect the financial position of the Commission at all times, and prepares the various financial statements and reports required by the Commission, the Bureau of the Budget, the Treasury Department, the General Accounting Office and the Congress.

## DIVISION OF MANAGEMENT AND ORGANIZATION

The Division of Management and Organization conducts management surveys and recommends and installs organization changes, management reports, procedures, and establishes staffing patterns that will enable the Commission to operate more efficiently and effectively.

Improvements installed during the past year include: (1) The development of procedures for integrating the inspections and investigations performed under the Wool, Fur, and Flammable Fabrics Acts with the other investigative work of the Commission; (2) The utilization of field investigative staffs in the monitoring of radio and television advertising; (3) A procedural and manpower utilization survey of the Division of Financial Statistics has resulted in a reduction in personnel engaged in this activity from 47 to 35.

In addition, the continuing examination of service functions resulted in improvements in stenographic and typing services and filing operations.

## DIVISION OF GENERAL SERVICES

The Division of General Services is a central administrative unit established for the purpose of publishing the material made public under section 6 (f) of the Federal Trade Commission Act; for the procurement of supplies and equipment; and for supplying other services essential to the functioning of the Federal Trade Commission. The Commission's Library is also located in this Division.

### Publication Branch

The Publication Branch of the Division of General Services is a service established by the Commission to clear for format, economy



building maintenance; communications including mail, telephone and telegraph, and messenger.

## OFFICE OF THE SECRETARY

The Secretary and his immediate office receive and handle mail on all phases of the Commission's work. He signs all orders and certain other official papers. He also is responsible for liaison with the Congress and Government agencies and for decisions on informal cases not submitted to the Commission.

The Assistant Secretary for Minutes attends, takes minutes of, and records the executive meetings of the Commission, prepares directives for the signature of the Secretary and keeps the calendar of pending matters.

### Office of Information

This office issued a total of 946

## INVESTIGATION

Most Commission cases can be traced to any morning's mail. It will contain a score of complaints from people indignant at having been bilked in their purchases or from businessmen convinced their competitors are undercutting them and the law.

These letters, called applications for complaint, go to the Bureau of Investigation, which is the starting point for all casework. This Bureau obtains the evidence needed by the Commission to prevent unfair, discriminatory, monopolistic and deceptive trade practices. To a very great extent, the Commission's effectiveness depends upon the number and quality of investigations.

The legal investigational work is performed under general supervision of the Bureau Director and the guidance of the Chief Project Attorney, his staff of project attorneys, and managers of branch offices. Specialized investigative or advisory functions are performed by the Division of Wool, Fur and Flammable Fabrics, the Division of Accounting, the Division of Scientific Opinions, and the legal advisor in charge of investigating mergers and acquisitions. The work of these groups will be discussed separately.

Most requests for investigation are received from businessmen, consumers, trade groups, members of Congress, men8 10 Tj592j48 0 -0 Tj592j48

interest involved, the time and expense required for investigation, whether the matter involves a private controversy, and the extent to which a successful proceeding may result in effective corrective action.

Another factor to be considered relates to the concurrent jurisdiction exercised by the Commission and the Department of Justice in restraint of trade matters. Both agencies are charged with the enforcement of the Clayton Act, as amended, and the courts have ruled that violations of the Sherman Act also constitute unfair methods of competition or unfair acts or practices which are prohibited by the Federal Trade Commission Act. It is necessary, therefore, to maintain close and effective liaison between the two agencies in the application of the Clayton Act. (S) Tj 15.84 C



a growing awareness on

to indicate staple rayon, a commodity which is imported into this country in large quantities. It is alleged that monopolization of this term by the registrant will have and has had an adverse effect upon individuals and firms other than the registrant in matters of customs declaration and subsequent advertising to the trade.

A total of 836 deceptive practice investigations was made during: the year. These involved such matters as false and misleading advertising with respect to composition, quality, origin and price of a wide variety of products, from shoes to hats, and from baby cribs to burial vaults. They also included investigations made in pursuance of the Commission's more detailed authority to prevent false advertising of food, drugs, cosmetics and therapeutic devices.

A good start was made during fiscal 1957 in the monitoring of radio and television advertising. Whereas in years past, only the written scripts (requested in advance of their broadcast) were examined for false and misleading claims, the present system of monitoring programs as they come over the air assures more comprehensive coverage, including ad-lib claims and visual deception on TV. screens. The six formal complaints issued attracted very considerable interest in the press and in the radio and television advertising fields. Also, the public, alerted to the Commission's monitoring, is giving useful assistance in spotting dubious advertising.

## MERGER INVESTIGATIONS

The Commission's highest priority effort is to halt illegal corporate mergers. Intensified in fiscal 1957 by nearly a million dollars of increased appropriations, the antimerger drive developed momentum this fiscal year and promises to continue even more effectively in fiscal 1958.

The Bureau of Investigation has responsibility for examining all reported corporate mergers and acquisitions, to identify those that might violate section 7 of the Clayton Act, as amended. These investigations seek to determine the probable competitive effects of significant mergers and acquisitions.

Under the Commission's premerger clearance procedure, interested parties may request advice of the Commission with respect to a proposed merger or acquisition. Facts relating to the proposed transaction may be submitted in writing or in conference. On the basis of the facts submitted by the parties, as well as other information available to the Commission, the parties are informed as to whether or not consummation of the merger would be likely to result in further action by the Commission.

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The written opinions rendered involved: Foods, drugs, cosmetics, devices, economic poisons, and miscellaneous. The opinions dealt with many kinds of foods, livestock feeds, vitamin preparations, weight reducing preparations and regimens, cold remedies, hay fever and asthma remedies, skin preparations, sunburn preventatives, hair preparations, depilatory preparations and devices, feminine hygiene preparations and devices, air filters, trusses, contact lenses, eyeglasses, health. books, cooking utensils, insecticides, disinfectants, bleaches, fertilizers, and many other preparations and devices. Among the unusual matters considered were plastic screens to be placed in front of the picture tube of a black and white television set claimed to produce color television and eliminate eye strain. Various devices designed to eliminate static electricity from phonograph records, photographic film and other articles containing small amounts of radium or other radioactive substances were also considered from the standpoint of possible health hazards.

Continued attention was given to preparations ordered for the treatment of arthritis, rheumatism and related conditions. This project was expanded to include not only pills and other internal preparations but also salts intended for use in bath water and various types of external preparations such as liniments and ointments. The investigation and litigation of cases involving products or courses of treatment offered for the prevention and cure of baldness required a very considerable amount of time, as did the investigation of products offered for the treatment of piles and for the relief of headaches, neuralgia and other painful conditions.

The matters referred to the division for scientific opinion became increasingly complex and difficult to resolve. A steadily increasing number of drugs and cosmetics contain one or more ingredients regarding whose virtues and limitations the published medical and scientific literature provides, at most, only fragmentary and inconclusive reports. Consequently, the division must locate and confer with the medical specialists and other scientists who have firsthand knowledge of the therapeutic and other properties of the drugs and cosmetics. In many instances, advertisers seize upon preliminary favorable scientific reports, published or unpublished, and make them the basis for extensive advertising campaigns. Authorities in a particular field, when contacted, may characterize the reports as inadequate, preliminary and inconclusive; but, having had no actual experience with the product in question, they are unable to state categorically that the claims based upon the preliminary reports are false. Under such circumstances, the only hope of accurate appraisal, and where necessary, effective regulation of the advertising, is to have the products tested clinically. Conferring with scientists regarding new products and ingredients, and planning and arranging for clinical tests is time consuming work, frequently entailing considerable travel.

## DIVISION OF ACCOUNTING

This division furnishes accounting services in connection with the investigation and trial of legal cases and in general economic investigations.

The division's work consists of accounting analyses and studies of the pricing policies of respondents or proposed respondents to: (1) establish evidence of alleged price discrimination under section 2 of the Clayton Act as amended by Robinson-Patman Act; (2) evaluate cost data submitted by respondents in justification of alleged price discrimination under the Robinson-Patman Act; (3) establish evidence of alleged price-fixing in cases arising under section 5 of the Federal Trade Commission Act; (4) establish evidence of sales below cost in violation of section 5 of the Federal Trade Commission Act; (5) compile production and sales statistics and analyze financial data of companies and their competitors involved in mergers, in cases arising under section 7 of the Clayton Act; and (6) compile statistics concerning costs, prices, and profits, and the financial position of companies under section 6 of the Federal Trade Commission Act.

During the year accounting services were furnished in connection with 68 legal cases and investigations. These included 29 Robinson-Patman cases, 13 other Clayton Act cases, and 26 section 5 Federal Trade Commission Act cases.

In addition, accounting services were furnished in connection with the Commission's financial and statistical activities. A study was made of the profitableness of identical companies in selected manufacturing industries during the years 1940, 1947-55. A report was prepared on rates of return (after taxes) for identical companies which comprised in 1940 the major part of each of 25 manufacturing industries, and for the 12 largest companies in each of 39 industries for the years 1954 and 1955.

The Division of Accounting also participated in the Commission's study of the Antibiotics Industry, particularly with reference to the accounting methods and costs and profits of the companies in the industry.

## DIVISION OF WOOL, FUR, AND FLAMMABLE FABRICS

The Commission is charged by Congress with administering three separate and important pieces of consumer legislation—the Wool Products Labeling Act of 1939, the Fur Products Labeling Act, and the Flammable Fabrics Act. Their purposes are to protect consumers, manufacturers, and distributors from misbranded wool and fur products and from false invoicing and advertising of fur products and furs, as well as from the dangers surrounding the use and marketing of highly flammable wearing apparel and fabrics.

The Wool Products Labeling Act and the Fur Products Labeling Act provide for informative labeling of wool and fur products. The requirements of the Fur Act also extend to invoicing and advertising of fur products and furs. Under the terms of the Flammable Fabrics Act, wearing apparel or fabrics not meeting standards of flammability set out in the statute, must be entirely removed from the market.

Where necessary, actions for condemnation and injunction, as well as criminal prosecution for willful violations, are available in the Federal courts. These actions are in addition to the Commission's regular cease and desist order procedure.

Under each of these statutes, the Commission has issued rules and regulations necessary and proper for the administration and enforcement of the Acts. These regulations, which become substantive law, have been issued and are being maintained by the Division of Wool, Fur, and Flammable Fabrics as integral parts of the legislation.

The very nature of these three pieces of consumer legislation, which, differ materially from the other statutes administered by the Commission in view of their affirmative requirements, necessitates compliance inspection and industry counseling work throughout the entire United States. Such inspection work is conducted at all levels of merchandising, including manufacturing wholesaling, and retail distribution. Under planned programs of inspection, the compliance of those amenable to the statutes is periodically checked and assistance given in making on-the-spot correction of deficiencies under the Acts and regulations. Counselling service also is given. Where substantial violations of the statutes are found, full investigations of the practices are made and formal action recommended against offenders.

Approximately 70 industries are engaged in the manufacture of products subject to the provisions of the Wool Act. Members of these industries approximate 25,000 manufacturers and 260,000 distributors. Subject to the Fur Act are approximately 40,000 manufacturers and over 30,000 distributors are subject to the provisions of the Flammable Fabrics Act, which covers the entire fields of wearing apparel and fabrics for use therein.

