

Annual
Report
of the **FEDERAL
TRADE
COMMISSION**

For the Fiscal Year Ended
June 30, 1966

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ERRATUM

FEDERAL TRADE COMMISSION
1966 ANNUAL REPORT

PAGE 41, LINE 20 should read:

“in 1965 exported \$1,138,491,571.16
In American products to foreign”

EXECUTIVE OFFICES OF THE FEDERAL TRADE COMMISSION

Pennsylvania Avenue at Sixth Street Northwest
Washington, D.C. 20580

Field Offices

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John Fitzgerald Kennedy Federal Office	Room 915, Forsyth Building, 86 Forsyth Street,
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Field Stations for Textiles and Furs in Addition to the Above Branch Offices

Room 907, 208 North Broadway, St. Louis, Mo.	53 Long Lane, Upper Darby, Pa. 19082
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Room 405, Thomas Building, 1314 Wood	Denver, Colo. 80202
Street, Dallas, Tex. 75202	Room 1631, New Federal Building, 51
Room 204, Cutter Building, 327 North Tryon	Southwest First Avenue, Miami, Fla. 33130
Street, Charlotte, N.C. 28202	
Room 231, U.S. Courthouse, Portland, Oreg.	
97205	

Letter of Transmittal

FEDERAL TRADE COMMISSION,
Washington, D.C.

To the Congress of the United States:

It is a pleasure to transmit herewith the Fifty-second Annual Report of the Federal Trade Commission, covering its accomplishments during the fiscal year ended June 30, 1966.

By direction of the Commission.

PAUL RAND DIXON,
Chairman

THE PRESIDENT OF THE SENATE.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

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INTRODUCTION

Fiscal 1966 witnessed the growing success of the Federal Trade Commission's recent policy to provide more guidance to American businessmen on how to comply with the trade laws as a happy alternative to a patternless attack on violators.

By tackling areas of illegality on as broad a scale and as quickly as the Commission's resources permitted, it was possible to take advantage of the willingness of most businessmen to compete fairly provided their competitors did likewise. Offering explicit interpretation of the laws' requirements and the means for simultaneous abandonment of illegal practices, the FTC provided leadership to the reputable majority and thereby was able to narrow its target for formal corrective action to defiant and persistent violators.

One of the year's highlights was the adoption of Tire Advertising and Labeling Guides, which provide, among other things, that tire marketers and

To pursue the twin objectives of guidance and enforcement required an appropriation of \$13,500,000 to support the work of an 1,145-man staff.

Increased emphasis was given the investigation and correction of practices which victimize consumers, particularly those of low income and the elderly. During the year, 785 deceptive practice cases (excluding compliance cases) were disposed of as compared with 743 during fiscal 1965. This faster handling was all the more necessary in view of a mounting workload. The FTC received 45 percent more complaints of deception from consumers and competitors than during the previous year. In addition, the Commission's voluntary guidance program required backstopping by formal casework; thus, as the law's requirements were better illuminated by guides and rules, businessmen and the public became more aware of FTC's role in combating deception and invited its attention to law violations by their competitors. Adding still more to the workload have been compliance checks by the Commission's staff on how well its industry guides are being observed. For example, it made a nationwide survey of compliance with its Guides Against Deceptive Pricing and discovered a substantial number of violations. High priority has been given their correction.

In the important field of food and drug advertising where false or misleading claims exact a particularly heavy toll on the public, the Commission has continued to work for the improvement of the law and to see that it is properly enforced. The Commission has also continued to work for the improvement of the law and to see that it is properly enforced.

The fiscal year also found FTC moving strongly in another broad field of consumers' protection, namely in their purchase of textiles and furs. To assure that these were properly labeled called for increasing the number of inspections of manufacturing, wholesaling and retailing establishments from last year's 11,413 to 12,625 during fiscal 1966. The number of products spot checked increased substantially, due in part to greater concentration on larger retailers and manufacturers, particularly hosiery manufacturers.

The year produced a sharp increase over fiscal 1965—from 1,790 to 2,614—in informal assurances of voluntary compliance that instances of improper labeling, invoicing and advertising of textiles and furs would be corrected. Significantly, a lower percentage of deficiencies in r efficiencies increased from 7.8% in fiscal 1965 to 8.5% in fiscal 1966.

lations immediately

deal with certain customers, price fixing, boycotts, tie-in sales, and other trade restraints. And in line with the current policy of promoting voluntary compliance, it was possible to settle seven of the cases without resorting to litigation.

In enforcing the Celler-Kefauver Anti-Merger Act, the FTC made a dual effort: First, to provide businessmen with guidance on the requirements of the act so as to avoid, if possible, the need for litigation; and, second, to concentrate its efforts to do the most good, principally in industries where competition still had vigor. During fiscal 1966, the FTC initiated 52 and disposed of 39 informal cases, while it brought 12 formal complaints and issued the same number of orders to cease and desist.

Continuing its efforts to halt concentration in the dairy industry, the Commission issued a divestiture order against Beatrice Foods Co. and prohibited future acquisitions by the company. And in the Commission's effort to arrest a trend toward vertical integration in the cement industry,

However, what made fiscal 1966 a standout year from the standpoint of the General Counsel's function were two accomplishments: The FTC obtained Supreme Court confirmation of its right to seek an injunction from the appellate courts to prevent actions of respondents which would nullify an FTC order; and also from the Supreme Court confirmation of a criminal contempt jail sentence of 6 months' imprisonment for the president of a respondent company for violation of an FTC cease-and-desist order.

The Division of Consent Orders (which functions under the General Counsel), processes the great majority of FTC formal enforcement proceedings, and during the fiscal year forwarded to the Commission 124 executed agreements containing consent orders. Forty-one matters were resubmitted to the Commission for consideration when negotiations failed to produce agreement. The work of this division is particularly valuable in affording a means whereby the law is enforced and business is not required to re2the

Other rulemaking proceedings were being advanced as the fiscal year ended. These included revisions of rules for the watch case industry, and the beauty and barber equipment and supplies industry, suppliessupplies

educating businessmen, consumers, and the general public respecting the laws administered by FTC, and to aid them in availing themselves of the laws' protection. Speakers were supplied to college classes, consumer groups, bar associations, trade groups, etc. The field staff also undertook to establish a closer and more useful relationship with offices of State attorneys general, local law enforcement officers, Better Business Bureaus, Chambers of Commerce, and other private and public organizations concerned with proper business conduct.

In the field of economics, the FTC not only undertook to backstop its adversary actions with vital information, but it also stood back from case work in order to make a broader assessment of economic problems facing the Nation.

Its Bureau of Economics completed five major reports, as well as making substantial progress on other industry studies. It also completed its annual report on merger activity.

Its five reports (covered in more detail in this annual report) dealt with the manufacture and distribution of automotive tires, mergers and vertical integration in the cement industry, cents-off promotion in the coffee industry, a report on food retailing, and a report on food manufacturing.

The Division of Economic Evidence concentrated its efforts on corporate mergers, examining in depth those that appeared to present a significant threat to competition. Of 600 mergers reviewed, more than 60 were studied in depth during the fiscal year. Among the industries in which merger activity was most active and given most study were grocery products, textiles, plastics, machinery, automotive parts, apparel, chemicals, papers, department stores, and grocery retailing.

In broadest outline the foregoing describes the accomplishments of the FTC in fiscal 1966. It differs from many previous annual reports in that there neither is nor can be a juxtaposition of accomplishment statistics that reveal how the FTC is serving an ever more useful purpose. Statistics simply don't tell the true story. The Commission's purpose is not to bring an even greater number of adversary actions; its function is essentially one of guidance. And whatever can be done to persuade American business to heed that guidance is infinitely more important than to exhibit proudly the futile scalps of the too few.

PHOTOGRAPH - -- SEE IMAGE

The FTC held four public hearings during fiscal 1966 dealing with: “cents off” pricing in the coffee industry; vertical integrations in the cement industry; foreign origin of watches and related parts; and foreign origin of radios, TV's, phonographs, and home entertainment products. The above picture is a typical scene when persons appear before the Commission at the public hearings to express their views.

THE INDUSTRY GUIDANCE PROGRAM

The industry guidance program achieved a high level of overall effectiveness. This was the result of a balanced program for furnishing advice to businessmen, coupled with a hard hitting compliance program which showed a sharp increase in the number of law violations stopped. While compliance activity was intensified, important results were also produced in other areas of the work. New rules and guides, as well as advisory opinions, dealt with problems of the utmost significance to both the consuming public and the business community.

Trade Practice Rules and Guides

Tire Advertising and Labeling Guides were adopted after public hearings were held before the full Commission. The guides are comprehensive and deal with a variety of tire marketing practices considered to be unfair or deceptive.

products industry and the Guides Against Debt Collection Deception. Similar surveys were initiated under the Guides Against Deceptive Advertising of Guarantees as applicable to dishwashers, washing machines, clothes driers, high intensity lamps, roofing materials, and hi-fi components. The survey previously undertaken under the Guides for Shoe Content Labeling and Advertising was nearly completed at the end of the year.

The number of rule and guide compliance matters disposed of on the basis of assurances that the practices in question had been discontinued increased by 41 percent over the preceding fiscal year. During the year the Bureau disposed of 400 matters in this manner as compared with 283 the preceding year. Many of these voluntary corrections resulted from the several compliance surveys previously initiated. For example, 202 matters involving practices questioned under disposed

dustry. This industry comprises some 450 firms whose aggregate sales amount to well over \$1 billion. The proposed rule would presume advertising and promotional allowances to be unlawful unless made available on proportionally equal terms to all the seller's competing customers pursuant to and in accordance with all the terms and conditions of a written plan he has supplied to them.

This is the first trade regulation rule proceeding dealing with the subject of advertising and promotional allowances under the Robinson-Patman Act.

A public hearing was held on the question of disclosure of the foreign origin of radios, televisions, phonographs, tape recorders, and their components. The Bureau of Industry Guidance also participated with other Bureaus of the Commission in public hearings held in two important areas: Alleged discriminatory pricing practices in the marketing of gasoline, and alleged unlawful mergers and acquisitions in the cement industry.

Surveys conducted to determine the manner of compliance with the following trade regulation rules were nearly completed at the end of the fiscal year: Advertising and labeling of sleeping bags as to size; deceptive use of "leakproof" and other terms as descriptive of dry cell batteries; deception as to nonprismatic and partially prismatic instruments being prismatic binoculars; deceptive advertising and labeling as to size of tablecloths; and deceptive advertising and labeling of previously used lubricating oil. The results of these surveys show widespread compliance with the requirements of the rules. It is estimated that approximately 90 percent of the manufacturers of these products were engaged in unlawful practices prior to the promulgation of the rules. As a result of the rule promulgation and the interpreting and counseling work which followed, these practices in all known instances were brought into conformity with the rule provisions. While the full impact of the rules cannot be evaluated with complete certainty, the number and value of the products to which the labeling and advertising provisions of the rules apply afford some indication in this regard. Approximately 1,200 million dry cell batteries valued roughly at \$200 million were sold to consumers by hardware and drug stores as well as other retail outlets; 2,100,000 sleeping bags worth approximately \$22,700,000 were sold by retail establishments; approximately 4 million tablecloths and re-

and proposed operation of an agricultural cooperative, the formation of an export trade association and, as always in view of the continuing c

COMBATING DECEPTION OF THE CONSUMER

It is difficult to overestimate the importance of the Commission's continuing attack on false advertising and trickery in the selling of products and services. While such chicanery is still very much the exception in business ethics, it is an exception that can get out of hand; also, that there is not more of it is small comfort to its victims.

The enemies of our system of free enterprise are quick to seize upon our problems of dishonesty and cheating to smear America's image before the rest of the world. Communist propaganda denouncing capitalism can be trusted to magnify most triumphantly the same evils that the FTC is attacking.

During fiscal 1966, the Commission received 45 percent more complaints of deception from consumers and competitors than during the previous year. The reason is not certain; either there was an

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example, the Commission promulgated a set of "Guides Against Deceptive Pricing." These laid down the ground rules for truthfully using, in advertising, such words and phrases as "list price," "regularly," "reduced," "comparable value," "special sale," "two-for-one sale," "½ price," and many more.

During this year, the staff has conducted a nationwide survey of pricing practices to determine how well these guides are being observed. A substantial number of apparent questionable practices were detected. Complete investigations, and appropriate further action, in these matters are being accorded high priority in order that consumers may be protected against false representations of significant savings.

An investigation was conducted to determine whether consumers were being misled by the use of "cents-off" pricing in the coffee industry. In many instances, the purported savings represented by the "cents-off" claims were illusory because the "cents-off" price had become the regular selling price. At the fiscal year's end, the project had not been concluded, but a moratorium on the use of this type of practice requested by the Commission resulted in the problem being substantially alleviated.

Another problem tackled on an industrywide basis was the practice of wholesalers of tents and other canvas products who furnished to retailers catalogs containing fictitious retail prices. The retailers used them in making sales to consumers at prices substantially below the catalog prices, thus misleading the purchaser into thinking he was getting a special bargain.

The fiscal year also found the FTC taking a close look at franchising programs operating in various sections of the country. These programs have been developed for a wide range of products and services, and the investment required ranges from a few hundred dollars to many thousands. While many offer legitimate opportunities to investors, others misrepresent the amount to be invested, the time and effort which must be devoted to the business, the probable earnings, the market for the services or product, and the assistance furnished by the franchiser.

Housing, being one of the necessities of life, is given a high priority in FTC, and attention is accorded sales of home improvements, reported to be a \$15 billion market. Products include residential

stantial number of others are being

false and deceptive trade practices under sections 5 and 12 of the Federal Trade Commission Act.

Newly issued orders require each respondent to submit a written report supported by relevant documentary material demonstrating the manner and form of compliance

	1965	1966
Total pending at beginning of fiscal year	447	418
Received during fiscal year	293	475
	<hr/>	<hr/>
Total for disposition during year	740	893
Disposed of during year	322	556
	<hr/>	<hr/>
Total pending end of fiscal year	418	337

Division of Scientific Opinions

Within the Bureau of Deceptive Practices, this Division provides medical and scientific advice to all operating Bureaus. Its assistance is helpful, for example, to the Bureau of Industry Guidance in the development of guides and Trade Regulation Rules, as well as advisory opinions, when technical advice is appropriate. The greater amount of the time of this staff, however, is devoted to the development of scientific evidence necessary to a conclusion as to whether issuance of a formal complaint by the Commission is warranted, and to the presentation of pertinent evidence during ensuing litigation.

A statistical summary of the Division's work during the year follows:

Products covered in written opinions	320
Oral opinions	137
Analyses and tests	3
Prehearing conferences attended	5
Expert witnesses secured	7

The subject matter of the written opinions was as follows:

Foods	43	Devices	65
Drugs	115	Economic poisons	45
Cosmetics	26	Miscellaneous	26

THE FIGHT FOR FAIR BUSINESS COMPETITION

To enforce the law against unfair trade practices by which monopolistic power is gained is one of the Commission's most important responsibilities.

With increasing effectiveness, the Commission has continued its emphasis to encourage the business community to comply with the law and by persuading those in violation of it to halt the violation. Hard-core violators, however, became subject to formal action.

In the area of antimonopoly, the Commission's responsibilities arise from enforcement of section 5 of the Federal Trade Commission Act and four sections of the Clayton Act, including section 2, as amended by the Robinson-Patman Act. The basic idea behind both the FTC and Clayton Acts was to prevent the development of monopolistic empires founded upon unfair methods of competition and discriminatory pricing battles. Such prite4.88

tices prohibited by the Robinson-Patman Amendment to the Clayton Act. The extent of the Commission's enforcement activity in this area is reflected by the following summary of the Division of Discriminatory Practices' casework in the fiscal year.

Informal cases:

Initiated	81
Disposed of during year	375
Pending, June 30, 1966	318

Formal cases:

Complaints issued	72
Contested orders	7
Consent orders	67

industry will continue by persuasion and voluntary compliance, and by enforcement procedures, if necessary.

Consent cease and desist orders were negotiated with 55 additional wearing apparel manufacturers and these orders, together with previously issued consent orders against other manufacturers, were made effective on the same date. As a result, over 300 manufacturers of men's, women's, and children's wearing apparel are now required to make their advertising and promotional allowances available to all competing customers on proportionally equal terms.

Consent orders were issued against two automotive jobber buying groups and their affiliated jobbers, Norcal Distributors, Inc. et al. (C-1062) and Evergreen Warehouse Distributors, Inc. (C-1070), prohibiting the respondents from knowingly inducing or receiving discriminatory prices in the purchase of automotive replacement parts from suppliers in violation of section 2(f) of the act.

A consent order prohibiting violation of section 5 of the FTC Act, through inducing or receiving discriminatory advertising and promotional allowances from suppliers was issued against Peck & Peck (C-1068), a retailer of wearing apparel and accessories, with 66 stores in different sections of the country. A consent order was issued against 30 wholesale jewelry concerns, Robert Carp, Inc. et al. (C-1023), enjoining violation of section 5 of the FTC Act, through knowingly inducing and receiving discriminatory advertising allowances from jewelry suppliers.

In contested cases, a cease and desist order was issued against Dean Milk Company (D-8032), prohibiting it from discriminating in price in the sale of fluid milk and dairy products in violation of section 2(a) of the act. William H. Rorer, Inc. (D-8599), a manufacturer of pharmaceutical products, was the subject of a cease and desist order which prohibits the company from discriminating in price in favor of drug chains and against independent druggists in violation of section 2(a) of the act. A cease and desist order prohibits Clairol, Inc. (D-8647), a manufacturer of hair coloring products, from discriminating between purchasers of its products in the payment of advertising and promotional allowances in violation of section 2(d) of the act.

Pending cases in litigation are as follows: In Associated Merchandising Corporation (D-8651), a wholly-owned subsidiary and 15 member department stores are charged with knowingly inducing

and receiving discriminatory prices from suppliers of merchandise in violation of section 2(f)
of the

In conformity with the Commission's policy renewed emphasis was made in promoting voluntary compliance with section 5 of the Federal Trade Commission Act. As a result, numerous serious violations of law in several significant areas of the economy were halted without resorting to litigation. Assurances of voluntary compliance from 24 different companies were received and accepted as dispositive of the violations.

Seven matters were concluded by assurances of voluntary compliance. These matters involved price fixing, boycotts, tie-in sales and other forms of unfair acts and practices.

In furtherance of the Commission efforts at coping with violations in their incipiency, the Division of General Trade Restraints used its General Order No. 97, 12, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

reflected by the following summary of the Division of Mergers' casework in the fiscal year. Informal cas

grocery store divestitures were required. This order was unique in providing that divestiture may be accomplished by outright sale or by the transfer of the assets to be divested to a new corporation the stock of which could be spun off by being sold to the public through an underwriter.