Highly competitive conditions in the wool industry, together with the general rising prices of consumer goods, have caused and are causing many manufacturers to resort to the use of substitute materials and fibers of lower quality and cost in maintaining established price structures for their products.

Inspections during the year revealed an increase in misbranding of wool products and the need for an accelerated compliance inspection program, including the examination of fiber content records required of all wool product manufacturers. Especially is this true in the interlining, wool batting, and comforter industries, as well as the suppliers

of reprocessed and reused wool fiber stocks, which under such conditions have been and are being upgraded to higher classifications.

There has been an increasing demand for fabrics and garments made from specialty fibers such as cashmere, vicuna, camel hair, alpaca, and llama, as well as fabrics made from a blend of wool and fur fibers taken from expensive fur-bearing animals. The scarcity of these fibers, together with the premium prices, has resulted in many cases in the substitution of less desirable fibers and the misbranding of wool products.

Since the European and Asiatic countries producing yarns, textiles, and knitted goods have recovered from World War II, wool products are being imported into the United States in ever-increasing volume. These manufactures are beyond the jurisdiction of the Federal Trade Commission so far as inspection of plants and records is concerned. Therefore, closer watch must be maintained by Commission investigators on foreign imports with the cooperation of the Bureau of Customs.

During the past year many imported wool products have been found

Work Load Statistics for Fiscal Year 1957

I. Field inspections and industry counseling:

Wool Act:

Number of concerns inspected ..... 2,867  
Number of wool products inspected (sampling method) ..... 6,387,129

Fur Act:

Number of concerns inspected ..... 1,372  
Number of fur products inspected ..... 104,710  
Number of advertisements examined ..... 29,319

Flammable Fabrics Act:

Number of concerns inspected ..... 2,686

II. Interpretations and opinions rendered concerning Wool, Fur,  
and Flammable Fabrics Acts and Regulations thereunder:

Wool Act ..... 1,319  
Fur Act ..... 1,127  
Flammable Fabrics Act ..... 321

III. Informal cases



by the laws administered by the FTC and

Investigations: General Statistics by Principal Violation Charged for the Fiscal  
Year 1957

Principal violation charged	Pending July 1, 1956	Scheduled for investigation	Re-opened	Disposed of				Pending June 30, 1957
				Complaints issued	Stipulations accepted			
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## LITIGATION

Armed with facts produced by the investigation, this Bureau develops and perfects a case for presentation to the Commission, including a draft of formal complaint whose issuance the Bureau recommends. If the Commission agrees and the complaint is issued, trial attorneys of the Bureau take over its prosecution, to the end that a cease and desist order be entered.

Unless the respondent consents to an order prohibiting the violation, the issues are tried before a hearing examiner in much the same way as an equity suit or other civil action is tried before a judge without a jury.

In the course of such a hearing, the same facts are presented as in a civil action. The hearing is held in public, and the parties are given the opportunity to present evidence and to cross-examine witnesses. The hearing examiner has the authority to administer oaths, to rule on the admissibility of evidence, and to make findings of fact and conclusions of law. The hearing examiner's findings and conclusions are subject to review by the Commission.

six proceedings brought under the Clayton Act. For the first time in the Commission's 42-year existence, it was contended in court that because subpoena power had not been specifically conferred upon the Commission by Congress in the Clayton Act, the agency could not issue a subpoena in a Clayton Act proceeding pursuant to the power granted it in the Federal Trade Commission Act. The final decisions in all cases upheld the Commission's subpoena power.

The Bureau is headed by a Director who exercises general supervision over its work, aided by an Assistant Director and an Assistant to the Director. At the end of fiscal 1957, the Bureau had 63 trial attorneys, including 6 legal advisers. Four of the legal advisers are specialists in the field of antimonopoly law, the other two being specialists in antideceptive practice law. There is a secretarial, stenographic, and administrative staff of 26.

### CASE WORK IN 1957

In general, proceedings before the Commission may be classified either as antimonopoly or as antideceptive practice.

The antimonopoly cases are those in which the complaint charges restraint of trade or monopolistic practice in violation of section of the Federal Trade Commission Act

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strengthened its position of industry dominance that its new truck trailer sales jumped from 37 percent of the market to 48 percent. Competition in the industry is threatened, according to the complaint, which also charges unfair practices in violation of the Federal Trade Commission's Act.

paperboard production of its proposed west coast mill to independent, nonintegrated wholesalers, converters, and other purchasers located in Western States.

Docket 6689—Gulf Oil Corp.

One of the largest oil companies in the Nation has been charged with violating the antimerger law by acquiring Warren Petroleum Corp. of Tulsa, Okla.

According to the complaint, Gulf has acquired, in Warren, the country's largest independent producer of natural gasoline and liquefied petroleum gas (LP-Gas). Natural gasoline is used by refiners of crude oil in the production of finished motor and aviation fuels, and

alleged conspiracies affect about 90 percent of the Nation's tuna pack, having an annual wholesale value of \$200 million. The ultimate result of the conspiracies, the complaint states, is that the public must pay more for the tuna it eats.

In another price fixing case, an order to cease and desist was issued against Florida Citrus Mutual, Docket 6074, prohibiting this nonprofit marketing association of 7,000 growers of 85 percent of the citrus fruit grown in Florida from attempting to control the price or interstate shipment of fruit after grower-members have sold it afixing

an example of discrimination, the complaint alleges, the respondent paid out over \$1 million in 1955 to certain retail customers for the placement of advertising materials in



The company consented

raising money for organizational projects. Delivery of books and calendars was promised in from 30 to 90 days. It was not uncommon for an agent to take \$400 to \$500 under this plan from businessmen in a single small community. Numerous organizations had waited upwards of 2 years with still no delivery of books. Others who did receive books or calendars found them greatly inferior to handsome display samples.

Docket 5903—Necchi Sewing Machine Sales Co.

Docket 6685—Singer Sewing Machine Co.

These nationwide distributors of sewing machines were prohibited from falsely representing the characteristics and qualities of their products.

Singer was ordered to stop its salesmen from representing that machines which have been repossessed, exchanged or used for teaching purposes are new, and that repossessed machines are demonstrators or floor samples.

Necchi is prohibited from representing contrary to fact that its machines do genuine hand rolling and certain types of stitching, and possess features not found in other machines.

Docket 6712—Dictograph Products, Inc.

Docket 6811—Federal Fire Protection Service, Inc.

Complaints were issued against these two unrelated companies and various individuals responsible for their practices, alleging that, in connection with the direct selling of home fire-alarm systems, the respondents unfairly exhibited horror pictures to parents for the purpose of arousing them emotionally concerning the need to purchase the alarm system com112repoj 3

alarm

Docket 6638—Exposition Press, Inc.

In the first action of its kind, the Commission issued a complaint charging this company had falsely advertised to aspiring writers that it would publish their manuscripts in book form and promote them on a cooperative basis. Among more than 40 challenged advertising claims were statements that the respondent would recommend publication only after critical staff appraisal of a manuscript established the manuscript's literary merit and sales appeal; that it would share with the author the expenses of publication, promotion and sale; that its promotional efforts would result in sufficient sales of the first printing to repay the author for his expenses connected with publication, distribution and sale; that in all probability additional printings would be required; and that the promotion given an author's work would be the same as that afforded by the largest book publishers to their most important writers.

Docket 6634—C.H. Stuart Co., Inc., et al.

This case involved deceptive practices in the sale of nursery stock. A consent order was entered against the Stuart company, five affiliates and 39 corporate officers individually. It prohibits misrepresentations that salesmen are qualified to render professional or expert landscaping or horticultural advice or service. Among other prohibited acts are the use of misrepresentations that ordered stock will be received during planting season; that orders may be canceled without cost; and that stock which fails to grow or bloom will be replaced without expense to the customer.

Docket 6538—R.H. Macy Co., Inc.

This was one of 60 cases in litigation during the year involving alleged violations of the Fur Products Labeling Act.

A consent order entered against Macy in December 1956 prohibits the company from failing to disclose the names of the animals producing advertised furs, and using fictitious pricing and value claims in advertising.

The litigation docket also consisted of numerous other cases involving the following types of practices: false advertising of health and accident insurance policies, automobile batteries and tires, cookware, perfumes, "hair growers," mail order eyeglasses, weight reducers, vitamins, home study courses, a fishing lure, girdles, a process for making mirrors, lawn mowers, photograph albums, pre-cut blouses, real estate brokerage services, shoes, aluminum storm windows, television sets and accessories, watches and watch cases, shoe brushes and paint brushes, food freezers, pianos, raincoats, awnings, military clothing, mushroom spawn, phonograph records and puzzle contests; untruthful disparagement of slidefilm projectors; nondisclosure of

the foreign origin of hypodermic syringes, lawn sprinklers, and cutlery; nondisclosure that clothing had been worn; nondisclosure

## HEARING EXAMINERS

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When the Commission issues a formal complaint, it does not prejudge whether the charges of law violation are true. The decision in the case is based upon the evidence introduced in the formal proceeding. If the weight of the evidence shows law violation, an order is issued to prevent any recurrence.

Thus, following issuance of a complaint, the next step is to bring out the facts and pertinent law at public hearings presided over by a hearing examiner. Twelve examiners, including the chief hearing examiner, serve the Commission, which has administrative supervision over them. Their appointment and tenure, however, are under the sole authority of the Civil Service Commission.

A hearing examiner takes the testimony and considers the arguments by attorneys for FTC's Bureau of Litigation and those of the respondent, then makes his findings of fact and issues an initial decision. This will become the Commission's decision at the end of 30 days unless by a majority vote the Commission decides to modify or reverse it or return the case to the examiner for further hearings.

The examiner is in full charge of a case from the time the Commission issues its complaint until he renders his initial decision. His responsibilities include ruling upon offers of proof and receiving evidence, regulating the course of hearings, and holding conferences for such purposes as settlement or simplification of the issues. Of no small significance is his right to rule upon all procedural and other motions appropriate in adversary proceedings. Once all such minor decisions had to be made by the Commission itself prior to the enactment of the Administrative Procedure Act in 1946; they now are disposed of quickly by the hearing examiner, except under rare circumstances.

The importance of the hearing examiner's function in casework should not be underestimated. His forcefulness in the conduct of a hearing determines to great degree the dispatch with which the case is handled, and his judgment of the facts and the law in the case determines the soundness and adequacy of his initial decision.

Particularly can his conduct of a hearing serve to reduce delay. By refusing to permit unjustified delays in the scheduling of hear-

ings, by alertness in halting introduction of extraneous issues into the case, and by preparing their own findings with dispatch, the hearing examiners make major contribution to the speed with which the Commission can act.

Performance during fiscal 1957 gave evidence that the Commission's hearing examiners continued their increasing capacity to handle cases. The following table illustrates this.

Fiscal year	On hand	Received	Total handled	Disposed of	On hand	Hearing days
1954 .....	90 (July 1, 1953)	130	220	94	126 (June 30, 1954)	325
1955 .....	126 (July 1, 1954)	165	291	124	167 (June 30, 1955)	611
1956 .....	167 (July 1, 1955)	201	368	187	181 (June 30, 1956)	670
1957 .....	181 (July 1, 1956)	250	431	232	199 (June 30, 1957)	733

## OFFICE OF THE GENERAL COUNSEL

The final step in casework are taken by the General Counsel's office in defending and prosecuting the Commission's decision before the courts and in policing compliance with all of its orders.

In addition, the General Counsel and his staff perform other services vital to the Commission's effectiveness. He is the Commission's chief law officer and principal legal adviser to the Commission and its staff. He and his staff analyze new legislation and represent the Commission before Congressional committees. They also administer the Webb-Pomerene Export Trade Act, review all trade practice rules, advise businessmen informally on trade regulation matters, supervise the informally

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General on any of these matters that reach the United States Supreme Court upon petition for writ of certiorari.

Another major function of this Division is to prepare drafts of reports by the Commission upon legislative proposals concerning which Committees of the Congress or the Bureau of the Budget want the Commission's views. It also drafts legislative proposals the Commission wishes to submit to the Congress. The Division also prepares opinions and recommendations on questions of substantive and administrative law or procedure arising from Commission and court proceedings.

During fiscal 1957 the Division completed litigation in circuit courts of appeals in 38



American Crayon had been before the court previously upon petition to review that portion of the decision of the court of appeals which had set aside a part of the Commission's order. That petition had been granted and the judgment reversed, but the court of appeals thereupon had reversed its entire decision, including the portion which had affirmed and enforced the rest of the Commission's order. The Supreme Court granted the second petition for certiorari, reversed the decision, and remanded to the court of appeals with directions to affirm and enforce the part of the Commission's order not the subject of the earlier petition, and to consider and pass upon the Commission's petition for affirmance and enforcement of the remainder.

## Pending Cases

Petitions to review have been granted in Standard Oil Co., C. E. Niehoff, and Moog Industries, Inc. Petitions are awaiting action in E. Edelmann, Harlem Paper Products, and Metropolitan Bag & Paper Distributors Association.

### In Circuit Court of Appeals

#### Decisions and Other Disposition

All but one of the 11 antimonopoly cases pending at the beginning of the year proceeded to decision before its close. In five cases involving price discrimination in the sale of automotive parts, Moog Industries, St. Louis, Mo. (Eighth Circuit), Whitaker Cable, North Kansas City, Mo., E. Edelmann, Chicago, Ill., P. and D. Manufacturing Co., Long Island City, N. Y., and C. E. Niehoff, Chicago, Ill. (all Seventh Circuit), the Commission's order to cease and desist was affirmed. In the last-named case, the order was modified to stay its effective date. (Certiorari has been granted to review this modification.) P. Sorensen Manufacturing Co., New York, another auto parts price discrimination case, arose (District of Columbia Circuit) and the Commission's order was affirmed.

Harlem Paper Products Corp., Bronx, N. Y., Metropolitan Bag & Paper Distributors Assn., Inc., New York, N. Y., and Robins Paper Co., Baltimore, Md. (Second Circuit), involved conspiracy in restraint of trade in fine and wrapping paper. The Commission's orders were set aside as to certain petitioners and affirmed and enforced as to the rest.

Union Circulation Co., Inc., New York, N. Y. (Second Circuit) agreements in restraint of trade in the distribution of magazines, and Advertising Specialty National Association, Washington, D.C. (First Circuit, agreements in restraint of trade in the sale of advertising novelties. Commission's orders were affirmed and enforced.

Maryland Baking Co., Baltimore, Md. (Fourth Circuit), price discrimination in sale of ice cream cones. Commission's order affirmed as modified at Commission's request.

American Crayon Co., Sandusky, Ohio (Sixth Circuit), price discrimination (6th Cir. 1973), 516 F.2d 1042, 21.6 C.F.R. 101.12

the Commission's orders were affirmed and enforced. In *Barclay Home Products, Cohoes, N. Y.* (District of Columbia Circuit), the Commission's order was affirmed but enforcement has been stayed pending disposition of Barclay's petition for certiorari. In *Burton-Dixie Corp., Chicago, Ill.* (Seventh Circuit), the Commission's order was set aside. (The Solicitor General has determined not to petition for certiorari.)

*E. F. Drew & Co., Inc., New York, N. Y.* (Second Circuit), deceptive advertising of oleomargarine. The Court affirmed and enforced the Commission's order as modified at the Commission's request.

*General Products, Chicago, Ill.* (Seventh Circuit), deceptive practices in the sale of photo albums and certificates. The Commission's order was affirmed and enforced.

*James H. Sewell, Santa Ana, Calif.* (Ninth Circuit), false advertisements of a device for insertion in shoes. The Commission's findings and order were modified. (This decision was reversed by the Supreme Court. )

*Carl Drath, New York, N. Y.* (District of Columbia Circuit), merchandising by lottery device. affirmed and enforced.

*A. A. Goodman. (Weavers Guild), Los Angeles, Calif.* (Ninth Circuit), deceptive practices in the sale of a home-study course. Affirmed and enforced.

*American Hospital and Life Insurance Co., San Antonio, Tex.* (Fifth Circuit), deceptive practices in sale of life insurance. The Commission's order was set aside. (The Solicitor General has been asked to petition for certiorari.)

Four cases arose and proceeded to decision during the year. *Jacques De Gorter (Pelta Furs), Los Angeles, Calif.* (Ninth Circuit), deceptive practices in the sale of furs. Affirmed and enforced. *William H Wise Co., Inc. New York, N. Y.* (District of Columbia Circuit), deceptive practices in debt collection. Affirmed and enforced. *National Casualty Co., Detroit, Mich.* (Sixth Circuit), deceptive practices in sale of health and accident insurance. The Commission's decision was set aside and the case remanded for further proceedings. (The Solicitor General has been asked to petition for certiorari.) *J. C. Martin Corp., New York, N. Y.* (Seventh Circuit), lottery merchandising. The Commission's decision was set aside. (The Solicitor General has determined not to petition for certiorari.)

*Blanton Co., St. Louis, Mo.* (Eighth Circuit), deceptive advertisements of oleomargarine, was dismissed at petitioner's request.

#### Pending Cases

*Travelers Health Association, Omaha, Nebr.* (Eighth Circuit), *North American Accident Insurance Co., Chicago, Ill.* (Fifth Circuit), and *American Life and Accident Insurance Co., St. Louis, Mo.* (Eighth Circuit), misrepresentation of insurance policies.

Carter Products, Inc., New York, N. Y. (Ninth Circuit), false advertisement of a drug product.

Arrow Metal Products Corp., Haskell, N. J. (Third Circuit), deceptive practices in sale of awnings and component parts.

## SUBPENA CASES IN FEDERAL COURTS

### In the Supreme Court

Four petitions for certiorari were filed seeking review of decisions of lower courts in subpena cases. One, James F. Crafts, was filed on behalf of the Commission. The court has not acted upon that petition, or upon the petition of William T. Reed. Petitions of W. W. Tuttle and John T. Menzies, et al. were denied.

### In Circuit Courts of Appeals

#### Decisions

One case was pending at the start of the year. James F. Crafts (Ninth Circuit), upon appeal from a district court order (Northern District of California), enforcing a Commission subpena in an insurance case. Decision reversed.

John T. Menzies, et al., Baltimore, Md. (Fourth Circuit), on appeal from decision of district court (District of Maryland) enforcing Commission's subpena. Affirmed.

W. W. Tuttle, Boston, Mass. (Second Circuit), appeal from district court decision (Southern District of New York) denying enforcement of Commission's subpena. Reversed.

William T. Reed, Chicago, Ill. (Seventh Circuit), appeal from district court decision (Northern District of Illinois), enforcing Commission's subpena. Affirmed.

William B. Rubin, Hoboken, N. J. (Second Circuit), appeal from district court decision (Southern District of New York), denying Commission's application for order enforcing its subpena. Decision reversed.

#### Pending Cases

Scientific Living, Inc., Scranton, Pa. (Third Circuit), appeal from district court decision (Middle District of Pennsylvania) enforcing Commission's subpena.

Fred J. Bowman, Chicago, Illinois (Seventh Circuit), appeal from district court decision (Northern District of Illinois) enforcing Commission's subpena.

## CONTEMPT PROCEEDINGS IN FEDERAL COURT

In Dolcin Corporation, New York, N. Y. (District of Columbia Circuit), false advertising of a drug product, the corporation and three officers were found guilty of criminal contempt of the court's mandate directing compliance with the Commission's order to cease and desist.

The court imposed fines of \$15,000 upon the corporation, \$2,500 on its President, \$1,000 on the Treasurer, and \$750 on the Secretary. The Supreme Court has denied petitions by the corporation and its President for certiorari to review their convictions.

### INJUNCTION PROCEEDINGS IN FEDERAL COURTS

In *Carl Drath*, New York, N. Y. (District of Columbia Circuit), lottery merchandising, the court granted the Commission's application for an injunction commanding obedience to the Commission's order pending disposition of Drath's petition to review that order.

In *International Paper Co.*, New York, N. Y. (Second Circuit), the court dismissed the Commission's petition for an injunction to maintain the status quo pending completion of an administrative proceeding against an alleged unlawful merger.<sup>2</sup>

### INTERLOCUTORY ORDERS CASES IN FEDERAL COURTS

In *Renaire Corporation* (Pennsylvania), Springfield, Pa. (Third Circuit), the court dismissed for want of jurisdiction Renaire's petition for a writ of prohibition and mandamus against the Commission, and its petition for review of an interlocutory order of the Commission. Thereafter it denied also Renaire's petition for a stay of the Commission's proceeding pending filing of a petition for certiorari.

In *Renaire Corporation* (Pennsylvania), Springfield, Pa. (District of Columbia Circuit), the court dismissed Renaire's petition for a writ of prohibition and mandamus against the Commission.

### DIVISION OF COMPLIANCE

This Division obtains and maintains compliance with the Commission's cease and desist orders. Without continuous surveillance, the Commission is unable to know whether or not its orders are being obeyed.

Each respondent is required to report how he is complying with these orders and intends to do so in the future. The Division evaluates these reports and augments them where necessary by conferences, supplemental reports, or by investigation immediately following the entry of an order. Other principal duties of the Division are:

To request and analyze results of investigations of complaints of violation of orders.

To represent the Commission in collaboration with district attorneys in United States District Courts in civil penalty suits, preparing the complaint, and trial memoranda, taking necessary depositions and participating throughout the litigation.

To work out acceptable voluntary compliance programs.

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<sup>2</sup> (Compiler: Add cross-reference to Bureau of Litigation's report of proceedings before Commission in this case.)


Sears, Roebuck & Co. (N. D. Ill.).—Misrepresentation of savings and discounts to be afforded purchasers of automobile tires. Judgment for \$537.20.

Western Auto Supply Co. (W. D. Mo.).—Misrepresentation of savings and discounts to be afforded purchasers of automobile tires. Judgment for \$3,150 entered.

#### Civil Penalty Cases Pending

International Research Co. (Seventh Circuit).—Sale and use of deceptive materials designed to obtain by subterfuge information concerning alleged delinquent debtors. On appeal from a judgment entered in the Northern District of Illinois assessing a penalty of \$1,500 and costs.

Hauptman Feather Co. (E. D. N. Y.).—Misrepresentation of feather and down content of pillows.

Hollywood Film Studios (N.D. Ill.).—Deceptive practices in connection with the sale of photographic enlargements and frames therefor.

Seydel Chemical Co. (D. N. J.).—False representations concerning the value of a drug preparation designed for use in the treatment of arthritic and rheumatic conditions.

Snappy Fashions, Inc. (E. D. N. Y.).—Failure to label wool products as required by the Wool Products Labeling Act of 1939.