A major case in the paper industry, St. Regis Paper Co. (C-917), was terminated with the acceptance of a consent order involving substantial divestiture and a 10-year prohibition upon future acquisitions.

In the department store industry the Commission entered consent orders in three major cases: Federated Department Stores, Inc. (C-981), Allied Stores Corp. (C-1001), and Broadway-Hale Stores, Inc. (C-1057). The main thrust of these orders involves prohibitions of future acquisitions for a specified term of years, in the absence of prior Commission approval.

Developments in other significant merger cases included a Commission decision and order against General Foods Corp. (D. 8600) which requires divestiture of The S.O.S. Co. and Endicott-Johnson Corp. (C-1009) in which a consent order was entered which prohibits any acquisitions for 20 years involving the manufacturing or selling of shoes without prior Commission approval.

In the vending industry, a complaint was issued against The Seeburg Corp. (D. 8682) which challenges a major acquisition in the vending machine manufacturing business.

In two major merger cases pending in courts of appeal, Fruehauf Trailer Company (D. 6608) and Inland Container Corp. (D. 7993), these companies agreed to modified orders which were accepted by the Commission terminating pending appeals in these cases.

The special program instituted during fiscal 1965 involving enforcement of section 8 of the Clayton Act, relating to interlocking directorates, was concluded this year. As a result of this activity, a number of such interlocks were voluntarily terminated.

The Compliance Division effectuates and maintains compliance with all of the final orders in the restraint of trade area as issued by the Commission. During the year, this Division succeeded in effecting compliance with over 100 final orders in the restraint of trade area. The Division was instrumental in effecting divestiture of over 35 plants and facilities to some 22 buyers resulting from final orders

issued as a result of proceedings under section 7 of the Clayton Act, as amended. These divestitures not only reestablish competition in the affected industries and market, but many resulted in the establishment of new and vigorous business enterprises. Civil penalties in excess of \$70,000 were collected.

In fiscal 1966, the Compliance Division processed a total of 258 complaints of violations of orders, public inquiries, requests for advisory opinions (pertaining to compliance matters, as provided for by the Commission's Rules), requests for informal advice from respondents and miscellaneous actions. During the year, there were 79 active investigations, some of which may necessitate institution of civil penalty proceedings.

The following is a summary of the Division's caseload:

Total pending July 1, 1965	368
Received during fiscal 1966	65
	433
Total workload	433
Disposed of during year	121
	312
Total pending June 30, 1966	312

The Division of Accounting, during the year, continued to utilize electronic data processing (EDP) equipment in the preparation of tabulations needed as evidence of price discrimination at a considerable saving in man power. In addition, the utilization of EDP provided extensive and more effective cost data in cases involving the sale of products at prices below cost.

The tabulation and computation of rates of return showing the profitableness of identical companies in selected manufacturing industries for the calendar year 1964 was published during the past fiscal year. The financial data contained in this report was utilized by other Government agencies and by industry in studies of various companies and industries.

During the past fiscal year, the Commission, under provisions of the Packers and Stockyards Act, as amended September 2, 1958 (7 U.S.C. 226, 227), continued its liaison with the U.S. Department of Agriculture. Pursuant to provisions of this statute, and in order to avoid unnecessary duplications of effort by the two agencies, the

Commission notified the Department that the Commission intended to conduct investigations of certain practices involving meats in six separate matters. And, the Department, in turn, notified the Commission on one separate matter.

WOOL, FUR, TEXTILE,
AND FLAMMABLE FABRICS ACTS
ENFORCEMENT

Protection of consumers in their purchases of textiles, woolens, furs, and from wearing apparel that might be dangerously flammable was achieved during fiscal 1966 by a combination of energetic inspection and by gaining a remarkable degree of cooperation from the industries producing the products. Success of the education program for these industries was apparent from the fact that legal action had to be resorted to in relatively few instances where the deception appeared to be deliberate or cooperation was refused.

During the year, the number of inspections made by the Textile and Fur Bureau's Division of Regulation and covering manufacturing, wholesaling, and retailing establishments increased over fiscal 1965 from 11,413 to 12,625. The number of products spot checked was substantially greater due in part to increased inspection activity, and also because of FTC's greater concentration on larger retailers and manufacturers, particularly those making hosiery and rugs.

More emphasis was placed in administrative correction of labeling, invoicing, and advertising deficiencies, and it was reflected in the fact that the number of informal assurances of discontinuance increased from 1,790 in fiscal 1965 to 2,614 in fiscal 1966.

A total of 404 formal cases was handled during fiscal 1966. There were 243 on the docket at the beginning of the year, and 160 new investigations were initiated.

Only 39 flammable fabrics cases were initiated this year as opposed to 117 such cases in 1965. In 1964 and 1965 many flammable fabrics cases were opened against manufacturers as a result of the Joycette-Chori cases in 1964. Affidavits of voluntary compliance were obtained from the customer respondents of these firms and the cases closed. A few of these cases were opened early

3 PHOTOGRAPHS - SEE IMAGE

In fiscal 1966 the Bureau of Textiles and Furs of the FTC made 12,625 inspections on the manufacturing, wholesaling, and retailing level. At top an FTC investigator is checking the textile products labeling requirement in a retail store. Middle photo shows an investigator checking

in fiscal 1966

Continued surveillance of furriers in this country at all levels of manufacture and distribution has been maintained during the past year. A total of 102 formal fur cases has been considered during this period. Emphasis has been directed particularly at false and deceptive pricing and recordkeeping and, as a result, violations in these categories appear to have decreased considerably.

Attention continues to be paid to manufacturers of fur-trim coats and suits. It has been necessary to proceed formally against a number of these concerns; however, it is hoped that such action will result in bringing the fur-trim industry into compliance with the act.

The number of formal textile cases considered by the Division of Enforcement has increased during the past year from 85 to 109 as it continued to be apparent that many firms, although having been repeatedly advised regarding the requirements of the act, have obviously indicated they do not intend to voluntarily comply with it. This is particularly true with regard to the advertising aspects of the Textile Act and several cases have been opened against department stores for falsely and deceptively advertising the content of textile fiber products.

In fiscal 1965 complaints were received that woolen braided rugs were being imported from the were

as a part of the Division of

The first two civil penalty cases involving violations of orders under the Flammable Fabrics Act were certified to the Attorney General.

PHOTOGRAPH - SEE IMAGE

The FTC maintains a laboratory to test textiles, furs, wool and the flammability of products. This is a view of part of the laboratory. The employee is about to light a piece of material to test its flammability.

FOLLOW THROUGH IN LAW ENFORCEMENT

The General Counsel's work in fiscal 1966 reflected the changing patterns of Commission effort. Greater emphasis appeared in antitrust law enforcement, while some decrease of emphasis showed in the antideceptive practice area. Consonant with the greater financial importance of antitrust cases, a larger number of extraordinary remedies to forestall Commission action was sought in the district courts of the United States. Legislative matters decreased in number, as is usual during the second session of a Congress, while investigative process clearances increased. There was a continuing increase in the work of the General Counsel's Division of Export Trade. The new Office of Federal-State Cooperation, established this year within the General Counsel's Office, was fully operational from the day it opened its doors for business.

Court proceedings which involve the Federal Trade Commission arise in a number of ways. Any individual or company against which the FTC has issued an order to cease and desist may petition a U.S. court of appeals to review and set aside the order. The FTC may apply in a U.S. district court for enforcement of a subpoena, or may request the Attorney General to institute civil proceedings to compel the filing of a special or annual report ordered by the Commission and to recover forfeitures for failure to comply with the Commission's order. Disobedience to a court's decree enforcing a Commission order or subpoena may be punished by the court as a contempt of the court. Collateral suits challenging the Commission's jurisdiction or methods of procedure may be brought under certain circumstances in U.S. district courts. The Commission's interests in these collateral matters are presented and defended by the Department of Justice with the full assistance of the General Counsel. It is the practice of the Justice Department to refer these

and business is not required to engage in expensive, time-consuming, market-disrupting litigation.

The General Counsel's Division of Export Trade supervises administration of the Webb-Pomerene (Export Trade) Act (15 U.S.C. 61-65) for the Commission, performs necessary investigative functions in connection with the Commission's general authority under section 6(h) of the Federal Trade Commission Act to inquire into foreign trade conditions, coordinates the Commission's jurisdiction over foreign commerce, advises other offices of the Commission on export trade, and serves as liaison with other Government agencies having complementary jurisdiction over foreign trade.

The 1918 Webb-Pomerene Act, entitled "An

ance by State officials that in the last quarter of fiscal 1966 complaints of unfair practices were being received at a rate approximately equal to 1 a day, and in return the Commission referred to the States approximately 37 complaints for their investigation and enforcement in cooperation with the interstate enforcement efforts of the Commission. The Office also proposed new uniform State laws for enactment to the Council on State Governments Committee on Suggested State Legislation to cover three areas of unfair practice, and the Assistant General Counsel in charge of the office appeared before the Legislative Council of Kansas to discuss proposed legislation. The Office dispensed some 6,000 pieces of informational literature to consumer groups during the year.

The General Counsel's Division of Legislation furnished advice and comment to the Commission on 36 bills which were pending in Congress, and on 17 draft bills submitted to the Bureau of the Budget by other governmental agencies, and on 5 enrolled bills pending Presidential signature or veto. Frequent conferences with Members of the Congress and with representatives of executive agencies have been held to assist the preparation of legislation and the presentation of views of the Commission and its members or representatives before legislative committees. The final days of this Congress mark a decrease in the volume of legislation requiring comment. The process begins again with the inauguration of the new Congress and introduction of new legislation in its first session in January 1967.