The Capitol Service, Inc. (W. D. Mich.).—Misrepresentation of a correspondence course designed to train purchasers thereof for civil service positions.

Mueller Hair Experts (S. D. Tex.).—Misrepresentation of the merits of a drug preparation designed for use in the treatment of hair and scalp conditions.

Paul R. Dooley, Inc. (S. D. Calif.).—Misrepresentation of the merits of a drug preparation designed for use in the treatment of hair and scalp conditions.

America Greetings Corp. (N. D. Ohio).—Unfair methods of competition in connection with the sale of greeting cards.

Duon, Inc. (S. D. Fla.).—Unfair methods of competition in connection with the sale of cosmetic supplies.

The B. F. Goodrich Co. (N. D. Ohio).—Misrepresentation of savings and discounts to be afforded purchasers of automobile tires.

California—Misrepresentation of savings and discounts.

and offers full aid of its attorneys in prosecution and trial of the case. Usually the offer is accepted and the division attorneys not only fully participate but often solely conduct the trials. They also prepare all necessary further pleadings and briefs for filing with the court, which include requests for admissions, interrogatories, objections, motions, and court findings, and personally arrange and take all necessary oral depositions of those witnesses who cannot be subpoenaed to appear personally.

The primary objective is to obtain compliance with orders rather than to exact a large number of civil penalty judgments. This cannot be achieved without prompt application of civil penalty procedures when compliance apparently cannot be obtained otherwise.

Experience shows that a respondent may be in compliance today and in violation 3 or 4 years hence, and that without the reasonable and continued surveillance approximately 70 percent of such orders would have no meaning of effect. In at least 70 percent of the compliance cases handled, it is necessary to do much more than analyze and file reports. In about two-thirds of the cases which involve continued work, they do so either because the original reports of compliance later prove unsatisfactory, or new violations are discovered.

Most orders involving restraints of trade are issued under the Clayton Act and have no finality until enforced by decree by the United States Court of Appeals after proof of violation, and proof of a further violation is necessary for a fine in criminal contempt. Since 1947, there have been no such fines. Only three judgments have been recovered, one in 1937, one in 1940, and one in 1945.

During fiscal 1957 this Division initiated four formal investigational hearings, looking toward enforcement of Robinson-Patman orders (Curtis Candy Co., D. 4556, Kay Windsor, D. 5735, Washington Fish & Oyster Co., D. 5228 and Booth Fisheries, D. 4414). Work on these cases continues.

In collaboration with the Bureau of Economics, the Division is obtaining supplemental information re compliance in the Commission's 1948 Cement case with a view to a joint economic and legal analysis and evaluation of the current price structure in that industry.

The Division has initiated and has outstanding 24 investigations of compliance with orders issued under the Clayton Act.

During fiscal 1957 a total of 157 compliance investigations were instituted and supervised by the Division, 42 of which were in connection with antimonopoly matters. This 157 is an increase of 13 compliance investigations over the preceding fiscal year.

#### Progress on Review of Old Orders

Since its organization, the Commission has issued approximately 4,955 cease and desist orders. Prior to 1954 the Compliance Division,



established in 1947, had been able to deal adequately with order compliance primarily only as to those orders issued since 1947, of which there are now less than 900. In August 1954 a survey of the status of compliance by respondents with the more than 4,000 previous orders was begun. Its status follows:

	Fiscal year 1957	Cumulative to July 1, 1957
Examined . . . . .	748	2,560
Screened as requiring no action . . . . .	375	1,063
Supp. reports requested . . . . .	268	1,007
Compliance brought current . . . . .	259	1,003

Of the 1,495 old orders not yet surveyed, more than 400 involve restraints of trade, Clayton Act violations, price-fixing conspiracies and other complicated problems. These orders are directed against evils found in many of the country's most vital industries. Many involve hundreds of respondents, each of whom must report. During fiscal 1957 some 100 of such orders were under review to ascertain which are active; which should be activated by supplemental reports or field investigation; and which, if any, need no further present attention. Fifteen spot-check investigations have been initiated, 60 supplemental compliance reports requested and compliance information at time of writing is current in 13 of these cases.

#### Current Order Compliance

The most substantial portion of the Division's work consists of securing compliance reports and, where necessary, enforcing compliance with orders currently issued. As each order is issued the Division must study and analyze reports to insure that respondents adjust their business practices to conform to the Commission's cease and desist orders, and where voluntary compliance cannot be obtained, to initiate and pursue enforcement in the Court.

#### Statistics on Matters Handled in Fiscal 1957

"Matters" consist of (a) reports of compliance for processing; (b) complaints of alleged violation of orders; (c) conferences and opinions regarding compliance; and (d) initiating and processing preliminary inquiries into compliance. Each category of these "matters" is a distinct operation requiring substantial man-hours. In other words the same case often requires handling several times, as is apparent from the following table showing the number of "matters" and the number of "cases" handled, and disclosing that 1,273 "matters" handled involved but 602 "cases."

*Matters*

Total pending July 1, 1956 .....	992
Received during year .....	<u>1,687</u>
Total for disposition during year .....	2,679
Disposed of during year .....	<u>1,273</u>
Total pending June 30, 1957 .....	1,406

*Cases*

Cases pending July 1, 1956 .....	348
Received during year .....	<u>683</u>
Total for disposition during year .....	1,031
Disposed of during year .....	<u>602</u>
Cases pending June 30, 1957 .....	429

### DIVISION OF SPECIAL LEGAL ASSISTANTS

The principal work of this division is the preparation of documents needed to implement Commission decisions in adjudicative proceedings. The work includes the examination of formal records and reporting on them to the Commission or to individual Commissioners.

Division attorneys consult with Commissioners and staff members on questions of law, policy and procedure in connection with all phases of the Commission's work. They prepare reports and recommendations on a wide variety of subjects, including questions of substantive law, proposed trade practice rules, and proposed reports to the public.

During fiscal 1957 the division prepared drafts of 256 decisions, of which 56 were final decisions and 200 were interlocutory depositions. It prepared 22 miscellaneous reports with recommendations, and replies to 65 items of legal correspondence.

#### Defense and Small Business Services Respecting Voluntary Agreements and Programs

Section 708 of the Defense Production Act of 1950, as amended, authorizes the use of voluntary industry agreements and programs sponsored by other agencies of the Government to further the objectives of the National Defense Program. It further provides that the Chairman of the Federal Trade Commission and the Attorney General must be consulted before the agreements and programs are put into effect. When such agreements and programs have been approved by the Attorney General, participating industry members are accorded immunity from the antitrust laws and the Federal Trade Commission Act.

Before clearance is granted, the Chairman of the Commission examines the proposed agreements and programs with a view to minimize or eliminating, without interference with the defense effort, any factors which may tend to suppress competition, create or

strengthen monopolies, injure small business or otherwise promote undue concentration of economic power.

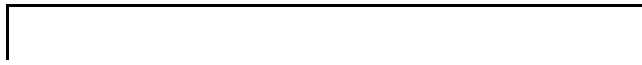
Production pools of small business and voluntary industry agreements and programs under the Small Business Act of 1953, as amended, are subject to similar requirements for consultation and clearance by the Chairman of the Commission.

Twenty-seven such industry agreements and programs were in effect at the close of the fiscal year, seven of which were under the Small Business Act of 1953.

The Office of the General Counsel advises the Chairman of the Commission in connection with his consultative and clearance functions under both statutes.

#### ADMINISTRATION OF THE WEBB-POMERENE ACT

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## CONSULTATION

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This Bureau undertakes to obtain maximum voluntary compliance with the laws administered by the Commission.

The Bureau is composed of the Divisions of Trade Practice Conferences, Stipulations, and Small Business. Its functions are: (1) to obtain voluntary compliance with the laws administered by the Commission by means of trade practice rules, conferences, stipulations and other types of informal procedures; (2) to give informal advice in matters under trade practice rules and stipulations; and (3) to advise small business informally on matters over which the Commission has jurisdiction.

### OFFICE OF THE DIRECTOR

Direction of the work of the Bureau is centralized in the office of the Director who exercises general supervision over the activities of the three Divisions.

On September 15, 1955, the Commission approved a set of Cigarette Advertising Guides for use of its staff in evaluating cigarette advertising and directed this Bureau to continue consulting with industry members to assist them in complying therewith. The work of the Bureau under the Guides has been under the immediate supervision of the Director and has entailed the review of all available newspaper, periodical, radio, and television cigarette advertising, consultation with industry members, and the institution of the action necessary to cause the voluntary discontinuance of representations deemed questionable under the Guides and Commission law. This Work has resulted in the discontinuance of numerous claims and vigorous efforts in this respect will be continued.

### DIVISION OF TRADE PRACTICE CONFERENCES

This Division administers the trade practice conference program of the Commission. This provides for:

Establishment and revision of trade practice rules for industries in cooperation with their members;

Furnishing of advice and guidance on requirements of the rules; and  
Obtaining of voluntary compliance with the rules of an individual as well as an industrywide basis.

Trade practice rules interpret and clarify the requirements of laws administered by the Commission as they apply to a particular industry. The rules effect widespread voluntary observance of laws administered by the Commission as they apply to an industry.

## Accomplishments During Fiscal 1957

Statistics on rule making activities of the Division follow:

lating to use of the terms "windproof," "stormproof," and "rustproof," and terms of similar import, are



methods, are steadily being eliminated through administration of the rules.

Diamond Industry.—Concentrated efforts were made to stop catalog houses from misrepresenting diamonds as "blue white," "flawless," "perfect" and "guaranteed," and from misrepresenting their weight.

Brick and Structural Clay Tile and Allied Products Industry.— Deceptive use of the term "brick" to describe other kinds of building materials has been substantially eliminated by obtaining compliance with the rules.

Bedding Manufacturing and Wholesale Distributing Industry.— Fictitious pricing practices and misrepresentations of the therapeutic properties of bedding products continued to receive attention.

Statistics relating to rule interpretation work of the Division during the last 3 months of fiscal 1957 are as follows:

Rule interpretations request

value

## Types of Practices Covered by Stipulation

In 30 stipulations approved during the year manufacturers or distributors of fur products agreed to discontinue illegal practices, including misbranding, false invoicing and false or deceptive advertising. Eleven manufacturers or distributors of wool products agreed to label those products as required by the Wool Products Labeling Act.

Five distributors of reclaimed lubricating oil agreed to disclose in advertising and labeling that the oil was used.

Two manufacturers of tablets used in weight-reducing plans agreed to stop representing that the product itself possesses weight-reducing properties.

Two advertisers of medicinal preparations stipulated not to represent that their products would have any therapeutic effect upon any of the symptoms of arthritis, bursitis, or rheumatism beyond affording temporary relief of minor aches, pains, and fever.

Two manufacturers of eyeglasses having only magnifying lenses agreed to stop representing that their glasses will correct vision unless limited to persons not having astigmatism or eye diseases and would require only simple magnifying glasses.

Following are examples of other approved stipulations:

A manufacturer of throat disks agreed not to represent that its product has any effect in preventing, curing or shortening the duration of a cold.

A distributor of tractors, snowplows and other motor-driven equipment agreed to disclose that certain of its equipment is used or rebuilt.

A mattress manufacturer stipulated not to use terms such as "orthopedic" to describe mattresses which have not been designed or constructed so as to afford special health, orthopedic or therapeutic benefits to users.

A watch distributor agreed not to represent its watches as "jeweled" unless they contain at least seven jewels, each of which serves a mechanical purpose as a frictional bearing.

A manufacturer of abdominal belts stipulated that it would



3. To expedite through the Commission those matters involving practices which adversely affect small business;

4. To perform liaison functions with the House and Senate Select Committees on Small Business, the Small Business Administration and other agencies dealing with the problems of small business;

5. To inform small-business men of the functions and jurisdiction of other governmental agencies concerned with the interests of small business.

#### Description of Work

The problems presented to the Division involve both unfair and deceptive acts and practices and matters in the antitrust field. Most of the work consists of giving informal advice to small-business men concerning statutes administered by the Commission. This generally involves practices which the inquirer either

## ECONOMICS

The functions of this Bureau are to give economic and statistical assistance to the Commission in its investigative and trial work, to make economic studies for publication in response to requests by the Commission or by Congress or the rportes      aufacturing copy

veloped. This was approved by the Commission on May 14, 1957, and was mailed to the industry with reply requested by July 1, 1957.

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## DIVISION OF FINANCIAL STATISTICS

The Quarterly Financial Report for Manufacturing Corporations is produced four times a year jointly by the Commission's Division of Financial Statistics and the Securities and Exchange Commission's Section of Economic Research. It is sold on a subscription basis by the Government printing Office's Superintendent of Documents.

This publication is the official source of data regarding the current financial condition and operating results of a large segment of the Nation's economy—corporate manufacturing. It is a basic economic indicator of the current state of health of the Nation's business community. Each issue includes quarterly estimates of 52 income and balance sheet items—sales, profits, operating ratios, and the like—for 31 industry groups and 13 size groups.

The quarterly estimates are based on consolidated financial statements received from a cross section of manufacturing corporations taxable under the United States Internal Revenue Code. For the first quarter of calendar year 1957, the sample consisted of:

1. All 1,432 manufacturing corporations registered with the Securities and Exchange Commission, 1,213 of which had total assets of \$5,000,000 and over, 196 had total assets of \$1,000,000 to \$4,999,999, and 23 had total assets of \$250,000 to \$999,999;

2. All 1,573 nonregistered manufacturing corporations with total assets of \$5,000,000 and over, approximately 95 percent of the 10,000 manufacturing corporations with total assets of \$1,000,000 to \$4,999,999, approximately 6 percent of the 25,000 manufacturing corporations with total assets of \$250,000 to \$999,999, and approximately 2 percent of the 85,000 manufacturing corporations with total assets of less than \$250,000.

During fiscal 1957, a new reporting group was introduced, based on a probability sample of all organized businesses, classified as manufacturers, which are required to file Federal corporate income tax form 1120, and augmented by a series of quarterly samples of manufacturing corporate births. Each of the samples drawn since this quarterly series was inaugurated in 1947 has been systematically stratified by total assets and industry. To distribute the

\$4,99



assets of \$1,000,000 to \$4,999,999, and no replacement is possible for those



## SETTLEMENTS MADE UNDER FEDERAL TORT CLAIMS ACT

During the fiscal year 1957 the Commission paid no claims nor were any claims pending.

### COMPARATIVE APPROPRIATIONS

Appropriations available to the Commission for the past three fiscal years and obligations for the same period, together with the unobligated balances, are shown in the table below. The table also lists the number of employees as of June 30 of each year.

Year	Number of employees	Nature of appropriations	Appropriations	Obligations	Balance
1955	584	Lump sum (including printing and binding) ---	\$4,129,000	\$4,125,189	\$3,811
1950	641	Lump sum (including printing and binding) ---	4,548,500	4,546,895	1,605
1957	744	Lump sum (including printing and binding) ----	5,550,000	5,516,423	33,577

## APPENDIXES

## Federal Trade Commissioners—1915–1957

Name	State from which appointed	Period of service
Joseph E. Davies	Wisconsin	Mar. 16, 1915–Mar. 18, 1918.
Edward N. Hurley William	Illinois	Mar. 16, 1915–Jan. 31, 1917.
J. Harris	Georgia	Mar. 6, 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, 1920–Feb. 24, 1925.
John Garland Pollard	Virginia	Mar. 6, 192–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–Nov. 15, 1949.
Charles H. March	Minnesota	Feb. 1, 1929–Aug. 28, 1945.
Ewin L. Davis	Tennessee	May 26, 1933–Oct. 23, 1949.
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–Feb. 17, 1952.
Robert E. Freer	Ohio	Aug. 27, 1935–Dec. 31, 1948.
Lowell B. Mason	Illinois	Oct. 15, 1945–Oct. 31, 1956
John Carson	Michigan	Sept. 28, 1949–March 31, 1953.
James M. Mead	New York	Nov. 16, 1949–Sept. 25, 1955.
Stephen J. Spingarn	New York	Oct. 25, 1950–Sept. 25, 1953.
Albert A. Carretta	Virginia	June 18, 1952–Sept. 25, 1954.
Edward F. Howrey	Virginia	April 1, 1953–Sept. 12, 1955.
John W. Gwynne	Iowa	Sept. 26, 1953–.
Robert T. Secrest	Ohio	Sept. 26, 1954–.
Sigurd Anderson	South Dakota	Sept. 12, 1955–.
William C. Kern	Indiana	Sept. 26, 1955–.
Edward T. Tait	Pennsylvania	Nov. 2, 1956–.

## Types of Unfair Methods and Practices

The following list illustrates unfa

12. Selling rebuilt, second-hand, renovated, or old products, or articles made in whole or in part from used or second-hand materials, as new, by so representing them or by failing to reveal that they are not new or that second-hand materials have been used.

13. Buying up supplies for the purpose of hampering competitors and stifling or eliminating competition.

14. Using concealed subsidiaries, ostensibly independent, to obtain competitive business otherwise unavailable, and making use of false and misleading representations, schemes, and practices to obtain representatives and make contracts, such as pretended puzzle-prize contests purportedly offering opportunities to win handsome prizes, but which are in fact mere "come-on" schemes and devices in which the seller's true identity and interest are initially concealed.

15. Selling or distributing punchboards and other lottery devices which are to be or may be used in the sale of merchandise by lot or chance; using merchandising schemes based on lot or chance, or on a pretended contest of skill.

16. Combinations or agreements of competitors to fix, enhance, or depress prices, maintain prices, bring about substantial uniformity in prices, or divide territory or business, to cut off or interfere with competitors' sources of supply or to close market to competitors; or use by trade associations of so-called standard cost system, price lists, or guides, or exchange of trade information calculated to bring about these ends, or otherwise restrain or hinder free competition.

17. Intimidation or coercion of producer or distributor to cause him to organize, join, or contribute to, or to prevent him from organizing, joining, or contributing to, producers' cooperative association or other association.

18. Aiding, assisting, or abetting unfair practice, misrepresentation, and deception, and furnishing means of instrumentalities therefor; and combining and conspiring to offer or sell products by chance or by deceptive methods, through such practices as supplying dealers with lottery devices, or selling to dealers and assisting them in conducting contest schemes as, a part of which pretended credit slips or certificates are issued to contestants, when in fact the price of the goods has been marked up to absorb the face value of the credit slip; and the supplying of emblems or devices to conceal marks of country of origin of goods, or otherwise to misbrand goods as to country of origin.

19. Various methods to create the impression that the customer is being offered an opportunity to make purchases under unusually favorable conditions when such is not the case, such devices including—

(a) Sales plans in which the seller's usual price is falsely represented as a special reduced price for a limited time or to a limited class, or false claim of special terms, equipment, or other privileges or advantages.

(b) False or misleading use of the word "Free" in advertising.

(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.

(d) Offering of false "bargains" by pretended cutting of a fictitious "regular" price.

(e) Use of false representations that an article offered has been rejected as nonstandard and is offered at an exceptionally favorable price, or that the number thereof that may be purchased is limited.

(f) Falsely representing that goods are not being offered as sales in ordinary course, but are specially priced and offered as a part of a special advertising campaign to obtain customers, or for some purpose other than the customary profit.

(g) Misrepresenting, or causing dealers to misrepresent, the interest rate of carrying charge on deferred payments

20. Using









for sale to the public.

29. Failing and refusing to deal justly and fairly with customers in consummating transactions undertaken through such practices as refusing to correct mistakes in filling orders or to make promised adjustments or refunds, and, retaining, without refund, goods returned for exchange or adjustment, and enforcing, notwithstanding agents' alterations, printed terms of purchase contracts, and exacting payments in excess of customers' commitments.

30. Shipping products at market prices to customers or prospective customers or to the customers or prospective customers of competitors without an order and then inducing or attempting by various means to induce the consignees to accept and purchase such consignments.

31. Inducing the shipment and sale of commodities through buyer's issuance of fictitious price lists and other printed matter falsely representing rising market conditions and demand, and leading seller to ship under the belief that he would receive prices higher than the buyer intended to or did pay.

## Statutes Pertaining to the Federal Trade Commission

The authority and powers of the Federal Trade Commission in the main are drawn from the following statutes:



person chosen to fill a vacancy shall be appointed only for the unexpired term of the commissioner whom he shall succeed: Provided, however, That upon the expiration of his term of office a commissioner shall continue to serve until his successor shall have been appointed and shall have qualified. The Commission shall choose a chairman from its own membership.<sup>1</sup> No commissioner shall engage in any other business, vocation, or employment. Any commissioner may be removed by the President for inefficiency, neglect of duty, or malfeasance in office. A vacancy in the Commission shall not impair the right of the remaining commissioners to exercise all the powers of the Commission.

The Commission shall have an official seal, which shall be judicially noticed.

SEC. 2. That each commissioner shall receive a salary of \$10,000 a year,<sup>2</sup> payable in the same manner as the salaries of the judges of the courts of the United States. The Commission shall appoint a secretary who shall receive a salary of \$5,000 a year,<sup>3</sup> payable in like manner, and it shall have authority to employ and fix





from the departmental printing fund for the fiscal year nineteen hundred and fifteen, shall become funds and appropriations available to be expended by the Commission in the exercise of the powers, authority, and duties conferred on it by this Act.

The principal office of the Commission shall be in the city of Washington, but it may meet and exercise all its powers at any other place. The Commission may, by one or more of its members, or by such examiners as it may designate, prosecute any inquiry necessary to its duties in any part of the United States.

SEC. 4. The words defined in this section shall have the following meaning when found in this Act, to wit:

"Commerce" means commerce among the several States among 3js4572.c (author: Tj) (2014 19.6j 26.5 13.56



(3) Nothing contained in this Act or in any of the Antitrust Acts shall render unlawful the exercise or the enforcement of any right or right of action created by any statute, law, or public policy now or hereafter in effect in any State, Territory, or the District of Columbia, which in substance provides that willfully and knowingly advertising, offering for sale, or selling any commodity at less than the price or prices prescribed in such contracts or agreements whether the person so advertising, offering for sale, or selling is or is not a party to such n contract or agreement, is unfair competition and is actionable at the suit of any person damaged thereby.

(4) Neither the making of contracts or agreements as described in paragraph (2) of this subsection, nor the exercise or enforcement of any right or right of action as described in paragraph (3) of this subsection shall constitute an unlawful burden or restraint upon, or interference with, commerce.