From the experience of the Commission in its daily administration of the law and from studies made in the General Counsel's Office, it appears that certain additional legislation is needed.

Chapter VII

judgment, decree or order would be an estoppel as between the parties thereto: Provided, That this section shall not apply to consent judgments, decrees or orders entered before any testimony has been taken or to judgments or decrees entered in actions under section 4A.

THE ROLE OF ECONOMIC STUDIES AND EVIDENCE

The Bureau of Economics investigates and analyzes economic phenomena, particularly the structure, conduct, and performance of industrial corporations, and provides economic assistance needed for the Commission's law enforcement efforts.

The Bureau is divided into three Divisions: Industry Analysis, Economic Evidence, and Financial Statistics. The Division of Industry Analysis has two basic responsibilities: (1) It undertakes a wide variety of special projects to assist the Commission in the planning and performance of Commission activities, and (2) it conducts formal economic studies or investigations at the request of the President, the Congress, or the Commission. The Division of Economic Evidence is primarily responsible for providing economic assistance to FTC's staff in connection with the investigation and trial of legal cases. The Division of Financial Statistics collects and prepares, in cooperation with the Securities and Exchange Commission, a Quarterly Financial Report covering various manufacturing industries.

Industry Analysis

In fiscal 1966, the Division of Industry Analysis completed five major reports covering a variety of different industries and, in addition, made substantial progress on a number of other industry studies. It also completed its annual report on merger activity. Following are the highlights of the completed studies and reports.

The Manufacture and Distribution of Automotive Tires.—This report analyzes recent important changes in the structure and behavior of the automotive tire industry. Emphasis is placed upon the effects of recent mergers and acquisitions upon the structure of the industry and possible effects upon future competitive behavior. Since 1961, a series of acquisitions of retail and wholesale tire distributors by leading tire manufacturers has taken place. In addition, three of

the

Figure 1
PERCENT OF REPLACEMENT MARKET TIRE SALES BY PRIMARY CHANNEL
OF DISTRIBUTION
1929-1941 AND 1946-1964

GRAPHIC - SEE IMAGE

highly concentrated industries. In recent years profits have been near those of all manufacturing. It appears that changes in the structure of distribution has limited leading firms in the industry from developing the type

the firm 00 TTD

which has brought about a large degree of vertical integration between the two industries. The cement industry at the beginning of the 1960's was virtually free of such integration. Since 1960, however, approximately 40 ready-mixed and concrete products companies had been acquired by leading cement companies, while several large ready-mixed companies had entered into the manufacture of cement.

The cement industry has undergone a number of dramatic developments in recent years. In the immediate postwar years cement production responded to the sharp increase in construction demands, but capacity expanded slowly. Beginning in the mid-1950's, when the rate of cement capacity utilization reached an alltime peak of 94 percent, the industry began to expand capacity rapidly, so rapidly in fact that for the next decade capacity rose at about double the rate of production.

Despite the growth in output and capacity, the number of cement companies decreased from 72 to 48 between 1946 and 1966. Since 1950, the number has declined by one-fourth, despite the entrance of 13 new companies. The reduction in the number of firms was the result of acquisitions made by the 12 largest companies in the industry. As a result of these acquisitions the 12 largest companies in the industry increased their

Figure 2

Still another major change in the distribution of portland cement has been the appearance of an important new class of cement customers. Prior to World War II, cement was sold primarily to contractors directly or to building materials wholesalers who subsequently resold to contractors. Since the end of World War II, the use of specialized processors of concrete has become increasingly prevalent. Ready-mixed concrete and concrete products manufacturers accounted for about 73 percent of portland cement purchases in 1964.

In the late 1950's, many portland cement producers began to move, through mergers, into the ready-mixed concrete industry. While this movement began slowly, it accelerated sharply in the early 1960's. Whereas in 1956 there were only 2 portland cement producers with ready-mixed and other concrete products production, today there are 19; included are 3 companies which have integrated backward into cement production through the construction of new portland cement producing facilities.

The forward movement by cement producers into concrete manufacture is with one exception a product of merger activity and about 80 percent of these acquisitions have occurred since 1960. The report points out that forward acquisitions have occurred in a relatively small number of metropolitan areas. However, the number of acquisitions (equal to about 1 percent of all ready-mixed companies) belies their economic importance. In 1964 shipments of portland cement to these integrated concrete facilities were equal to about 10 percent of grey portland cement shipments to all ready-mixed producers.

The report shows that vertical forward acquisitions of large ready-mixed manufacturers do more than merely temporarily disrupt access to cement markets by unintegrated suppliers. Such mergers tend to deprive other suppliers of economical access to the affected markets. A frequent response of disadvantaged firms is to engage in defensive mergers of their own, thereby triggering other mergers. In this context unrestrained merger activity may freeze some suppliers out of a major segment of the market, and shrink the size of the open market for cement. Several adverse competitive effects may flow from this. The number of effective competitors seeking to

supply particular markets may be diminished, thereby reducing the intensity of competition. Moreover, the remaining smaller, unintegrated cement consumers may find suppliers less willing to engage in aggressive rivalry in serving their needs.

Cents-Off Promotion in the Coffee Industry.—This report, which placed particular emphasis on the use of cents-off promotions in the marketing of regular and instant coffee in 1964 and 1965, was submitted into the record of the Commission's hearing on deceptive price labeling in the coffee industry. The report points out that the coffee industry is an important element of the food industry group, with value of shipments amounting to nearly \$2 billion in 1964. The industry itself is composed of two distinct subindustries--regular and instant, with the latter subindustry containing a much smaller number of firms than the former. Not more than 20 of the 261 companies in the coffee industry in 1963 were engaged in the processing of instant coffee.

The coffee industry utilizes a variety of promotional devices, the most important of which is the cents-off sales. The cents-off sale is not novel; it has been employed in several industries, normally for relatively short periods of time to introduce new products or to enter new marketing areas. But in the coffee industry cents-off sales have become an integral part of the industry's merchandising approach. Based on a sample of firms¹ 45 percent of regular coffee sales, and about 70 percent of instant coffee sales in 1965 were made on some type of cents-off basis.

The report shows that in 1964 and 1965, there was a very

Of the 12 instant coffee producers included in the report, only 3 companies (all retail food chains) made less than half of their sales on a cents-off basis in 1965. Three companies sold their entire output at cents-off, and three more sold over 97 percent on this basis in 1965. Also, there is some variation in.

retailing and that food retailers tend to integrate into the more concentrated food

to firm conglomeration, the report observed that when companies such as large retail food chains operate across many different product markets or geographic markets they are less subject to the competitive discipline of any one market.

Market conduct analysis emphasized the competitive tactics of large conglomerate retail food chains. The report identified through case studies a number of competitive tactics employed by large retailers such as subsidized expansion, price wars, and reciprocal relationships with manufacturers, and concluded, with respect to the effectiveness of the conglomerate's competitive strategy, that the mere presence in a market of large chains capable of engaging in selective price cutting and subsidized expansion may serve as barriers to entry as well as a disciplining influence on existing firms.

The report noted that the 20 largest chains have led the current merger movement in food retailing by acquiring 225 firms with combined sales of \$3.3 billion or 70 percent of the sales of all acquisitions made by chains during the 1949-64 period (fig. 4), and that mergers in the food retailing industry generally during the

Figure 4. RETAIL ACQUISITIONS BY GROCERY CHAINS, 1949-1964

GRAPHIC - SEE IMAGE

Source: Federal Trade Commission.

1949-64 period have been and are increasingly of the "market extension" variety.

Of primary significance, according to the report, was the finding that "today the gross margins of the largest retailers are not only higher than they were during the early 1950's, but they are higher than they were in the 1920's, when practically all retailers operated very small stores."

The increase in overall concentration reflects the conglomerate growth trend of the largest companies. Conglomerate diversification by the largest companies, accomplished almost entirely through mergers and acquisitions, has led to these companies being the important producers in nearly all individual food product industries. Just 50 large food manufacturers occupied 70 percent of the top 4 positions of all of the individual food product industries in 1963. The percentage of top positions occupied by the largest companies is higher in the larger and more concentrated of the individual product areas, and it has increased substantially since 1954. In 1963, the 100 largest food manufacturers controlled 4 or more of the 8 top positions in 70 percent of 116 food product classes; this was up from 50 percent in 1954.

Figure 5. DISTRIBUTION OF ASSETS AND PROFITS AFTER TAXES, BY ASSET SIZE, ALL FOOD MANUFACTURING COMPANIES, EXCEPT ALCOHOLIC BEVERAGES: FOURTH QUARTERS, 1964 (PERCENT OF TOTAL)

GRAPHIC - SEE IMAGE

Source: Federal Trade Commission.

to the continued competitive viability of smaller established firms. Smaller firms are forced to depend more on lower profit, undifferentiated customer-brand sales.

The report also measured the relationship between market concentration and the profitability of large food manufacturers. The study revealed that profits are substantially higher for those companies which sell in highly concentrated markets than for those selling in competitively structured markets.

1965 Merger Report.--In addition to the industry studies described above, the Bureau of Economics also released a statistical review of 1965 merger activity. This report shows that acquisitions in various industries and businesses in 1965 totaled 1,893, as compared with 1,797 in 1964. Most of the acquisitions in 1965, as in other years, occurred in manufacturing industries.

Chart 6
MERGERS IN MANUFACTURING AND MINING
1940-1965

GRAPHIC - SEE IMAGE

Source: Bureau of Economics, Federal Trade Commission.