(5) Nothing contained in paragraph (2) of this subsection shall make lawful contracts or agreements providing for the establishment or maintenance of minimum or stipulated resale prices on any commodity referred to in paragraph (2) of this

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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 hearing, reopen and alter, modify, or set aside, in whole or in part, any report or order made or issued by it under this section, whenever in the opinion of the Commission conditions of fact or of law have so changed as to require such action or if the public interest shall so require: provided, however, That the said person, partnership, or corporation may, within sixty days after service upon him or it of said report or order entered after such a reopening, obtain a review thereof in the appropriate circuit court of appeals of the United States, in the manner provided in subsection (c) of this section.

(c) Any person, partnership, or corporation required by an order of the Commission to cease and desist from using any method of competition or act or practice may obtain a review of such order in the circuit court of appeals of the United States, within any circuit where the method of competition or the act or practice in question as used or where such person, partnership, or corporation resides or carries on business, by filing in the court, within sixty <sup>days</sup> from the date of the service of such order, a written petition praying that the order of the Commission be set aside. A copy of such petition shall be forthwith served upon the Commission, and thereupon the Commission forthwith shall certify and file in the court a transcript of the entire record in the proceeding, including all the evidence taken and the report and order of the Commission. Upon such filing of the petition and transcript the court shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, evidence, and proceedings set forth in such transcript a decree affirming, modifying, or setting aside the order of the

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(k) As used in this section the term "mandate," in case a mandate has been recalled prior to the expiration of thirty days from the date of issuance thereof, means the final mandate.

(l) Any person, partnership, or corporation who violates an order to the Commission to cease and desist after it has become final, and while such order is in effect, shall forfeit and pay to the United States a civil penalty of not more than \$5,000 for each violation, which shall accrue to the United States and may be recovered in a civil action brought by the United States. Each separate violation of such an order shall be a separate offense, except that in the case of a violation through continuing failure or neglect to obey a final order of the Commission each day of continuance of such failure or neglect shall be deemed a separate offense.<sup>7</sup>

SEC. 6. That the commission shall also have power—

(a) To gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers subject to the Act to regulate commerce, and its relation to other corporations and to individuals, associations, and partnerships.

(b) To require, by general or special orders, corporations engaged in commerce, excepting banks, and common carriers subject to the Act to regulate commerce, or any class of them, or any of them, respectively, to file with the commission in such form as the commission may prescribe annual or special, or both annual and special, reports or answers in writing to specific questions, furnishing to the commission such information as it may require as to the organization, business, conduct, practices, management, and relation to other corporations, partnerships, and individuals of the respective corporations filing such reports or answers in writing. Such reports and answers shall be made under oath, or otherwise, as the commission may prescribe, and shall be filed with the Commission with such reasonable period as the Commission may prescribe, unless additional time be granted in any case by the commission

(c) Whenever a final decree has been entered against any defendant corporation in any suit brought by the United States to prevent and restrain any violation of the antitrust Acts, to make investigation, upon its own initiative, of the manner in which the decree has been or is being carried out, and upon the application of the Attorney General it shall be its duty to make such investigation. It shall transmit to the Attorney General a report embodying its findings and recommendations as a result of any such investigation and the report shall be made public in the discretion of the commission.

(d) Upon the direction of the President or either<sup>8</sup> House of Congress to 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 a corporation.



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. Such testimony shall be reduced to writing by the person taking the deposition, or under his direction, and shall then be subscribed by the deponent. Any person may be compelled to appear and depose and to produce documentary evidence in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence before the commission as hereinbefore! provided.

Witnesses summoned before the commission shall be paid the same fees and mileage that are paid witnesses in the court of the United States, and witnesses whose depositions are taken, and the persons taking the same shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

No person shall be excused from

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the court shall exclude such issue from the operation of the restraining order or injunction.

SEC. 14.<sup>9</sup> (a) Any person, partnership, or corporation who violates any provision of section 12 (a) shall, if the use of the commodity advertised may be injurious to health because of results from such use under the conditions prescribed in the advertisement thereof, or under such conditions as are customary or usual, or if such violation is withcorporation

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tions are made or suggested by statement, word, grade designation, design, device, symbol, sound, or any combination thereof, that such oleomargarine or margarine is a dairy product, except that nothing contained herein shall prevent a truthful, accurate, and full statement in any such advertisement of all the ingredients contained in such oleomargarine or margarine.

(b) The term "food" means (1) articles used for food or

# Clayton Act <sup>1</sup>

(Approved in original form Oct. 14, 1914; 38 Stat. 730; 15 U. S. C. Sec. 12, et. seq.)

[PUBLIC—No.212—63D CONGRESS, AS AMENDED BY PUBLIC—NO. 692—74TH  
CONGRESS, AND PUBLIC—NO. 899—81ST CONGRESS]

[H. R. 15657]

AN ACT To supplement existing laws against unlawful restraints and monopolies, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That "antitrust laws," as

in which such commodities are to such purchasers sold or delivered: Provided, however, That the Federal Trade Commission may, after due investigation and hearing to all interested parties, fix and establish quantity

SEC. 4. That any person who shall be injured in his business or

of the acquisition of stock or otherwise of any other common carrier where there is no substantial competition between the company extending its lines and the company whose stock, property, or an interest therein is so acquired.

Nothing contained in this section shall be held to effect or impair any right heretofore legally acquired: Provided, That nothing in this section shall be held or construed to authorize or make lawful anything heretofore prohibited or made illegal by the antitrust laws, nor to exempt any person from the penal provisions thereof or the civil remedies therein provided.

Nothing contained in this section shall apply to transactions duly consummated pursuant to authority given by the Civil Aeronautics Board, Federal Communications Commission, Federal Power Commission, Interstate Commerce Commission, the Securities and Exchange Commission in the exercise of its jurisdiction under section 10 of the Public the

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SEC. 11.<sup>5</sup> That



SEC. 16. That any person, firm, corporation, or association shall be entitled to sue for and have injunctive relief, in any court of the United States having jurisdiction over the parties, as against threatened loss or damage by a violation of the antitrust laws, including sections two, three, seven, and eight of this Act, when and under the same conditions and principles as injunctive relief against threatened conduct that will cause loss or damage is granted by courts of equity, under the rules governing such proceedings, and upon the execution of proper bond against damages for an injunction improvidently granted and a showing that the danger of irreparable loss or damage is immediate, a preliminary injunction may issue: Provided, That nothing herein contained shall be construed to entitle any person, firm, corporation, or association, except the United States to bring suit in equity for injunctive relief against any common carrier subject to the provisions of the Act to regulate commerce, approved February fourth, eighteen hundred and eighty-seven, in respect of any matter subject to the regulation, supervision, or other jurisdiction of the Interstate Commerce Commission.

SEC. 17.<sup>6</sup> That no preliminary injunction shall be issued without notice to the opposite party.

No temporary restraining order shall be granted without notice to the opposite party unless it shall clearly appear from specific facts shown by affidavit or by the verified bill that immediate and irreparable injury, loss, or damage will result to the applicant before notice can be served and a hearing had thereon. Every application for a temporary restraining order shall be supported by affidavit showing that the applicant is entitled to such relief.

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of the party making the application, for which injury there is no adequate remedy at law, and such property or property right must be described with particularity in the application which must be in writing and sworn to by the applicant or by his agent or attorney.

And no such restraining order or injunction shall prohibit any person or persons, whether singly or in concert, from terminating any relation of employment, or from ceasing to

be brought before such court or a judge thereof without unnecessary delay and shall be admitted to bail in a reasonable penalty for his appearance to answer to the charge or for trial for the contempt; and thereafter the proceedings shall be the same as provided herein in case the rule had issued in the first instance.

SEC. 23.<sup>8</sup> That the evidence taken upon the trial of any persons so accused may be preserved by bill of exceptions, and any judgment of conviction may be reviewed upon writ of error in all respects as now provided by law in criminal cases, and may be affirmed, reversed, or modified as justice may require. Upon the granting of such writ of error, execution of judgment shall be stayed, and the accused, if thereby sentenced to imprisonment, shall be admitted to bail in such reasonable sum as may be required by the court, or by any justice or any judge of any district court of the United States or any court of the District of Columbia.

SEC. 24.<sup>8</sup> That nothing herein contained shall be construed to relate to contempt committed in the presence of the court, or so near thereto as to obstruct the administration of justice, nor to contempt committed in disobedience of any lawful writ, process, order, rule, decree, or command entered in any suit or action brought or prosecuted in the name of, or on behalf of, the United States, but the same, and all the other cases of contempt not specifically embraced within section twenty-one of this Act, may be punished in conformity to the usages at law and in equity now prevailing.

SEC. 25.<sup>8</sup> That no proceeding for contempt shall be instituted against any person unless begun within one year from the date of the act complained of; nor shall any such proceeding be a bar to any criminal prosecution for the same act or acts; but nothing herein contained shall affect any proceedings in contempt pending at the time of the passage of this Act.

SEC. 26. If any clause, sentence, paragraph, or part of this Act shall, for any reason, be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Approved, October 15, 1914.

## Flammable Fabrics Act

(Approved June 30, 1953; 67 Stat. 111; 15 U. S. C. Sec. 1191)  
[PUBLIC—NO. 88—83D CONGRESS, CH. 164—1ST SESS.]  
[H. R. 5069]

AN ACT To prohibit the introduction or movement in interstate commerce of articles of wearing apparel and fabrics which are so highly flammable as to be dangerous when worn by individuals, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

### SHORT TITLE

Section 1. This Act may be cited as the "Flammable Fabrics Act."

### DEFINITIONS

SEC. 2. As used in this Act—

(a) The term "person" means an individual, partnership, corporation, association, or any other form of business enterprise.

(b) The term "commerce" means commerce among the several States

Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or foreign nation.

(c) The term "Territory" includes the insular possessions of the United States and also any Territory of the United States.

(d) The term "article of wearing apparel" means any costume or article of clothing worn or intended to be worn by individuals except hats, gloves, and footwear: Provided, however That such hats do not constitute or form part of a covering for the neck, face, or shoulders when worn by individuals: Provided further, That such gloves are not more than fourteen inches in length and are not affixed to or do not form an integral part of another garment: And provided further, That such footwear does not consist of hosiery in whole or in part and is not affixed to or does not form an integral part of another garment.

(e) The term "fabric" means any material (other than fiber, filament, or yarn ) woven, knitted, felted, or otherwise produced from or in combination with any natural or synthetic fiber, film, or substitute therefor which is intended or sold for use in wearing apparel except that interlining fabrics when intended or sold for use in wearing apparel shall not be subject to this Act.

(f) The term "interlining" means any fabric which is intended for incorporation into an article of wearing apparel as a layer between an outer shell and an inner lining.

(g) The term "Commission" means the Federal Trade Commission.

(h) The term "Federal Trade Commission Act" means the Act of Congress entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", approved September 26, 1914, as amended.

### PROHIBITED TRANSACTIONS

SEC. 3. (a) The manufacture for sale, the sale, or the offering for sale, in commerce, or the importation into the United States, or the introduction, delivery for introduction, transportation or causing to be transported in commerce or for the purpose of sale or delivery after sale in commerce, of any article of wearing apparel which under the provisions of section 4 of this Act is so highly flammable as to be dangerous when worn by individuals, shall be unlawful and shall be an unfair method of competition and an unfair and deceptive act or practice in commerce under the Federal Trade Commission Act.

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forth his findings together with such proposals for legislation as he deems appropriate.

(c) Notwithstanding the provisions of paragraph 3.1 Commercial Standard 191-53, textiles free from nap, pile, tufting, flock, or other type of raised fiber surface when tested as described in said standard shall be class





## EXCLUSIONS

SEC. 11. The provisions of this Act shall not apply (a) to any common carrier, contract carrier, or freight forwarder with respect to an article of wearing apparel or fabric shipped or delivered for shipment into commerce in the ordinary course of its business; or (b) to any converter, processor, or finisher in performing a contract or commission service for the account of a person subject to the provisions of this Act: Provided, That said converter, processor, or finisher does not cause any article of wearing apparel or fabric to become subject to this Act contrary to the terms of the contract or commission service; or (c) to any article of wearing apparel or fabric shipped or delivered for shipment into commerce for the purpose of finishing or processing to render such article or fabric not so highly flammable, under the provisions of section 4 of this Act, as to be dangerous when worn by individuals.

## EFFECTIVE DATE

SEC. 12. This Act shall take effect one year after the date of its passage.

## AUTHORIZATION OF NECESSARY APPROPRIATIONS

SEC. 13. There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

Approved June 30, 1953.

## General Investigations by the Commission, Since 1915

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.<sup>1</sup> 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 are Commission publications. Printed documents, unless indicated as being out of print,<sup>2</sup> 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. Investigations, the results of which have been published, are listed below. Following this listing are unpublished investigations conducted by the Commission.

Accounting Systems (F. -d invest ~~68-5148-0-2195-1-1-6785/13-09-ED-057080-ED-049402-0-ED-07-08~~  
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competitors rather than capital stock.<sup>4</sup> (See also under Farm Implements and Independent Harvester Co.)

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 vegetables (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;<sup>5</sup> 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., o. p.); Part II, Fruits, Vegetables, and Grapes, 906 p. 6/10/37, o. p.; Part III, Supplementary Report, 154 p., 11/8/37; and interim reports of 12/26/35 (H. Doc. 380, 74th, 6p.), and 2/1/317 (S.Doc. 17, 75th, 16 p., o.p. ).]

Agricultural Prices.—See Price Deflation.

Automobiles.—See Distribution Methods and Costs, and Motor Vehicles.

Bakeries and Bread.—See under Food.

Beet Sugar.—See under Food—Sugar.

Building Materials.—See Distribution Methods and Costs

Calcium Arsenate (Senate).—High prices of calcium arsenate, a poison used to destroy the cotton boll weevil (S. Res. 417, 67th, 1/23/23), appeared to be due to sudden increased demand rather than trade restraints ( Calcium Arsenate Industry, S. Doc. 345, 67th, 21 p., op 3/3/23).

Cartels.—See paragraphs headed Copper Industry, International Phosphate Cartels, Sulphur Industry, International Electrical Equipment Cartel, International Steel Cartels, Fertilizer ( F. T. C. ), International Petroleum Cartels, and International Alkali Cartels.

Cement (Senate).—Inquiry into the cement industry's competitive conditions and distributing processes (S. Res. 448, 71st, 2/16/31) showed that rigid application of the multiple basing-point price system<sup>6</sup> tended to lessen price competition and destroy the value of sealed bids; concerted activities of manufacturers and dealers strengthened the system's price effectiveness; and dealer associations' practices were designed to restrict sales to recognized "legitimate" dealers (Cement Industry, S. Doc. 71, 73d, 160 p., o. p., 6/9/33).

Chain Stores (Senate).—Practically every phase of chain-store operation was covered (S. Res. 224, 70th, 5/12/28), including cooperative chains, chain-store manufacturing and wholesale business, leaders and loss leaders, private brands, short weighing and overweighing and sales, costs, profits, wages, special discounts and allowances, and prices and margins of chain and independent grocery and drug distributors in selected cities. (For subtitles of 33 reports published under the general title, Chain Stores, 1931–33, see F. T. C Annual Report, 1941, p. 201. )

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<sup>4</sup> 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.

<sup>6</sup> Basing-point Systems are also discussed in the published reports listed herein under "Price Bases," "Steel Code," and "Steel Sheet Piling."

In the Final Report on the Chain-Store Investigation (S. Doc. 4, 74th, 110 p., o. p., 12/14/34), legal remedies available to combat monopolistic tendencies in chain-store development were discussed.<sup>7</sup> The Commission's recommendations pointed the way to subsequent enactment of the Robinson-Patman Act (1936) prohibiting price and other discriminations, and the Wheeler-Lea Act (1938) which amended the Federal Trade Commission Act so as to broaden the prohibition of unfair methods of competition in section 5 to include unfair or deceptive acts or practices in interstate commerce.

Cigarette Shortage (F.T.C. and Senate Interstate Commerce Committee Chairman), Wartime, 1944 45.—In response to complaints from the public and a request from the Chairman of the Senate Interstate Commerce Committee (letter dated 12/1/44), the Commission investigated the cigarette shortage and reported, among other things that the scarcity was directly traceable to the large volume of cigarettes moving to the armed forces and the Allies; that it was not attributable to violations of laws administered by the Commission; but that certain undesirable practices such as hoarding and tie-in sales had developed. (Report of the F.T.C. on the Cigarette Shortage, 33 pages, processed, o.p., 2/13/45.)

Coal (Congress and F.T.C.), Wartime, 1917-18, Etc.—From 1916 through the first World War period and afterward, the Commission at different times investigated anthracite and bituminous coal prices and coal industry's financial condition. Resulting cost and price reports are believed to have substantially benefited the consumer. Among the published reports were: Anthracite Coal Prices, preliminary (S. Doc. 19, 65th, 4 p., o. 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., o. p., 5/19/17); Anthracite and Bituminous Coal Situation, summary (H. Doc. 193, 65th, 29 p., o. p., 6/19/17); and Anthracite and Bituminous Coal (S. Doc. 50, 65th, 420 p., o.p., 6/19/17)—pursuant to S. Res. 217, 64th 2/22/16; H. Res. 352, 64th, 8/18/16, and S. Res. 51, 65th, 5/1/17 0 TD 0 Tc ( )2



Coffee (F.T.C.).—In its 1954 Economic Report of the Investigation of Coffee Prices, the Commission reported that the coffee price spiral of 1953-54 "cannot be explained in terms of the competitive laws of supply and demand." The report lists and discusses six major factors responsible for the price spiral, and recommends Congressional action to correct some of the "market imperfections" and "irregularities" found. (523 pp., 7/30/54.)

Combed Cotton Yarns.—See Textiles.

Commercial Bribery (F.T.C.).—Investigating the prevalence of bribery of customers' employees as a means of obtaining trade, the Commission published A Special Report on Commercial Bribery (H. Doc. 1107, 65th, 3 p., o. p., 5/15/18), recommending legislation striking at this practice; Commercial Bribery (S. Doc. unnumbered, 65th, 36 p., o. p., 8/22/18); and Commercial Bribery (S. Doc. 258, 66th, 7 p., o. p., 3/18/20).

Concentration in Manufacturing, Changes in, 1935 to 1947 and 1950 (F.T.C.).— This 153-page report shows that, on the basis of a study of the top 200 companies, concentration in American manufacturing was 2.8 percentage points higher in 1950 than in 1935. The report explores the reasons for the changes in recorded concentration in individual industries

Concentration of Productive Facilities (F.T.C.).—In a study of the extent of concentration of economic power, the Commission reported that 46 percent of the total net capital assets of all manufacturing corporations in the United States in 1947 was concentrated in the 113 largest manufacturers. The report is entitled The Concentration of Productive Facilities, 1947—Total Manufacturing and 26 Selected Industries, (96 p.). See also Divergence between Plant and Company Concentration.

Control of Iron Ore (F.T.C.).—A study of the concentration of iron ore supplies covers the sources and consumption of iron ore in 1948, an estimate of reserves available to major companies and an analysis of effect of possible shortage on big and small companies. The Control of Iron Ore, o. p. (1952).

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 United States.

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 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, o. p. 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. Furthermore, the production of foreign copper, on which the United States will become increasingly dependent, is likewise dominated by a few corporate groups which in the past have operated cooperatively in cartels to regulate production and prices."

Corporation Reports.—See Quarterly Financial Reports.

Corporate Mergers and Acquisitions (F.T.C.).—To determine the impact on the Nation's economy of

corporate mergers and acquisitions, the Commission

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made a study of the merger movement for the years 1940–46, inclusive. The results of the study were transmitted to Congress in a report entitled *The Present Trend of Corporate Mergers and Acquisitions* (23 p., o. p., 3/7/47), which showed, among other things, that during the period covered, more than 1,800 formerly independent competitive firms in manufacturing and mining industries alone had disappeared as a result of mergers or acquisitions, and that more than one-third of the total number of acquisitions occurred in only three industries, food, nonelectrical, machinery, and textiles and apparel—all predominantly “small business” fields.

In 1947 the Commission published *The Present Trend of Corporate Mergers* (23 p, o. p.). This is a review of some of the economic effects of the loophole in the Clayton Act existing at that time in the fact that there was no prohibition against mergers by the acquisition of assets.

In 1948 the Commission published *The Merger Movement: A Summary Report* (134 p., o. p., also 7 p. processed summary). In this report the legal history of the antimerger provisions of the Clayton Act is reviewed. Significant individual mergers are examined in detail. Maps, diagrams, charts and tabular statistical materials are used to illustrate the economic effects of the then in force antimerger legislation.

*The Report on Corporate Mergers and Acquisitions* (210 p.) was published in May 1955. This study, bringing up to date much of the statistical material in the 1947 and 1948 reports, showed, among other things, that 1,773 formerly independent competitive firms in manufacturing and mining industries alone had disappeared in the period 1947–1954 as a result of mergers or acquisitions, and that more than one-third of the total number of acquisitions occurred in only 3 industries, food, nonelectrical machinery, and textiles and apparel—all predominantly small business fields.

Cost Accounting.—See Accounting Systems.

Cost of Living (President), Wartime, 1917-18.—Delegates from the various States met in Washington, April 30 and May 1, 1917, at the request of the Federal Trade Commission, and considered the rapid rise of wartime prices and the plans then being made for the Commission's general investigation of foodstuffs. [See



Accounting for Manufacturing and Wholesaling, H. Doc. 287, 77th, 215 p., o. p., 6/23/41) .

Distribution.—See Millinery Distribution.

Distribution of Steel Consumption.—A study to determine the distribution of steel in a time of shortage, when control over distribution rests with the producers. (194–1950) The results of the study were transmitted to the Sub-committee on Monopoly of the Senate Select Committee on Small Business and published as a committee print. (20p) o. p., 3/31/52.