*Large Firms represent companies with assets of \$10 million and over.

The Bureau maintains an annual series of firm disappearances via merger in manufacturing and mining which covers merger trends back to 1940, based on reports in two financial services. Last year, mergers in the manufacturing-mining sector topped the 1,000 mark. In the mid-fifties, the number of firms acquired, according to this series, stood at about 600 per year. In the early fifties the number ranged around 200 to 300 per year.

The report also noted a sharply rising trend in the rate at which large manufacturing and mining concerns are being acquired. Large firms are defined as companies with assets of \$10 million or more. There are a limited number of such large concerns in the economy but they play an important role in management decisions regarding output, investment, prices, technological innovations and other critical factors. Some 2,400 large manufacturing and mining companies in the United States control in the aggregate over 80 percent of all manufacturing and mining assets.

Over the last 5 years there has been a sharply rising trend in the frequency with which large firms are acquired. In 1965 ninety-one large mergers were recorded. The acquired assets of these companies totaled \$3.8 billion, an increase of 38 percent over 1964. Over the past 5 years, 1961-65, the number of "large" acquisitions has averaged 75 per year, with total acquired assets averaging over \$2.7 billion annually. Since 1948, a total of 811 large manufacturing and mining concerns have been acquired.

Over the past 5 years, the share of manufacturing and mining mergers accounted for by companies with assets in excess of \$100 million has increased steadily. The 1965 percentage is higher than that for any year since 1955, when this breakdown first became available. Moreover, acquisition activity by firms of this size has increased sharply since 1961. In 1965, for example, firms with assets of \$100 million or more accounted for 27 percent of the 1,008 recorded manufacturing and mining mergers, compared with only 17 percent of the 954 mergers recorded in 1961.

A substantial reduction proportionately in merger activity on the part of small firms has taken place since 1961. Firms with assets of \$10 million or less accounted for 45 percent of manufacturing and mining mergers in 1961, compared with only 30 percent in 1965.

In 1965, as in preceding years, most acquisitions (82 percent)

were made by manufacturing companies with the remainder split between mining and other companies. Among manufacturers, companies engaged in the production of electrical machinery acquired the largest number of companies (117), followed by chemicals (89), nonelectrical machinery (87), food and kindred products (86), fabricated metal products (63), and transportation equipment (59). Firms in these 6 industry groups accounted for a total of 501 or almost 50 percent of mergers recorded during 1965.

Economic Evidence

The Division of Economic Evidence continued to concentrate its efforts primarily on mergers. The Division reviews all mergers reported by major press and trade sources and examines in depth those that appear to present a significant threat to competition. Approximately 600 specific mergers were reviewed during the fiscal year 1966. Investigations in depth were made of more than 60 mergers, an increase of approximately 25 percent over the previous year.

During fiscal 1966 conglomerate mergers were the most common type, particularly product and market extension mergers. The Division concentrated its efforts to the fullest extent possible on those industries where significant merger activity was occurring and where it appeared that mergers threatened to bring about an adverse change in the industries' structure and competitive behavior. Among the industries in which merger activity was particularly noted and where the staff devoted considerable time and resources were grocery products, textiles, plastics, machinery, automotive parts, apparel, chemicals, paper, department stores and grocery retailing. Investigatory and other enforcement activities have already tended to reduce the number and scope of mergers in a number of these industries.

During the fiscal year, the staff of the Division actively assisted the legal divisions in conducting investigations involving price fixing and price discrimination, and at the end of the year was studying such business practices as reciprocity and TV advertising discounts. The staff assisted with 113 formal investigations, 19 compliance matters, 10 consent negotiations, and 13 litigated cases during the year. It also assisted in reviewing certain false and deceptive prac-

tice claims and in evaluating several trade practice conference proposals.

Financial Statistics

For the 20th consecutive year, the Division of Financial Statistics, in collaboration with the Securities and Exchange Commission, produced four issues of the Quarterly Financial Report for Manufacturing Corporations. In fiscal 1966 these reports included data for each of 34 industry groups and 10 asset sizes of corporate manufacturers. For each industry group and asset size there were published quarterly summaries containing estimates for 13 items of income and retained earnings, 14 asset items, 16 items of liabilities and stockholders' equity, and 43 financial and operating ratios. These estimates accounted for more than 97 percent of all manufacturing activity in the United States, more than half of all corporate profits, and nearly one-third of the national income. Each summary is based on uniform, confidential, quarterly financial statements collected from a probability sample of some 10,000 out of an estimated total of more than 200,000 active manufacturing corporations in the United States. The following are a few highlights of the four quarterly summaries published in fiscal year 1966.

The number of manufacturing corporations with assets of \$1 billion and over increased from 41 in 1965 to 52 in 1966. These 52 firms accounted for \$132 billion or 36 percent of the total assets of all manufacturing corporations, except newspapers, in the United States. An additional 164 firms, each with assets in excess of \$250 million, accounted for another 22 percent.

Sales of all corporate manufacturers (excluding newspapers) in 1965 totaled \$492 billion, or 11 percent above 1964. After tax profits for the year amounted to \$27.5 billion, compared with \$23.2 billion in 1964 and \$19.5 billion in 1963.

For the four quarters of calendar year 1965, the average annual rate of profit on stockholders' equity, after taxes, was 13 percent, or the highest average rate since 1950. Highest average annual rates of return on stockholders' equity, after taxes, in 1965 were recorded by the producers of drugs (20.3 percent) and motor vehicles and equipment (19.5 percent) ; lowest rates were recorded by the makers

of paper and allied products (9.4 percent), bakery products (9.3 percent) and alcoholic beverages (9.3 percent).

At the end of the second quarter of 1966, inventories of all corporate manufacturers (except newspapers) were \$91 billion, their net working capital \$112 billion, and their total assets more than \$381 billion.

price of the tires in question in the trade area where the advertising representations are made. In order to determine the nature and extent of compliance with these guides, the Commission directed a survey in 12 metropolitan areas where its field attorneys are located in an effort to determine firsthand the extent to which automobile tire dealers in those areas were complying with the provisions of the Tire Advertising Guides. This survey was conducted on a continuing basis during the last 60 days of the fiscal year, eAdvertising e n t

PHOTOGRAPH - INSERT IMAGE

A group the FTC works closely with in consumer protection laws are the various Better Business Bureaus throughout the United States. Here you see an FTC attorney calling on one of the Better Business offices to discuss a matter of mutual interest.

schedule of visits to Better Business Bureaus, Chambers of Commerce, and other private and public organizations and officials interested in law enforcement and in enlightening and informing the public about the Commission's duties and functions.

APPROPRIATIONS AND FINANCIAL OBLIGATIONS

FUNDS AVAILABLE FOR THE COMMISSION FOR THE FISCAL YEAR 1966

Funds available to the Commission for the fiscal year 1966 amounted to \$13,862,500. Public Law 89-128 approved August 16, 1965, provided \$13,550,000 and Public Law 89-426 approved May 13, 1966, provided \$312,500.

Obligations by activities, fiscal year 1966

1. Antimonopoly:	
Investigation and litigation	\$5,937,000
Economic and financial reports	955,000
Trade practice conferences, industry guides, and small business	244,000
2. Deceptive practices:	
Investigation and litigation	3,633,000
Trade practice conferences, industry guides, and small business	490,000
Textile and fur enforcement	1,272,000
3. Executive direction and management	325,000
4. Administration	815,000
	\$13,671,000

Settlements Made Under Federal Tort Claims Act

During the fiscal year 1966 the Commission paid claims in the total of \$174.77. No other claims are pending for the same period.

HEARING EXAMINERS

The number of cases handled by hearing examiners during fiscal 1966 reflects the Commission's emphasis on the achievement of law observance by means other than formal litigation.

There were 71 cases on the hearing examiners' docket during fiscal 1966, compared to 100 in fiscal 1965. With 37 cases on hand at the beginning of the year, 29 new cases were added; 5 others were reopened or remanded; and 29 cases were disposed of, leaving 42 cases pending as of June 30, 1966. Casework during the year involved 307 days of evidentiary hearings or prehearing conferences.

With the adjudicative caseload declining, the services of the hearing examiners were utilized in a variety of other ways. In addition to their regular work, examiners undertook special assignments for the Commission, sat as special masters in U.S. court of appeals proceedings, and handled cases for several other Government agencies.

APPENDIX (A)
FTC Cases in the Courts

Following is a

and distribution of antibiotic drugs, and remanded the case to the Commission for a de novo determination without the participation of Chairman Dixon who had been interested in the matter as counsel for Senator Kefauver's antitrust committee in the U.S. Senate. The court agreed with the Commission, however, that where a patent has been obtained through misrepresentation or improper conduct in Patent Office proceedings, the Commission has jurisdiction to hold that the subsequent use of such patent for the purpose of excluding competition is an unlawful restraint of trade, and that in fashioning a remedy the Commission may order compulsory licensing of such patent upon a reasonable royalty basis.

Restraint of trade cases pending at the close of the year included: *Luria Bros. & Co.* (D. 6166)2n9 1156)2TD

Commission, that since the two brands have identical physical properties they are of "like grade and quality" within the meaning of section 2(a) of the Clayton Act. The case is currently pending on remand in the court of appeals on the questions of injury, cost justification and scope of order.