Distribution Methods and Costs (F.T.C.).—This inquiry into methods and costs of distributing important consumer commodities (F.T.C. Res., 6/27/40) was undertaken by the Commission pursuant to authority conferred upon it by section 6 of the F.T.C. Act. Eight parts of the F.T.C. Report on Distribution Methods and Costs were transmitted to Congress and published under the subtitles: Part I, Important Food Products (11/11/43, 223 p.,o.p.); Part III, Building Materials—Lumber, Paints and Varnishes, and Portland Cement (2/19/44, 50 p., o. p.), Part IV, Petroleum Products, Automobiles, Rubber Tires and Tubes, Electrical Household Appliances, and Agricultural Implements (3/2/44, 189 p., o. p. ) ; Part V, Advertising as a Factor in Distribution (10/30/44, 50 p.); Part VI, Milk Distribution, Prices, Spreads and Profits (6/18/45, 58 p., o. 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:, of



Fertilizer (Senate).—Begun by the Commissioner of Corporations<sup>8</sup> (S. Res. 487, 62d, 3/1/13), this inquiry disclosed extensive use of bogus independent fertilizer companies for competitive purposes (Fertilizer Industry, S. Doc. 551, 64th, 269 p., o. p., 8/19/16). Agreements for abolition of such unfair competition were reached.

Fertilizer (Senate).—A second fertilizer inquiry (S. Res. 307, 67th, 6/17/22) developed that active competition generally prevailed in that industry in the U. S., although in some foreign countries combinations controlled certain important raw materials. The Commission recommended improved agricultural credits and more extended cooperation by farmers in buying fertilizer (Fertilizer Industry, S. Doc. 347, 67th, 87 p., 3/3/23).

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.

Fish.—See distribution Methods and Costs.

Flags (Senate), Wartime, 1917-18.—Unprecedented increases in the prices of U. S. flags in 1917, due to wartime demand, were investigated (S. Res. 35, 65th, 4/16/17). The inquiry was reported in Prices of American Flags (S. Doc. 82, 65th, 6 p., o. p., 7/26/17).

Flour Milling.—See Food, below.

Food (President), Wartime, 1917-18.—President Wilson, as a wartime emergency measure (2/7/17), directed the Commission "to investigate and report the facts relating to the production, ownership, manufacture, storage, and distribution of foodstuffs" and "to ascertain the facts bearing on alleged violations of the antitrust acts." Two major series of reports related to meat packing and the grain trade



yards. (The meat-packing industry is further referred to under Meat Packing Profit Limitation, p. 150.)

Food (President) Continued—Grain Trade.—Covering the industry from country elevator to central market, the Report to 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.);





days, or the population of Finland for nearly 1 year. The Commission suggested that "a careful examination of present laws be made by the legislative with executive branches of the Government to determine what legislation, if any, is needed to permanently eliminate wasteful trade practices and predatory competition which threaten the existence of many small bakers, foredoom new ventures to failure and promote regional monopolistic control of the wholesale bread baking industry." (p. 9)

Part II presents information concerning, prices and pricing, practices in the industry, profits earned, and unit costs of production and distribution. It compares the details of production and distribution costs for bread and rolls, other bakery products, and for all bakery products for two operating periods in 1945 March and September. Comparisons of costs are also made for these two periods for plants arranged by geographical areas. Comparisons of the costs of production and distribution are made by six groups of wholesale bakeries.

Food—Fish.—See Distribution Methods and Costs.

Food—Flour Milling (Senate).—This study of costs, profits, and other factors.



Food—Milk and Dairy Products (House).—Competitive conditions in different milk-producing areas were investigated



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.

Gasoline.—See Petroleum.

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.o.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.





as Activities of Trade Associations and Manufacturers of Posts and Poles in the Rocky Mountain and Mississippi Valley Territory (S. Doc. 293, 67th, o.p.); and Report of the F.T.C. on Northern Hemlock and Hardwood Manufacturers Association (52 p., o.p., 5/7/23).

Lumber Trade Association (F.T.C.).—Activities of five large associations were investigated in connection with the Open-Price Associations inquiry to bring down to date the 1919 lumber association inquiry (Chap. VIII of Open-Price Trade Associations, S. Doc. 226, 70th, 516 p., o. p., 2/13/29).

Meat-Packing Profit Limitations.—See Food.

Mergers (F.T.C.).—( See Corporate Mergers. )

Milk.—See Food.

Millinery Distribution (President).—This inquiry, requested by President Roosevelt, embraced growth and development of syndicates operating units for retail millinery distribution, the units consisting of leased departments in department or specialty stores (Report to the President of the United States on Distribution Methods in the Millinery Industry, 65 p., processed, 11/21/39, o.p.).

Monopolistic Practices and Small Business.—A study by the staff of the Commission on the effect of certain monopolistic practices on small business, requested by the Subcommittee on Monopoly of the Senate Select Committee on Small Business. The results were transmitted to the Subcommittee and published as a committee print by Select Committee on Small Business, U. S. Senate, 82d Cong. (88 p. 3/31/52).

Motor Vehicles (Congress).—Investigating (Public Res. 87, 75th, 4/13/38) distribution and retail sales policies of motor vehicle manufacturers and dealers, the Commission found, among other things, a high degree of concentration and strong competition; that many local dealers' associations fixed prices and operated used-car valuation or appraisal bureaus essentially as combinations to restrict competition; that inequities existed in dealer agreements with manufacturers; that many local dealers' associations fixed prices and operated used-car valuation or appraisal bureaus essentially as combinations to restrict competition; that inequities existed in dealer agreements with manufacturers.





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, 6/27/17; 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., o. p., 6/30/30) .

Petroleum.—See International Petroleum Cartel.



Potomac Electric Power Co. (Procurement Director, United States Treasury).— A

Sheet Piling" herein.





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 them, led to the first inquiry, resulting in a report, Resale Price Maintenance (H. Doc. 1480, 65th, 3 p., o. p., 12/2/18). Other reports were: A Report on Resale Price Maintenance (H. Doc. 145, 66th, 3 p., o. p., 6/30/19) and Resale Price Maintenance (H. Doc motion, 7/25/27; reports, Part I, H. Doc. 546, 70th, 141 p., o. p., 1/30/29, and Part II, 215 p., o. p., 6/22/31). The Report of the F.T.C. on Resale Price Maintenance, o. p., (F.T.C. Res., 4/25/39) was submitted to Congress 12/13/45. The inquiry developed facts concerning the programs of trade organizations interested in the extension and enforcement of minimum resale price maintenance contracts, and the effects of the operation of such contracts upon consumer prices and upon sales volumes of commodities in both the price-maintained and non price-maintained categories.

Rubber Tires and Tubes.—See Distribution Methods and Costs.

Salaries (Senate).—The Commission investigated (S. Res. 75, 73d, 5/29/33) salaries of executives and directors of corporations (other than public utilities) engaged in interstate commerce, such corporations having more than \$1,000,000 capital and assets and having their securities listed on the New York stock or curb exchanges. The Report of the F.T.C. on Compensation of Officers and Directors of Certain Corporations (15 p, processed, 2/26/34, o. p ) explained the results of the inquiry.<sup>16</sup> The facts developed focused the attention of Congress on the necessity of requiring listed corporations to report their salaries.

Southern Livestock Prices.—See Food.

Steel Code and Steel Code as Amended (Senate and President).—The Commission investigated (S. Res. 166 73d, 2/2/34) price fixing, price increases, and other matters (Practices of



<sup>18</sup> See footnote 15, p. 119.

10,245 corporations,



Textiles—Woolen Rag Trade (F.T.C.), Wartime, 1917–18.—The Report on the Woolen Rag Trade (90 p., o. p., 6/30/19) contains information gathered during the World War, 1917-18, at the request of the War Industries Board, for its use in regulating the prices of woolen rags employed in the manufacture of clothing.

Tobacco (Senate).—Inquiry (S. Res. 329, 2/9/25) into of

<sup>20</sup> Approximately 20 of the wartime cost inquiries are listed in the F.T.C. Annual Reports, 1918, pp. 29-30, and 1919 pp. 38-42, and In World War Activities of the F.T.C., 1917-18 (69 p., processed, 7/15/40).

1945 (30 p., processed, with 10 p. appendix). Compilation of the information 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, Flags, Food, Farm Implements, Independent Harvester Co., Leather and Shoes, Paper—Book, Paper—Newsprint, Profiteering, and Textiles—Woolen Rag Trade, o. p.

The following are unpublished investigations by the Commission for the use of other government agencies:

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 producers' inventories as of 1/20/43, and to identify all deliveries made from such inventories to distributors subsequent to that date.

Capital Equipment (W.P.B.), Wartime, 1942–43.—For the War Production Board, a survey was made in connection with Priorities Regulation No. 12, as amended 10/3/42, of concerns named by it to determine whether orders had been improperly related to secure capital equipment or whether orders that had been rerated had been extended for the purpose of obtaining capital equipment in violation of priorities regulations.

Chromium Processors (W.P.B.), Wartime, 1942–43.—For the War Production Board, the Commission investigated the transactions of the major chromium processors to determine the extent to which they were complying with Amendment No. 2 to W.P.B. General Preference Order No. m-18a, issued 2/4/42. The investigation was conducted concurrently with a survey of nickel processors.

Commercial Cooking and Food and Plate Warming Equipment, Manufacturers of (W.P.B.), Wartime, 1942-43.—The Commission conducted an investigation for the War Production Board to determine whether manufacturers of commercial cooking and plate warming equipment were complying with W.P.B. Limitation Orders L-182 and L-182 as amended 3/2/43; Conservation Orders M-126 and M-9-c, as amended; and Priorities Regulation No. 1.

Contractors, Prime, Forward Buying Practices of (W.P.B.), Wartime, 1942–43.—The matter of procurement, use, and inventory of 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.

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, Primary Fabricators of (W.P.B.), Wartime, 1941–42.— A survey and inspection of a specified list of companies which used a large percentage of all refinery copper allocated, and at the same time represented a fair cross-section of the industry, were made to ascertain the degree of compliance accorded to preference, supplementary, and conservation orders and regulations of the Director of Priorities, Office of Production Management (later the War Production Board) .

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 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.

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.

Fertilizer and Related Products (O.P.A.), Wartime, 1942–43.—At the request of O.P.A. (June 1942), the Commission investigated costs, prices, and profits in the fertilizer and related products' industries. The inquiry developed information with reference to the operations of 12 phosphate rock mines of 11 companies, and 40 plants 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.

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, 1942–43.—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 minimum,





industry so as to eliminate the need for a wheat subsidy, without reducing a farmers' returns, or to reduce bread prices. The report was made to O.E.S. and a more detailed report was prepared for O.P.A.

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



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.

Optical Decree (Attorney General).—The Commission investigated (inquiry referred to F.T.C. 8/12/52) the manner in which an antitrust consent decree entered (Sept. 1948) against the American Optical Company and others, restraining them from discriminatory and monopolistic practices, was being observed, and report (2/10/54) to the Attorney General.

Paint, Varnish, and Lacquer Manufacturers (W.P.B.), Wartime, 1943–44.— 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—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.

Petroleum Decree (Attorney General).—The Commission investigated (inquiry referred to F.T.C. 4/16/36)



Silverware Manufacturers and Silver Suppliers (W.P.B.), Wartime, 1942–43.— The activities of silverware manufacturers and silver suppliers under W.P.B. Conservation and Limitation Orders m-9-a, b, and c, m-100 and L-140 were investigated and reported on at the request of the War Production Board.

Sisal Hemp (Senate).—The Commission assisted the Senate Committee on Agriculture and Forestry in silverware suppliers. An investment of 2.28 0 TD 0. 0 0270,7D-h Tc (Se4ime.) Tj 41.4 0 an the631 Tc 310254. PIB 24 070,DD0hdv4 Tc Dc 22.4 0 TD -9eqes54 T22Tc TD 0 Tc ( ) Tj 2.28 Tj 2.24 0 0,7D