The Commission won several price discrimination cases in courts of appeals this year: The Seventh Circuit affirmed and enforced a Commission order directing Purolator Products, Inc. (D. 7850) to cease and desist from various price discriminations in the marketing of automotive replacement filters. The Solicitor General has authorized the Commission to file a brief on its own behalf in opposition to Purolator's petition for certiorari. In Forster Mfg. Co. (D.in6 0 TD -0.01.arff(ipc 0.383

The Commission also lost some Robinson-Patman cases in courts of appeals this year: In *Universal-Rundle Corp.* (D. 8070), the Seventh Circuit refused to affirm the Commission's section 2(a) order and remanded the matter to the Commission with directions to institute an industry-wide investigation into the discriminatory

Sales Co. (D. 8627), affirmed and enforced a Commission order directed against a "typical 'push card' merchandising operation."

Two important cases involving misleading medical claims

Busch, Inc. (File 611 0155). The company has been unwilling to furnish certain production data called for in a subpoena issued in connection with a Commission investigation of alleged discriminatory practices and other trade restraints in the distribution of yeast. (See subpoena enforcement cases, *infra*.)

The Federal District Court for the Eastern District of Texas dismissed a complaint for lack of jurisdiction filed by Frito-Lay, Inc. (D. 8606), challenging certain interlocutory rulings of the Commission and the hearing examiner in a section 7 case. The company has appealed to the Fifth Circuit.

The U.S. District Court for the Southern District of New York denied a motion for preliminary injunction filed by Sperry & Hutchinson Co. (D. 8671), in an action brought to restrain the Commission from commencing initial hearings in a proceeding involving alleged illegalities in the use of S. & H. trading stamps. The company's complaint was subsequently dismissed by stipulation.

A complaint for declaratory judgment and injunction filed by Puritan Fashions Co. and Reliance Mfg. Co. (Files 621 0552 and 621 0517) remained pending in the Federal District Court for the District of Columbia on the Commission's motion to dismiss or in the alternative for summary judgment. This action seeks to nullify section 6(b) orders of the Commission directing the filing of special reports on the grounds that such reports were not "cleared" with the Bureau of the Budget under the Federal Reports Act.

Pending in the District Court for the Southern District of New York is a recent complaint for declaratory judgment and injunctive relief filed by Best & Co. (D. 8669). The company alleges that Commission counsel failed to comply with a prehearing order, and that it was unlawfully refused the issuance of certain subpoenas and denied the opportunity to take certain depositions.

SUITS TO COMPEL COMPLIANCE WITH COMMISSION ORDERS AND SUBPENAS

Green, a vice president of Standard Brands, Inc. (File 611 0155). The court also refused to issue a protective order with regard to certain production data alleged to constitute a "trade secret." The Commission has also recently applied in the district court in St. Louis for enforcement of a subpoena directed to Messrs. Paul C. Guignon and John H. Pahlman, officials of Anheuser-Busch, Inc. (File 611 0155), requesting similar yeast production data.

In *Associated Merchandising Corp.* (D. 8651), application was filed in the Southern District of New York to enforce an order requiring the production of documentary evidence in an adjudicatory proceeding. Although this is the first occasion that enforcement of this particular type of order has been sought, the Commission believes that the general principles which govern enforcement of subpoenas and section 6(b) reports are applicable. The matter is currently pending on motion to dismiss.

APPENDIX (B)

Textile and Fur Court Cases

In the pretrial pleading in *R. H. Macy & Co., Inc.*, Docket 8650, counsel for the respondent requested the Hearing Examiner for subpoenas duces tecum and ad testificandum requiring Henry D. Stringer, Director, Bureau of Textiles and Furs, Charles F. Canavan, Assistant Director, and Eugene H. Strayhorn, Chief, Division of Enforcement, to testify, and a subpoena duces tecum requiring Joseph W. Shea, the Commission Secretary, to appear and produce certain Commission documents. The Hearing Examiner certified the request of the Commission for instruction and the Commission directed the Hearing Examiner not to issue the subpoenas.

The counsel for the respondent then filed a complaint for a declaratory judgment and injunctive relief in the District Court for the District of Columbia, Civil Action No. 2707-65. The district court considered the matter and dismissed the case for lack of jurisdiction.

In April 1966, the Commission proceeded against Louis Leeds, an individual trading as Leeds Manufacturing and petitioned the U.S. District Court for the Southern District of New York for a temporary restraining order and injunction to prevent the sale and shipment of dangerously flammable sweaters under the Flammable Fabrics Act, No. 66 Civ. 1158. The restraining order was issued and no objection was made by the defendant to the issuance of the temporary injunction.

APPENDIX (C)
 Bureau of Textiles and Furs
 Civil Penalty and Criminal Cases

During fiscal 1966 judgments totaling \$36,000 were entered in three civil penalty cases, one of which included an injunction against further violation of the Commission's order. Two criminal proceedings were concluded with fines totaling \$8500.

Penalty Cases Statistics

Pending July 1, 1965	4
Filed during year	3
	7
Total for disposition	7
Disposed of during year	3
	4
Pending June 30, 1966	4

Criminal Cases Statistics

Pending July 1, 1965	2
Filed during year	1
	3
Total for disposition	3
Disposed of during year	2
	1
Pending June 30, 1966	1

Civil Penalty Cases Concluded

Einiger Mills, Inc. (Dist. Mass.). Misbranding wool products, fabrics. Judgment for \$30,000 and injunction.

H. M. Prince Textiles, Inc. (S.D.N.Y.). Misbranding wool products, fabrics. Judgment for \$1000. (Notice of Appeal filed by defendant.)

Raymond's Inc. (Dist. Mass.). False advertising and false invoicing of fur products and failure to maintain required records. Judgment for \$5000.

Civil Penalty Cases Pending

Woody Fashions, Inc. (S.D.N.Y.). Misbranding wool products, coats.

Asheville Textile Corp. (S.D.N.Y.). Misbranding and false invoicing of wool products, imported fabrics.

Stone & Stone, Inc. (S.D.N.Y.). Misbranding and false invoicing of fur products.

Waterville Woolen Mills, Inc. (D. Maine, So. Div.). Misbranding and false invoicing of wool products, fabrics.

Criminal Cases Concluded

Radley Furs, Inc. (S.D.N.Y.). Misbranding fur products, one officer fined \$3500. Another fined \$1000, remitted.

Hargo Woolen Mills (Dist. N.H.). Misbranding wool products. Corporation fined \$4000 on one count. Placed on probation as to 17 counts, with imposition of sentence suspended.

Criminal Cases Pending

Stone & Stone, Inc. (S.D.N.Y.). Misbranding and false invoicing of fur products.

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.¹ They were made at the request of the President, the Congress, the Attorney General, Government agencies, or on motion of the Commission pursuant to the Federal Trade Commission Act.

Reports on these inquiries in many instances have been published as Senate or House documents or as Commission publications. Printed documents, unless indicated as being out of print,² may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C. ~~Processed publications~~ Attorney

chase of assets of competitors rather than capital stock.⁴ (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;⁵ unbalanced agricultural-industrial relations; cooperative associations; production financing; transportation; and terminal markets. Its recommendations for improvement of the Perishable Agricultural Commodities Act were adopted by Congress in amending that act (Public, 328, 75th) in 1937. [Report of the F.T.C. on Agricultural Income Inquiry, Part I, Principal Farm Products, 1,134 p., o.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, 6 p.), and 2/1/37 (S. Doc. 17, 75th, 16 p., o.p.)]

Agricultural Prices.—See Price Deflation.

Antibiotics Manufacture (F.T.C.).—Because of the rising importance and the cost of antibiotic drugs, and the lack of published information on their production, a Commission resolution of July 13, 1956, authorized the study which appeared as Economic Report on Antibiotics Manufacture (361 p., 6/27/58). This volume covered the origin and history of the industry, the companies manufacturing antibiotics, production processes, marketing, prices, costs, profits, patents and trademarks, and public health aspects.

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

Automotive Tires.—See Tires, Manufacture and Distribution of.

Bakeries and Bread.—See under Food. vg9theprices (3hoe 0.006rketin5 Manufactuumoy2.96 TD0 TD 0.0261

Beet Sugar.—See under Food—Sugar.

Building Materials.—See Distribution Methods and Costs.

Calcium Arsenate (Senate).—High prices of TD J6hoe 0.006rketin5

cement manufacturing and processing industries. It examines the possible competitive consequences of market extension and vertical mergers. (123 p., April 1966.)

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 system⁶ 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).

Cents-Off.—See Coffee Industry.

Chain Stores (Senate). —Practically every phase of chain-store operation was covered (S. Res. 224, 70th,

5/5/28), 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.864 0 .osc12

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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.864 0 .osc12

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.

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

Cotton Industry.—See Textiles.

Cottonseed Industry (House).—Investigating alleged price fixing (H. Res. 439, 69th, 3/2/27), the Commission reported evidence of cooperation among State associations but no indication that cottonseed crushers or refineries had fixed prices in violation of the antitrust laws (Cottonseed Industry, H.

Du Pont Investments (F.T.C.). —The Report of the F.T.C. on Du Pont Investments (F.T.C. motion 7/29/27; report, 46 p., o.p. processed, 2/1/29) discussed reported acquisition by E. I. du Pont de

inquiries into flour milling, canned vegetables and fruits, canned salmon, and related matters, as listed below.

Food (President) continued—Meat Packing.—Food Investigation-Report of the F.T.C. on the Meat-Packing Industry was published in six parts: I. Extent and Growth of Power of the Five Packers in Meat and Other Industries (6/24/19, 574, p., o.p.); II. Evidence of Combination Among Packers (11/25/18, 294, p., o.p.); III. Methods of the Five Packers in Controlling the Meat-Packing Industry (6/28/19, 325 p., o.p.); IV. The Five Large Packers in Produce and Grocery Foods (6/30/19, 390 p., o.p.); V. Profits of the Packers (6/28/19, 110 p., o.p.); VI. Cost of Growing Beef Animals, Cost of Fattening Cattle, and Cost of Marketing Livestock (6/30/19, 183 p., o.p.); and summary (H. Doc. 1297, 65th, 51 p., o.p., 7/3/18).

The reports first led to antitrust proceedings against the Big Five Packers, resulting in a consent decree (Supreme Court of the District of Columbia, 2/27/20),⁹ which had substantially the effect of Federal legislation in restricting their future operations to certain lines of activity. As a further result of the investigation, Congress enacted the Packers and Stockyards Act (1921), adopting the Commission's recommendation that the packers be divorced b of e

Food—Bread and Flour (Senate). —Reports on this inquiry (S. Res. 163, 68th, 2/26/24) were: Competitive Conditions in Flour Milling (S. Doc. 97, 70th, 140 p., o.p., 5/3/26); Bakery Combines and Profits (S. Doc. 212, 69th, 95 p., o.p., 2/11/27); Competition and Profits in Bread and Flour (S. Doc. 98, 70th, 509 p., o.p., 1/11/28) ; and Conditions in the Flour Milling Business, supplementary (S. Doc. 96, 72d, 26 p., o.p., 5/28/32).

Food—Wholesale Baking Industry (F.T.C.).—This inquiry (F.T.C. Res. 8/31/45) resulted in two reports to Congress: Wholesale Baking Industry, Part I—Waste in the Distribution of Bread and Flour, 29 p., o.p. and Wholesale Baking Industry, Part II—Costs, Prices and Profits (S. Res. 163, 68th, 2/26/24) were: Competitive Conditions in Flour Milling (S. Doc. 97, 70th, 140 p., o.p., 5/3/26); Bakery Combines and Profits (S. Doc. 212, 69th, 95 p., o.p., 2/11/27); Competition and Profits in Bread and Flour (S. Doc. 98, 70th, 509 p., o.p., 1/11/28) ; and Conditions in the Flour Milling Business, supplementary (S. Doc. 96, 72d, 26 p., o.p., 5/28/32). Part I developed facts concerning wasteful and uneconomic practices such as the distribution of bread in consignment selling which involves the taking back of unsold bread, furnishing by gift of loaf, bread racks, stands, fixtures, etc., to induce distributors to handle a given company's products. It was found that, although War Food Order No. 1 which prohibited these practices was only partially observed, in 1945 as compared with 1942, the quantity of bread saved was sufficient to supply the population of Wales with a daily ration of one-third of the amount consumed in 1942.

chiefly to abnormal market conditions (Report of the F.T.C. on Wheat Prices for the 1920 Crop, 91 p., o.p., 12/13/20).

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

Food—Marketing (F.T.C.).—On October 9, 1958, the Commission launched a study of significant economic trends in food marketing. In the first phase of this investigation facts were developed concerning the growth of corporate chains and voluntary and cooperative wholesalers. On June 30, 1959, the Commission published a statistical report entitled Economic Inquiry into Food Marketing—Interim Report (6 p., 22 tables, o.p.). This was followed by publication of Economic Inquiry into Food Marketing, Part I, Concentration and Integration in Retailing (January 1960, 338 p.).

Food—Marketing (F.T.C.).—The second phase of the F.T.C. study of the food industry was begun on August 25, 1960. Through surveys and other data the Bureau of Economics undertook to identify and analyze major structural and behavioral aspects of the group of firms producing and marketing frozen fruit, juices and vegetables. Included in the study are chapters reviewing: production and consumption patterns; concentration, diversification and integration; marketing patterns; production, promotion and profits; and patterns of merger activity. (Economic Inquiry into Food Marketing, Part II, The Frozen Fruit, Juice and Vegetable Industry, 145 p., December 1962.)

Food—Marketing (F.T.C.).—This is the third in a series of staff reports concerning various segments of the food industry undertaken pursuant to a Federal Trade Commission resolution adopted October 9, 1958. Part III represents an extensive inquiry into the industrial organization of the canned fruit, juices, and vegetable industry. Various aspects of market structure including patterns of concentration, integration and diversification are examined in detail. Data on marketing patterns, costs, product promotion and profits are also presented. The impact of merger activity on industry structure and performance is considered along with a discussion of competitive trends. (Economic Inquiry into Food Marketing, Part III, The Canned Fruit, Juice and Vegetable Industry, 207 p., June 1965.)

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

Food—Milk.—See Distribution Methods and Costs.

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

Food—Milk and Dairy Products (House).—Competitive conditions in different milk-producing areas were investigated (H. Con. Res. 32, 73d, 6/15/34). Results of the inquiry were published in seven volumes: Report of the F.T.C. on the Sale and Distribution of Milk Products, Connecticut and Philadelphia Milksheds (H. Doc. 152, 74th, 901 p., o.p., 4/5/35); Report of the F.T.C. on the Sale and Distribution of Milk and Milk Products (Connecticut and Philadelphia milksheds, interim report, H. Doc. 387, 74th, 125 p., o.p., 12/31/35); Chicago Sales Area (H. Doc. 451, 74th, 103 p., o.p., 4/15/36); Boston, Baltimore, Cincinnati, St. Louis (H. Doc. 501, 74th, 243 p., o.p., 6/4/36); Twin City Sales Area (H. Doc. 506, 74th, 71 p., o.p., 6/13/36); and New York Milk Sales Area (H. Doc. 95, 75th, 138 p., o.p., 9/30/36). The Commission reported that many of the industry's problems could be dealt with only by the States and recommended certain legislation and procedure, both State and Federal (Summary Report on Conditions With Respect to the Sale and Distribution of Milk and Dairy Products, H. Doc. 94, 75th, 39 p., o.p., 1/4/37). Legislation has been en-

acted in a number of States carrying into effect all or a portion of the Commission's recommendations.

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

Food—Raisin Combination (Attorney General).—Investigating allegations of a combination among California raisin growers (referred to F.T.C. 9/30/19), the Commission found the enterprise not only organized in restraint of trade but conducted in a manner threatening financial disaster to the growers. The Commission recommended changes which the growers adopted (California Associated Raisin Co., 26 p., processed, o.p., 6/8/20).

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

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

Food—Sugar, Beet (F.T.C.).—Initiated by the Commissioner of Corporations,¹¹ but completed by the F.T.C., this inquiry dealt with the cost of growing beets and the cost of beet-sugar manufacture (Report on the Beet Sugar Industry in the U.S., H. Doc. 158, 65th, 164 p., o.p., 5/24/27).

Foreign Trade—Antidumping Legislation (F.T.C.).—To develop information for use of Congress in its

(85 p., o.p., 2/4/47) presents results of a special study made at the request of the then

International Phosphate

Mergers and Vertical Integration.—See Cement.

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 Monopolistic Practices and Small Business of the Committee on Antitrust and Monopoly, U.S. Senate, 1939, 23 p., processed, 11/21/39, o.p.).

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Monopolistic Practices and Small Business, U.S. Senate, 1939, 23 p., processed, 11/21/39, o.p.).

Petroleum and Petroleum Products, Prices (President and Congress).—At different times the Commission has studied prices of petroleum and petroleum products and issued reports thereon as follows: Investigation of the Price of Gasoline, preliminary (S. Doc. 403, 64th, 15 p., o.p., 4/10/16) and Report on the Price of Gasoline in 1915 (H. Doc. 74, 65th, 224 p., o.p., 4/11/17—both pursuant to S. Res. 109, 63d, 6/18/13¹² and S. Res. 457, 63d, 9/28/14, which reports discussed high prices and the Standard Oil Companies' division of marketing territory among themselves, the Commission suggesting several plans for restoring effective competition; Advance in the Prices of Petroleum Products (H. Doc. 801, 66th, 57 p., o.p., 6/1/20).—pursuant to H. Res. 501, 66th, 4/5/20, in which report the Commission made constructive proposals to conserve the oil supply; Letter of Submittal and Summary of Report on Gasoline Prices in 1924 (Cong. Rec., 2/28/25, p. 4941)—pursuant to request of President Coolidge, 2/7/24; Petroleum Industry—Prices, Profits and Competition (S. Doc. 61, 70th, 360 p., o.p., 12/12/27) pursuant to S. Res. 31, 69th, 6/3/36; Importation of Foreign Gasoline at Detroit, Mich., (S. Doc. 206, 72d, 3 p., o.p., 2/27/33)—pursuant to S. Res. 274, 72d, 7/16/32; and Gasoline Prices (S. Doc. 178, 73d, 22 p., o.p., 5/10/34)—pursuant to S. Res. 166, 73d, 2/2/34.

Petroleum—Foreign

companies over the underlying operating companies, and was influential in bringing about the more comprehensive inquiry described under Power—Utility Corps., below. Supply of Electrical Equipment and Competitive Conditions (S. Doc. 46, 70th, 282 p., o.p., 1/12/28) showed, among other things, the dominating position of General Electric Co. in the equipment field.

Power—Interstate Transmission (Senate).—Investigation (S. Res. 151, 71st, 11/8/29) was made of the quantity of electric energy transmitted across State lines and used for development of power or light, or both (Interstate Movement of Electric Energy, S. Doc. 238, 71st, 134 p., o.p., 12/20/30).

Power—Utility Corporations (Electric and Gas Utilities) (Senate).—This extensive inquiry (S. Res. 83, 70th, 2/15/28; Public Res. 46, 73d, 6/1/34; and F.T.C. Act, Sec. 6) embraced the financial set-up of electric and gas utility companies operating in interstate commerce and of their holding companies and other companies controlled by the holding companies. The inquiry also dealt with the utilities' efforts to influence public opinion with respect to municipal ownership of electric utilities. The Commission's reports and recommendations, focusing congressional attention upon certain unfair financial practices in connection with the organization of holding companies and the sale of securities, were among the influences which brought about enactment of such remedial legislation as the Securities Act (1933), the Public Utility Holding Company Act (1935), the Federal Power Act (1935), and the Natural Gas Act (1938).

Public hearings were held on all phases of the inquiry and monthly interim reports presented hundreds of detailed studies by the Commission's economists, attorneys, accountants, and other experts, based on examination of 29 holding companies having \$6,108,128,713 total assets; 70 subholding companies with \$5,685,463,201 total assets; and 278 operating companies with \$7,245,106,464 total assets. The testimony, exhibits, and final reports (Utility Corporations, S. Doc. 92, 70th, o.p.) comprised 95 volumes.¹⁴

Price Bases (F.T.C.).—More than 3,500 manufacturers representing practically every industrial segment furnished data for this study (F.T.C. motion, 7/27/27) of methods used for computing delivered prices on industrial products and of the actual and potential influence of such methods on competitive markets and price levels. In the cement industry the basing-point method¹⁵ was found to have a tendency to establish unhealthy uniformity of delivered prices and cross-hauling or cross-freighting to be an economic evil (Report of the F.T.C. on Price Bases Inquiry, Basing-Point Formula, and Cement Prices, 218 p., o.p., 3/26/32). Illustrating the use in a heavy commodity industry of both a modified zone-price system and a uniform delivered-price system, the Commission examined price schedules of the more important manufacturers of range boilers, 1932-36, disclosing that the industry operated under a zone-price formula, both before and after adoption of its N.R.A. code (Study of Zone-Price Formula in Range Boiler Industry, 5 p., processed, 3/30/36, a summary based on the complete report which was submitted to Congress but not printed).

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

Profit Rates (F.T.C.).—A special report was published in 1963 showing profits per dollar sales and rates of profit on equity for 63 industry and size groups of manu-

¹⁴ Final reports were published in 1935; a general index in 1937. Some of the volumes are out of print. For report titles, see F.T.C. Annual Report, 1941, p. 221; and for lists of companies investigated, see F.T.C. Annual Reports, 1935 p. 21, and 1936 p. 36.

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

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

Sulphur Industry (F.T.C.).—In its report to Congress on The Sulphur Industry and International Cartels (6/16/47), o.p., the Commission stated that the operations of all four producers constituting the American sulphur industry generally have been highly profitable, and that the indications are that foreign cartel agreements entered into by Sulphur Export Corp., an export association organized under the Webb-Pomerene Law, have added to the profitability of the U.S. industry. On 2/7/47, after hearings, the Commission recommended that Sulphur Export Corp. readjust its business to conform to law.

Taxation and Tax-Exempt Income.—See National Wealth and Income.

Temporary National Economic Committee, Studies of the F.T.C.—See F.T.C. Annual Report, 1941, p. 218, for titles.

Textiles (President).—President Roosevelt (Executive Order of 9/26/34) directed an inquiry into the textile industry's labor costs, profits, and investment structure to determine whether increased wages and reduced working hours could be sustained under prevailing economic conditions. Reports covering the cotton, woolen and worsted, silk and rayon, and thread, cordage and twine industries were: Report of the F.T.C. on Textile Industries, Parts I to VI, 12/31/34 to 6/20/35, 174 p., o.p. (Part VI financial tabulations processed 42 p., o.p.); Report of the F.T.C. on the Textile Industries in 1933 and 1934, Parts I to IV, 8/1/35 to 12/5/35, 129 p., o.p.; Parts II and III, o.p. (Part IV, processed, 21 p., o.p.; accompanying tables, processed, 72 p., o.p.); Cotton Spinning Companies Grouped by Types of Yarn Manufactured During 1933 and 1934, 1/31/36, 20 p., processed, o.p.; Cotton Weaving Companies Grouped by Types of Woven Goods Manufactured During 1933 and 1934, 3/24/36, 48 p., processed, o.p.; Textile Industries in the First Half of 1935, Parts I to III, 5/22/36 to 8/22/36, 119 p., processed, o.p.; Textile Industries in the Last Half of 1935, Parts I to III, 11/20/36 to 1/6/37, 155 p., processed, o.p.; and Textile Industries in the First Half of 1936, Parts I to III, 1/21/37 to 2/11/37, 163 p., processed, o.p.

Textiles—Combed Cotton Yarns.—High prices of combed cotton yarns led to this inquiry (H. Res. 451, 66th, 4/5/20) which disclosed that while for several years profits and prices had advanced, they declined sharply late in 1920 (Report of the F.T.C. on Combed Yarns, 94 p., o.p., 4/14/21).

Textiles—Cotton Growing Corporation.—See Foreign Trade.

Textiles—Cotton Merchandising (Senate).—Investigating abuses in handling consigned cotton (S. Res. 252, 68th, 6/7/24), the Commission made recommendations designed to correct or alleviate existing conditions (Cotton Merchandising Practices, S. Doc. 194, 68th, 38 p., o.p., 1/20/25).

Textiles—Cotton Trade (Senate).—Investigation (S. Res. 262, 67th, 3/29/22) involved a decline in cotton prices, 1920-22, as reported in Preliminary Report of the F.T.C. on the Cotton Trade (S. Doc. 311, 67th, 28 p., o.p., 2/26/23). After a second inquiry (S. Res. 429, 67th, 1/31/23), the Commission recommended certain reforms in trading practices and particularly in permitting Southern delivery of cotton on New York futures contracts (The Cotton Trade, incl. testimony, S. Doc. 100, 68th, 2 vols., 510 p., o.p., 4/28/24). A subsequent Senate bill (S. 4411, 70th, 5/18/28) provided for Southern warehouse delivery, but, before any law was enacted, the New York Cotton Exchange adopted Southern delivery on New York futures contracts (11/16/28 and 2/26/30) in accordance with the Commission's recommendations.

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.

Tires (F.T.C.).—This report analyzes structural and behavioral aspects of the automotive tire industry, with emphasis on recent mergers and acquisitions. Since 1961, a

series of acquisitions of retail and wholesale tire distributors by leading tire manufacturers has taken place. In addition, three medium-sized tire producers have themselves been acquired in recent years by their larger competitors. The report examines these mergers and their possible effects on future competition in the industry. It also reviews trends in overall concentration and patterns of distribution, pricing and profit behavior, and conditions of entry. (Economic Report on the Manufacture and Distribution of Automotive Tires, 117 p., March 1966.)

Tobacco (Senate).—Inquiry (S. Res. 329, 2/9/25) into activities of two well-known companies disclosed that alleged illegal agreements or conspiracies did not appear to exist. (The American Tobacco Co. and the Imperial Tobacco Co., S. Doc. 34., 69th, 129 p., o.p., 12/25/25).

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Wartime Costs and Profits

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 manufacturer 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 inquiries 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

by conducted

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Food—Retailing (National Commission on Food Marketing).—The report is based on information contained in the Commission's files, in public sources, and in special tabulations prepared by the Bureau of the Census.

Chapters II, III, IV, and V deal primarily with various aspects of industry structure: concentration, vertical integration and conglomeration. These chapters also provide information on various factors affecting the condition of new entry in retailing. Chapters VI, VII, VIII, and IX deal with various aspects of market conduct; competitive tactics of conglomerate firms, merger activity, discriminatory pricing, and the use of trading stamps in food retailing. Chapter X deals with industrial performance as measured by economic efficiency, marketing costs and margins, and profits. Chapter XI discusses the future structure of food retailing, particularly as influenced by factors affecting the survival of existing firms and the ease with which new retailers may enter food retailing. (Report on Food Retailing: Market Structure and Competitive Behavior, 516 p., 1966; for the National Commission on Food Marketing.)

Frozen Concentrated Orange Juice Processing (Special Assistant to President on Consumer Affairs).—This report evaluates the post-freeze industry pricing in light of the structure setting and performance history of the industry as well as against an analysis of the demand and supply conditions faced by the industry. It is divided into four parts: (1) The origin, development and organization of the Florida citrus industry; (2) the competitive structure of the frozen concentrated orange juice processing industry; (3) the price and profit behavior of the processing industry; and (4) the pattern of retail margins. (The Competitive Structure and Behavior of the Frozen Concentrated Orange Juice Processing Industry with Special Reference to Price Increases Following Major Freezes in 1957 and 1962, 67 p., August 1964, prepared at request of Esther Peterson, Special Assistant to President on Consumer Affairs.)

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

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

request the Commission surveyed the acquisition and use of foreign silver by such manufacturers to determine the degree of their compliance with Order M-199 and checked the receipt and use of both domestic and treasury silver. (Receipts from domestic sources) 30.24 million ounces in 1968 and 24.2 million ounces in 1969.

ment, Chromium, Processors of; Commercial Cooking and Food and Plate

tions covering aircraft manufacturers' cost records and operation, naval air station construction, materials purchased for use on Government contracts, and industry expansion financing programs.

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

The following is a published investigation by the Commission for the use of other Government agencies:

Food-Manufacturing (National Commission on Food Marketing).—Examines trends in key structural and